

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**INTERIM BALANCE SHEET [UNAUDITED]**  
**AS AT 30 APRIL 2011**

		Unaudited 30 April 2011 (Rupees '000)	Audited 30 June 2010			Unaudited 30 April 2011 (Rupees '000)	Audited 30 June 2010
	Note				Note		
<b>SHARE CAPITAL AND RESERVES</b>				<b>NON CURRENT ASSETS</b>			
Share capital	4	43,009,284	43,009,284	Fixed assets			
Capital reserves	5	4,025,891	3,859,682	Property, plant and equipment	12	38,466,375	34,998,898
Unappropriated profit		143,811,453	110,523,520	Development and production assets - intangible	13	57,427,055	58,630,857
		190,846,628	157,392,486	Exploration and evaluation assets	14	9,007,468	9,551,394
						104,900,898	103,181,149
				Long term investments	15	3,478,103	3,231,435
				Long term loans and receivable	16	1,765,513	1,902,330
				Long term prepayments		164,111	118,937
						110,308,625	108,433,851
<b>NON CURRENT LIABILITIES</b>				<b>CURRENT ASSETS</b>			
Deferred taxation	6	20,054,920	21,499,184	Stores, spare parts and loose tools	17	14,318,467	14,527,278
Deferred employee benefits	7	2,955,254	2,699,773	Stock in trade		231,097	172,084
Provision for decommissioning cost	8	14,017,752	12,435,365	Trade debts	18	111,969,553	82,992,291
		37,027,926	36,634,322	Loans and advances	19	3,081,582	2,216,881
				Deposits and short term prepayments	20	667,240	616,641
				Interest accrued		155,813	17,031
				Other receivables	21	716,432	926,951
				Other financial assets	22	21,099,307	11,120,823
				Cash and bank balances	23	11,413,618	7,843,820
						163,653,109	120,433,800
						273,961,734	228,867,651
		273,961,734	228,867,651			273,961,734	228,867,651

**CONTINGENCIES AND COMMITMENTS 11**

The annexed notes 1 to 39 form an integral part of this financial information.

**Chief Executive**

**Director**

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**INTERIM PROFIT AND LOSS ACCOUNT [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

	Note	One month ended 30 April		Ten months ended 30 April	
		2011	2010	2011	2010
		(Rupees '000)		(Rupees '000)	
Sales - net	24	3,351,768	12,386,184	125,617,877	120,979,072
Royalty		147,181	(1,434,368)	(14,285,304)	(13,920,344)
Operating expenses	25	(7,257,945)	(3,053,338)	(26,968,388)	(19,091,355)
Transportation charges		(122,522)	(92,099)	(1,528,538)	(1,324,156)
		<u>(7,233,286)</u>	<u>(4,579,805)</u>	<u>(42,782,230)</u>	<u>(34,335,855)</u>
<b>Gross (loss)/profit</b>		<b>(3,881,518)</b>	<b>7,806,379</b>	<b>82,835,647</b>	<b>86,643,217</b>
Other income	26	352,938	79,013	1,871,866	2,388,476
Exploration and prospecting expenditure	27	(1,204,293)	(466,692)	(5,409,743)	(6,602,451)
General and administration expenses	28	(134,665)	(296,959)	(1,805,301)	(1,375,223)
Finance cost	29	(128,946)	(82,608)	(1,220,190)	(1,018,243)
Workers' profit participation fund		-	(352,133)	(3,816,909)	(4,004,314)
Share of profit in associate - net of taxation	15.1	<u>5,686</u>	<u>3,523</u>	<u>65,910</u>	<u>50,501</u>
<b>(Loss)/profit before taxation</b>		<b>(4,990,798)</b>	<b>6,690,523</b>	<b>72,521,280</b>	<b>76,081,963</b>
Taxation	30	<u>8,364,753</u>	<u>(1,669,635)</u>	<u>(19,712,959)</u>	<u>(28,451,696)</u>
<b>Profit for the period</b>		<b><u>3,373,955</u></b>	<b><u>5,020,888</u></b>	<b><u>52,808,321</u></b>	<b><u>47,630,267</u></b>
<b>Earnings per share - basic and diluted (Rupees)</b>	31	<b><u>0.78</u></b>	<b><u>1.17</u></b>	<b><u>12.28</u></b>	<b><u>11.07</u></b>

The annexed notes 1 to 39 form an integral part of this financial information.

**Chief Executive**

**Director**

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**INTERIM STATEMENT OF COMPREHENSIVE INCOME [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

	<b>One month ended 30 April</b>		<b>Ten months ended 30 April</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>(Rupees '000)</b>		<b>(Rupees '000)</b>	
Profit for the period	3,373,955	5,020,888	52,808,321	47,630,267
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<u>3,373,955</u>	<u>5,020,888</u>	<u>52,808,321</u>	<u>47,630,267</u>

The annexed notes 1 to 39 form an integral part of this financial information.

**Chief Executive**

**Director**

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**INTERIM CASH FLOW STATEMENT [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

	<b>Ten months ended 30 April</b>	
	<b>2011</b>	<b>2010</b>
<b>Note</b>	<b>(Rupees '000)</b>	
<b>Cash flows from operating activities</b>		
Profit before taxation	72,521,280	76,081,963
Adjustments for:		
Depreciation	3,019,589	2,697,873
Amortization of development and production assets	10,263,056	4,830,832
Impairment on development and production assets	800,668	-
Royalty	14,285,304	13,920,344
Workers' profit participation fund	3,816,909	4,004,314
Provision for employee benefits	1,583,034	1,002,191
Un-winding of discount on provision for decommissioning cost	1,213,184	1,010,582
Interest income	(1,791,164)	(1,168,372)
Un-realized gain on investments at fair value through profit or loss	(15,074)	(21,294)
Dividend income	(10,216)	(14,756)
Gain on disposal of property, plant and equipment	(27,734)	(57,453)
Effect of fair value adjustment of long term receivable	(11,334)	(20,314)
Provision for slow moving, obsolete and in transit stores	-	414,669
Reversal of provision for doubtful debts	(57,677)	-
Share of profit in associated company	(65,910)	(50,501)
Stores inventory written off	1,188	8,313
Provision for doubtful debts	-	82,808
	105,525,103	102,721,199
<b>Working capital changes</b>		
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	207,623	764,911
Stock in trade	(59,013)	(28,023)
Trade debts	(28,919,585)	(35,246,728)
Deposits and short term prepayments	(50,599)	(156,449)
Advances and other receivables	(795,360)	824,690
Decrease in current liabilities:		
Trade and other payables	(280,427)	(1,655,408)
<b>Cash generated from operations</b>	75,627,742	67,224,193
Royalty paid	(16,279,096)	(1,123,808)
Employee benefits paid	(2,052,998)	(1,015,189)
Received from workers' profit participation fund	289,329	490,636
Income taxes paid	(16,986,845)	(16,795,879)
	(35,029,610)	(18,444,240)
Net cash from operating activities	40,598,132	48,779,953
<b>Cash flows from investing activities</b>		
Capital expenditure	(14,711,233)	(18,698,947)
Interest received	1,697,183	1,094,033
Dividend received	44,658	52,976
Purchase of investments	(260,000)	(201,969)
Proceeds from disposal of property, plant and equipment	30,552	61,022
Long term prepayments	(45,174)	(36,006)
Net cash used in investing activities	(13,244,014)	(17,728,891)
<b>Cash flows from financing activities</b>		
Dividend paid	(13,820,910)	(21,700,768)
Net cash used in financing activities	(13,820,910)	(21,700,768)
<b>Net increase in cash and cash equivalents</b>	13,533,208	9,350,294
<b>Cash and cash equivalents at beginning of the period</b>	18,836,743	8,939,828
<b>Cash and cash equivalents at end of the period</b>	32,369,951	18,290,122

33

The annexed notes 1 to 39 form an integral part of this financial information.

**Chief Executive**

**Director**

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**INTERIM STATEMENT OF CHANGES IN EQUITY [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

	Share capital	Capital reserves		Unappropriated profit	Total equity
		Capital reserve	Self insurance		
(Rupees '000)					
Balance at 01 July 2009 - (Audited)	43,009,284	836,000	2,822,318	79,503,794	126,171,396
Transfer to self insurance reserve	-	-	167,867	(167,867)	-
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	47,630,267	47,630,267
Total comprehensive income for the period	-	-	-	47,630,267	47,630,267
<b>Transactions with owners, recorded directly in equity</b>					
Final dividend 2009: Rs 2.50 per share	-	-	-	(10,752,321)	(10,752,321)
First interim dividend 2010: Re 1.00 per share	-	-	-	(4,300,928)	(4,300,928)
Second interim dividend 2010: Rs 1.50 per share	-	-	-	(6,451,393)	(6,451,393)
Third interim dividend 2010: Rs 1.50 per share	-	-	-	(6,451,393)	(6,451,393)
Total distributions to owners	-	-	-	(27,956,035)	(27,956,035)
Balance at 30 April 2010 - (Unaudited)	<u>43,009,284</u>	<u>836,000</u>	<u>2,990,185</u>	<u>99,010,159</u>	<u>145,845,628</u>
Balance at 01 July 2010 - (Audited)	43,009,284	836,000	3,023,682	110,523,520	157,392,486
Transfer to self insurance reserve	-	-	166,209	(166,209)	-
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	52,808,321	52,808,321
Total comprehensive income for the period	-	-	-	52,808,321	52,808,321
<b>Transactions with owners, recorded directly in equity</b>					
Final dividend 2010: Rs 1.50 per share	-	-	-	(6,451,393)	(6,451,393)
First interim dividend 2011: Rs 1.50 per share	-	-	-	(6,451,393)	(6,451,393)
Second interim dividend 2011: Rs 1.50 per share	-	-	-	(6,451,393)	(6,451,393)
Total distributions to owners	-	-	-	(19,354,179)	(19,354,179)
Balance at 30 April 2011 - (Unaudited)	<u>43,009,284</u>	<u>836,000</u>	<u>3,189,891</u>	<u>143,811,453</u>	<u>190,846,628</u>

The annexed notes 1 to 39 form an integral part of this financial information.

Chief Executive

Director

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

**1 LEGAL STATUS AND OPERATIONS**

Oil and Gas Development Company Limited (OGDCL), "the Company", was incorporated on 23 October 1997 under the Companies Ordinance, 1984. The registered office of the Company is located at OGDCL House, Plot No. 3, F-6/G-6, Blue Area, Islamabad, Pakistan. The 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 Company is listed on all the three stock exchanges of Pakistan and its Global Depository Shares (IGDS = 10 ordinary shares of the Company) are listed on the London Stock Exchange.

**2 BASIS OF PREPARATION**

This interim financial information has been prepared specifically for inclusion in the Offering Circular relating to issue of Exchangeable Bonds by the Government of Pakistan (GoP) in accordance with regulation 'S' of the U.S. Securities Act, 1933, as amended.

**2.1 STATEMENT OF COMPLIANCE**

This interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards as applicable in Pakistan for interim financial reporting comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provision and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provision or directives of the Companies Ordinance, 1984, shall prevail.

Comparative balance sheet is extracted from annual audited financial statements of the Company as of 30 June 2010 whereas comparative figures of interim profit and loss account, interim statement of comprehensive income, interim cash flow statement and interim statement of changes in equity are extracted from unaudited interim financial information for the ten months ended 30 April 2010.

This interim financial information should be read in conjunction with annual audited financial statements for the year ended 30 June 2010.

**2.2 BASIS OF MEASUREMENT**

This interim financial information has been prepared on the historical cost basis except for the following material items in the interim balance sheet;

- obligation under certain employee benefits, long term receivables and provision for decommissioning cost have been measured at present value; and
- investments at fair value through profit or loss have been measured at fair value;

The methods used to measure fair values are discussed further in their respective policy notes.

**2.3 FUNCTIONAL AND PRESENTATION CURRENCY**

This interim financial information is presented in Pakistan Rupee (PKR) which is the Company's functional currency. All financial information presented in PKR has been rounded off to the nearest thousand, unless otherwise stated.

**2.4 SIGNIFICANT ESTIMATES**

The preparation of interim financial information in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and any future periods affected.

Judgments made by the management in the application of approved accounting standards that have significant effect on the interim financial information and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

**2.4.1 Property, plant and equipment**

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

**2.4.2 Exploration and evaluation expenditure**

The Company's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalized for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalized the expenditure under the policy, a judgment is made that recovery of the expenditure is unlikely, the relevant capitalized amount is written off to the profit and loss account.

**2.4.3 Development and production expenditure**

Development and production activities commence after project sanctioning by the appropriate level of management. Judgment is applied by the management in determining when a project is economically viable. In exercising this judgment, management is required to make certain estimates and assumptions similar to those described above for capitalized exploration and evaluation expenditure. Any such estimates and assumptions may change as new information becomes available. If, after having commenced development activity, a judgment is made that a development and production asset is impaired, the appropriate amount is written off to the profit and loss account.

**2.4.4 Estimation of oil and natural gas reserves**

Oil and gas reserves are an important element in impairment testing for development and production assets of the Company. Estimates of oil and natural gas reserves are inherently imprecise, require the application of judgment and are subject to future revision. Proved reserves are estimated with reference to available reservoir and well information, including production and pressure trends for producing reservoirs and, in some cases, subject to definitional limits, to similar data from other producing reservoirs. All proved reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans.

Changes to the estimates of proved developed reserves, affect the amount of amortization recorded in the financial statements for fixed assets related to hydrocarbon production activities.

During the period, the Company revised its estimates of reserves based on report from independent consultant hired for this purpose. The change has been accounted for prospectively, in accordance with the requirements of IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors".

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

Following line items would have been affected had there been no change in estimates:

	<b>Rupees in million</b>
Amortization charge would have been lower by	2,940
Development and production assets would have been higher by	2,940
Deferred tax liability and deferred tax expense would have been lower by	880
Total comprehensive income for the period would have been higher by	3,820

**2.4.5 Provision for decommissioning cost**

Provision is recognized for the future decommissioning and restoration cost of oil and gas wells, production facilities and pipelines at the end of their economic lives. The timing of recognition requires the application of judgment to existing facts and circumstances, which can be subject to change. Estimates of the amount of provision recognized are based on current legal and constructive requirements, technology and price levels. Provision is based on the best estimates, however, the actual outflows can differ from estimated cash outflows due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amount of provision is reviewed and adjusted to take account of such changes.

**2.4.6 Employee benefits**

Defined benefits plans are provided for permanent employees of the Company. The plans are structured as separate legal entities managed by trustees except post retirement medical benefits and accumulating compensated absences plan for which deferred liability is recognized in the Company's interim financial information. These calculations require assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and pension benefit levels, medical benefit rate, the expected long term return on plan assets and the discount rate used to convert future cash flows to current values. The assumptions used vary for the different plans as they are determined by independent actuaries annually.

The amount of the expected return on plan assets is calculated using the expected rate of return for the year and the market related value at the beginning of the year. Pension or service cost primarily represents the increase in actuarial present value of the obligation for benefits earned on employees service during the year and the interest on the obligation in respect of employee's service in previous years, net of the expected return on plan assets. Calculations are sensitive to changes in the underlying assumptions.

**2.4.7 Taxation**

The Company takes into account the current income tax laws and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

**2.4.8 Stores and spares**

The Company reviews the stores and spares for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores and spares with a corresponding affect on the provision.

**2.4.9 Provision against trade debts, advances and other receivables**

The Company reviews the recoverability of its trade debts, advances and other receivables to assess amount of bad debts and provision required there against on annual basis.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

**2.5 NEW ACCOUNTING STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE**

The following approved accounting standards, interpretations and amendments to approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial information other than certain additional disclosures.

IAS 1 (amendments) - Presentation of Financial Statements: (effective for annual periods beginning on or after 01 January 2011).

IAS 24 (revised definition of related parties) - Related Party Disclosures: (effective for annual periods beginning on or after 01 January 2011).

IAS 34-(amendments) - Interim Financial Reporting: (effective for annual periods beginning on or after 01 January 2011).

IFRS 7 (amendments ) - Disclosures - Transfer of Financial Assets (effective for annual periods beginning on or after 01 July 2011).

IAS 12 (amendments ) - Deferred Tax: Recovery of underlying assets: (effective for annual periods beginning on or after 01 July 2012).

IFRIC 13 (amendments ) - Customer Loyalty Programmes: (effective for annual periods beginning on or after 01 January 2011).

IFRIC 14 (IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction), amendment with respect to voluntary prepaid contributions is effective for annual periods beginning on or after 01 January 2011.

**2.5.1 Application of IFRS 2 - Share Based Payment**

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

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

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

The Scheme, developed in compliance with the stated GOP policy of empowerment of employees of State Owned Enterprises need to be accounted for by the covered entities, including the Company, under the provisions of the amended International Financial Reporting Standard to share based payment (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme the Securities and Exchange Commission of Pakistan on receiving representation from some of the entities covered under the schemes and after having consulted the Institute of Chartered Accountants of Pakistan vide their letter number CAIDTS/PS& TAC/2011-2036 dated 02 February 2011 has granted exemption to such entities from the application of IFRS2 to the Scheme vide SRO 587 (I)/2011 dated 07 June 2011.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

However, the exemption is subject to compliance with the requirement of IFRS regarding disclosure of such departure. The prescribed disclosure requirements shall be effective on accounts made on or after the period ending June 30, 2011. Accordingly, the above mentioned scheme has not been accounted for under the requirements of IFRS – 2 in the interim financial information of the company for the ten months period ended 30 April 2011

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in this financial information, and have been applied consistently by the Company.

**3.1 EMPLOYEE BENEFITS**

Salaries, wages and benefits are accrued in the period in which the associated services are rendered by employees of the Company. The accounting policy for pension, post retirement medical benefits and accumulating compensated absences is described below:

**3.1.1 Pension, post retirement medical benefits and accumulating compensated absences**

The Company operates an approved funded pension scheme under an independent trust for its permanent employees as a defined benefit plan.

The Company also provides post retirement medical benefits to its permanent employees and their families as a defined benefit plan.

The Company also has a policy whereby all its employees are eligible to encash accumulated leave balance at the time of retirement in case of officers and at the time of retirement or during the service in case of staff.

The Company makes contributions or record liability in respect of defined benefit plans on the basis of actuarial valuations, carried out annually by independent actuaries. The latest actuarial valuations were carried out as of 30 June 2010. The calculations of actuaries are based on the Projected Unit Credit Method, net of the assets guaranteeing the plan, if any, with the obligation increasing from year to year, in a manner that it is proportional to the length of service of the employees.

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year.

The expected return on plan assets, if any, is based on an assessment made at beginning of the year of long term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. Contributions to defined contribution plans are recognized in the profit and loss account in the period in which they become payable, fair value of the benefit plans is based on market price information and while actuarial gains/losses in excess of corridor limit (10% of the higher of fair value of plan assets and present value of obligation) are recognized over the average expected remaining working lives of the employees.

**3.2 TAXATION**

Taxation for the year comprises current and deferred tax. Taxation is recognized in the profit and loss account except to the extent that it relates to items recognized outside profit and loss account (whether in other comprehensive income or directly in equity), if any, in which case the tax amounts are recognized outside profit and loss account.

**3.2.1 Current**

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

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

**3.2.2 Deferred**

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the interim financial information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investment in jointly controlled entities to the extent that it is probable that they will not reverse in a foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the reporting date, adjusted for payments to GoP on account of royalty.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

**3.3 PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any except for freehold land and capital work in progress, which are stated at cost less impairment loss, if any. Cost in relation to property, plant and equipment comprises acquisition and other directly attributable costs and decommissioning cost as referred in the note 3.4.4 to the interim financial information. The cost of self constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use. Software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Depreciation is provided on straight line method at rates specified in note 12 to the interim financial information so as to write off the cost of property, plant and equipment over their estimated useful life. Depreciation on additions to property, plant and equipment is charged from the month in which property, plant and equipment is acquired or capitalized while no depreciation is charged for the month in which property, plant and equipment is disposed off.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss account as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within "other income" in profit or loss account.

Capital work in progress is stated at cost less accumulated impairment losses, if any, and is transferred to the respective item of property, plant and equipment when available for intended use.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

Impairment tests for property, plant and equipment are performed when there is an indication of impairment. At each year end, an assessment is made to determine whether there are any indications of impairment. The Company conducts annually an internal review of asset values which is used as a source of information to assess for any indications of impairment. External factors such as changes in expected future prices, costs and other market factors are also monitored to assess for indications of impairment. If any such indication exists, an estimate of the asset's recoverable amount is calculated being the higher of the fair value of the asset less cost to sell and the asset's value in use.

If the carrying amount of the asset exceeds its recoverable amount, the property, plant and equipment is impaired and an impairment loss is charged to the profit and loss account so as to reduce the carrying amount of the property, plant and equipment to its recoverable amount.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the property, plant and equipment in its present form and its eventual disposal. Value in use is determined by applying assumptions specific to the Company's continued use and does not take into account future development.

In testing for indications of impairment and performing impairment calculations, assets are considered as collective groups, referred to as cash generating units. Cash generating units are the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### **3.4 OIL AND GAS ASSETS**

The Company applies the "Successful efforts" method of accounting for Exploration and Evaluation (E&E) costs.

#### **3.4.1 Pre license costs**

Costs incurred prior to having obtained the legal rights to explore an area are charged directly to the profit and loss account as they are incurred.

#### **3.4.2 Exploration and evaluation assets**

Under the Successful efforts method of accounting, all property acquisitions, exploratory/evaluation drilling costs are initially capitalized as intangible E&E assets in well, field or specific exploration cost centers as appropriate, pending determination.

Costs directly associated with an exploratory well are capitalized as an intangible asset until the drilling of the well is completed and results have been evaluated. Major costs include employee benefits, material, chemical, fuel, well services and rig costs. All other exploration costs including cost of technical studies, seismic acquisition and data processing, geological and geophysical activities are charged against income as exploration and prospecting expenditure.

Tangible assets used in E&E activities, include the Company's vehicles, drilling rigs, seismic equipment and other property, plant and equipment used by the Company's exploration function and are classified as property, plant and equipment. However, to the extent that such a tangible asset is consumed in developing an intangible E&E asset, the amount reflecting that consumption is recorded as part of the cost of the intangible asset. Such intangible costs include directly attributable overheads, including the depreciation of property, plant and equipment utilized in E&E activities, together with the cost of other materials consumed during the exploration and evaluation phases.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

Intangible E&E assets relating to each exploration license/field are carried forward, until the existence or otherwise of commercial reserves have been determined subject to certain limitations including review for indications of impairment. If commercial reserves have been discovered, the carrying value after any impairment loss of the relevant E&E assets is then reclassified as development and production assets and if commercial reserves are not found, the capitalized costs are written off as dry and abandoned wells and charged to profit and loss account.

E&E assets are not amortized prior to the conclusion of appraisal activities.

**3.4.3 Development and production assets - intangible**

Development and production assets are accumulated on a field by field basis and represent the cost of developing the discovered commercial reserves and bringing them into production, together with the capitalized E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets as outlined in accounting policy 3.4.2 above. The cost of development and production assets also includes the cost of acquisitions of such assets, directly attributable overheads, and the cost of recognizing provisions for future site restoration and decommissioning.

Expenditure carried within each field is amortized from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the year to the estimated quantities of proved developed reserves at the end of the year plus the production during the year, on a field by field basis. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively. Amortization is charged to profit and loss account.

**3.4.4 Decommissioning cost**

The activities of the Company normally give rise to obligations for site restoration. Restoration activities may include facility decommissioning and dismantling, removal or treatment of waste materials, land rehabilitation, and site restoration.

Liabilities for decommissioning cost are recognized when the Company has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reliable estimate of that liability can be made. The Company makes provision in full for the decommissioning cost on the declaration of commercial discovery of the reserves, to fulfill the obligation of site restoration and rehabilitation. Where an obligation exists for a new facility, such as oil and natural gas production or transportation facilities, this will be on construction or installation. An obligation for decommissioning may also crystallize during the period of operation of a facility through a change in legislation or through a decision to terminate operations. The amount recognized is the estimated cost of decommissioning, discounted to its net present value and the expected outflow of economic resources to settle this obligation is up to next twenty four years. Decommissioning cost, as appropriate, relating to producing/shut-in fields and production facilities is capitalized to the cost of development and production assets and property, plant and equipment as the case may be. The recognized amount of decommissioning cost is subsequently amortized/depreciated as part of the capital cost of the development and production assets and property, plant and equipment.

While the provision is based on the best estimate of future costs and the economic life of the facilities and property, plant and equipment there is uncertainty regarding both the amount and timing of incurring these costs. Any change in the present value of the estimated expenditure is dealt with prospectively and reflected as an adjustment to the provision and a corresponding adjustment to property, plant and equipment and development and production assets. The unwinding of the discount on the decommissioning provision is recognized as finance cost in the profit and loss account.

**3.4.5 Impairment of oil and gas assets**

E&E assets are assessed for impairment when facts and circumstances indicate that carrying amount may exceed the recoverable amount of E&E assets. Such indicators include, the point at which a determination is made that as to whether or not commercial reserves exist, the period for which the Company has right to explore has expired or will expire in the near future and is not expected to be renewed, substantive expenditure on further exploration and evaluation activities is not planned or budgeted and any other event that may give rise to indication that E&E assets are impaired.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

Impairment test of development and production assets is also performed whenever events and circumstances arising during the development and production phase indicate that carrying amount of the development and production assets may exceed its recoverable amount. Such circumstances depend on the interaction of a number of variables, such as the recoverable quantities of hydrocarbons, the production profile of the hydrocarbons, the cost of the development of the infrastructure necessary to recover the hydrocarbons, the production costs, the contractual duration of the production field and the net selling price of the hydrocarbons produced.

The carrying value is compared against expected recoverable amount of the oil and gas assets, generally by reference to the future net cash flows expected to be derived from such assets. The cash generating unit applied for impairment test purpose is generally field by field basis, except that a number of fields may be grouped as a single cash generating unit where the cash flows of each field are inter dependent.

Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the profit and loss account, net of any depreciation that would have been charged since the impairment.

### **3.5 INVESTMENTS**

All purchases and sale of investments are recognized using settlement date accounting. Settlement date is the date on which investments are delivered to or by the Company. All investments are derecognized when the right to receive economic benefits from the investments has expired or has been transferred and the Company has transferred substantially all the risks and rewards of ownership.

#### **3.5.1 Investments in associate**

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associate have been incorporated in this interim financial information using the equity method of accounting. Under the equity method, investments in associates are carried in the balance sheet at cost as adjusted for post acquisition changes in the Company's share of net assets of the associate, less any impairment in the value of investment. Losses of an associate in excess of the Company's interest in that associate (which includes any long term interest that, in substance, form part of the Company's net investment in the associate) are recognized only to the extent that the Company has incurred legal or constructive obligation or made payment on behalf of the associate.

#### **3.5.2 Investments held to maturity**

Investments with fixed or determinable payments and fixed maturity and where the Company has positive intent and ability to hold investments to maturity are classified as investments held to maturity. These are initially recognized at cost inclusive of transaction costs and are subsequently carried at amortized cost using the effective interest rate method, less any impairment losses.

#### **3.5.3 Investments at fair value through profit or loss**

An investment is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's investment strategy. All investments classified as investments at fair value through profit or loss are initially measured at cost being fair value of consideration given. At subsequent dates these investments are measured at fair value, determined on the basis of prevailing market prices, with any resulting gain or loss recognized directly in the profit and loss account.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

**3.6 STORES, SPARE PARTS AND LOOSE TOOLS**

Stores, spare parts and loose tools are valued at the lower of cost and net realizable value less allowance for slow moving, obsolete and in transit items. Cost is determined on the moving average basis and comprises cost of purchases and other costs incurred in bringing the inventories to their present location and condition. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

Materials in transit are stated at cost comprising invoice value and other charges paid thereon.

**3.7 STOCK IN TRADE**

Stock in trade is valued at the lower of production cost and net realizable value. Net realizable value signifies the estimated selling price in the ordinary course of business less net estimated cost of production and selling expenses.

**3.8 INTANGIBLES**

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company and that the cost of such asset can also be measured reliably. Intangible assets having definite useful life are stated at cost less accumulated amortization and are amortized based on the pattern in which the assets' economic benefits are consumed. Intangible assets which have indefinite useful life are not amortized and tested for impairment, if any.

**3.9 REVENUE RECOGNITION**

Revenue from sale of goods is recognized when significant risks and rewards of ownership are transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

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

Revenue from services is recognized on rendering of services to customers and is measured at the fair value of the consideration received or receivable

**3.10 FINANCE INCOME AND EXPENSE**

Finance income comprises interest income on funds invested, delayed payments from customers, dividend income, exchange gain and changes in the fair value of financial assets at fair value through profit or loss. Income on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return. Income on investments is recognized on time proportion basis taking into account the effective yield of such securities. The Company recognizes interest if any, on delayed payments from customers on receipt basis. Dividend income on equity investments is recognized when the right to receive the payment is established. Foreign currency gains and losses are reported on a net basis.

Finance cost comprise interest expense on borrowings (if any), unwinding of the discount on provisions and bank charges. Mark up, interest and other charges on borrowings are charged to income in the period in which they are incurred.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

**3.11 JOINT VENTURE**

The Company has certain contractual arrangements with other participants to engage in joint activities where all significant matters of operating and financial policies are determined by the participants such that the operation itself has no significant independence to pursue its own commercial strategy. These contractual arrangements do not create a joint venture entity and are accounted for as jointly controlled assets.

The Company accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other venturers, income from the sale, together with its share of expenses incurred by the joint venture and any expenses it incurs in relation to its interest in the joint venture on pro rate basis. The Company's share of assets, liabilities, revenues and expenses in joint venture operations are accounted for on the basis of latest available audited financial statements of the joint venture operations and where applicable, the cost statements received from the operator of the joint venture, for the intervening period up to the balance sheet date. The difference, if any, between the cost statements and audited financial statements is accounted for in the next accounting year.

**3.12 FOREIGN CURRENCIES**

Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated into PKR at the rate of exchange ruling on the balance sheet date and exchange differences, if any, are charged to income for the year.

**3.13 PROVISIONS**

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

**3.14 FINANCIAL INSTRUMENTS**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. These are derecognized when the Company ceases to be a party to the contractual provisions of the instrument.

Financial assets mainly comprise investments, loans, advances, deposits, trade debts, other receivables and cash and bank balances. Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities are trade and other payables.

All financial assets and liabilities are initially measured at fair value. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be.

**3.15 OFFSETTING**

Financial assets and liabilities and tax assets and liabilities are set off in the balance sheet, only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

**3.16 TRADE DEBTS AND OTHER RECEIVABLES**

Trade debts and other receivables are stated at original invoice amount as reduced by appropriate provision for impairment. Bad debts are written off when identified while debts considered doubtful of recovery are fully provided for. Provision for doubtful debts is charged to profit and loss account currently.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

**3.17 TRADE AND OTHER PAYABLES**

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

**3.18 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and at bank and includes short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

**3.19 DIVIDEND**

Dividend is recognized as a liability in the period in which it is declared.

**3.20 SELF INSURANCE SCHEME**

The Company is following a policy to set aside reserve for self insurance of rigs, wells, plants, pipelines, vehicles, workmen compensation, losses of petroleum products in transit and is keeping such reserve invested in specified investments.

**3.21 IMPAIRMENT**

**3.21.1 Non-financial assets**

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**3.21.2 Financial Assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

**4 SHARE CAPITAL**

**Authorized share capital**

			<b>Unaudited</b>	<b>Audited</b>
	<b>30 April</b>	<b>30 June</b>	<b>30 April</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>(Numbers)</b>		<b>(Rupees '000)</b>	
5,000,000,000	5,000,000,000	5,000,000,000	50,000,000	50,000,000
		Ordinary Shares of Rs 10 each issued for cash	<u>50,000,000</u>	<u>50,000,000</u>

**Issued, subscribed and paid up capital**

1,075,232,100	1,075,232,100	Ordinary Shares of Rs 10 each issued for consideration other than cash (note 4.1)	10,752,321	10,752,321
3,225,696,300	3,225,696,300	Ordinary Shares of Rs 10 each issued as fully paid bonus shares	32,256,963	32,256,963
<u>4,300,928,400</u>	<u>4,300,928,400</u>		<u>43,009,284</u>	<u>43,009,284</u>

- 4.1** In consideration for all the properties, rights, assets, obligations and liabilities of Oil and Gas Development Corporation (OGDC) vested in the Company, 1,075,232,100 ordinary fully paid shares of Rs 10 each were issued to GoP on 23 October 1997. Currently, the GoP holds 74.97% (30 June 2010: 74.82%) paid up capital of the Company.

**5 CAPITAL RESERVES**

			<b>Unaudited</b>	<b>Audited</b>
			<b>30 April</b>	<b>30 June</b>
			<b>2011</b>	<b>2010</b>
		<b>Note</b>	<b>(Rupees '000)</b>	
Capital reserve		5.1	836,000	836,000
Self insurance reserve		5.2	3,189,891	3,023,682
			<u>4,025,891</u>	<u>3,859,682</u>

- 5.1** This represents bonus shares issued by former wholly owned subsidiary- Pirkoh Gas Company (Private) Limited (PGCL) prior to merger.
- 5.2** The Company has set aside a specific capital reserve for self insurance of rigs, wells, plants, pipelines, workmen compensation, vehicle repair and losses for petroleum products in transit. Refer note 15.2 for investments against this reserve. Accordingly, the reserve is not available for distribution to share holders.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 April</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>(Rupees '000)</b>	
<b>6 DEFERRED TAXATION</b>		
The balance of deferred tax is in respect of following temporary differences:		
Accelerated depreciation on property, plant and equipment	3,510,456	6,378,894
Expenditure of exploration and evaluation, development and production assets	18,705,369	19,006,585
Provision for decommissioning cost	(1,614,977)	(3,348,310)
Long term receivable	(3,391)	(4,550)
Long term investment in associate	17,960	44,318
Provision for doubtful debts, claims and advances	(100,496)	(117,752)
Provision for slow moving and obsolete stores	(460,001)	(460,001)
	<u>20,054,920</u>	<u>21,499,184</u>

Deferred tax has been calculated at the current effective tax rate of 29.92% (2010: 29.92%) after taking into account depletion allowance and set offs, where available, in respect of royalty payment to the GoP. The effective tax rate is reviewed annually.

		<b>Unaudited</b>	<b>Audited</b>
		<b>30 April</b>	<b>30 June</b>
		<b>2011</b>	<b>2010</b>
		<b>(Rupees '000)</b>	
<b>7 DEFERRED EMPLOYEE BENEFITS</b>			
Post retirement medical benefits	7.1	1,925,318	1,580,886
Accumulating compensated absences	7.2	1,029,936	1,118,887
		<u>2,955,254</u>	<u>2,699,773</u>

**7.1 Post retirement medical benefits**

The amount recognized in the balance sheet is as follows:

Present value of defined benefit obligation	2,919,805	2,575,373
Un recognized actuarial loss	(994,487)	(994,487)
Net liability at end of the period/year	<u>1,925,318</u>	<u>1,580,886</u>

Movement in the present value of defined benefit obligation is as follows:

Present value of defined benefit obligation at beginning of the period/year	2,575,373	2,186,605
Current service cost	78,008	94,472
Interest cost	311,382	288,579
Benefits paid	(147,312)	(101,366)
Actuarial loss	102,354	107,083
Present value of defined benefit obligation at end of the period/year	<u>2,919,805</u>	<u>2,575,373</u>

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

Opening liability	1,580,886	1,187,744
Expense for the period/year	491,744	494,508
Benefits paid	(147,312)	(101,366)
Closing liability	<u>1,925,318</u>	<u>1,580,886</u>

Expense recognized in profit and loss account is as follows:

Current service cost	78,008	94,472
Interest cost	311,382	288,579
Net actuarial loss recognized	102,354	111,457
	<u>491,744</u>	<u>494,508</u>

The expense is recognized in the following line items in profit and loss account:

Operating expenses	248,808	249,267
General and administration expenses	67,360	68,586
Technical services	175,576	176,655
	<u>491,744</u>	<u>494,508</u>

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

	<b>Unaudited 30 April 2011</b>	<b>Audited 30 June 2010</b>
Significant actuarial assumptions used were as follows:		
Discount rate per annum	14%	14%
Medical inflation rate per annum	9%	9%
Inflation rate per annum	3%	3%
Mortality rate	61-66 years	61-66 years

Assumed medical cost trend rates have a significant effect on the amounts recognized in the profit and loss account. A one percent change in assumed medical cost trend rates would have the following effects;

	<b>2011 (Rupees '000)</b>	
	<b>1% increase</b>	<b>1% decrease</b>
Present value of medical obligation	3,073,383	2,319,134
Current service cost and interest cost	567,568	415,070

Comparison of present value of defined benefit obligation and experience adjustments of medical benefits is as follows:

	<b>30 April 2011</b>	<b>30 June 2010</b>	<b>30 June 2009</b>	<b>30 June 2008</b>	<b>30 June 2007</b>
	<b>(Rupees '000)</b>				
Present value of obligation	2,919,805	2,575,373	2,186,605	1,901,688	608,371
Actuarial loss on obligation	102,354	107,083	63,369	1,238,985	46,135

The expected medical expense for next twelve months is Rs 644.677 million.

	<b>Unaudited 30 April 2011</b>	<b>Audited 30 June 2010</b>
	<b>(Rupees '000)</b>	
<b>7.2 Accumulating compensated absences</b>		
Present value of defined benefit obligation	1,118,887	820,755
Charge for the period/year	266,668	555,508
Payment made during the period/year	(355,619)	(257,376)
Net liability at end of the period/year	<u>1,029,936</u>	<u>1,118,887</u>

The rates of discount and salary increase were assumed at 14% (2010: 14%) each per annum.

**8 PROVISION FOR DECOMMISSIONING COST**

Balance at beginning of the period/year		12,435,365	10,814,506
Provision made during the period/year		369,203	356,945
		<u>12,804,568</u>	<u>11,171,451</u>
Unwinding of discount on provision for decommissioning cost	29	1,213,184	1,263,914
Balance at end of the period/year		<u>14,017,752</u>	<u>12,435,365</u>

The above provision for decommissioning cost is analyzed as follows:

Development and production wells		8,466,963	8,109,239
Production facilities		1,107,523	1,096,044
Unwinding of discount on provision for decommissioning cost			
Development and production wells		3,937,066	2,868,721
Production facilities		506,200	361,361
		<u>4,443,266</u>	<u>3,230,082</u>
		<u>14,017,752</u>	<u>12,435,365</u>

	<b>30 April 2011</b>	<b>30 June 2010</b>
Significant assumptions used were as follows:		
Discount rate per annum	11.99%	11.99%
Inflation rate per annum	9.46%	9.46%

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

		<b>Unaudited</b>	<b>Audited</b>
		<b>30 April</b>	<b>30 June</b>
		<b>2011</b>	<b>2010</b>
		<b>(Rupees '000)</b>	
<b>9 TRADE AND OTHER PAYABLES</b>			
Creditors		396,100	206,904
Accrued liabilities		6,468,150	6,500,721
Royalty payable		14,025,129	16,018,921
Excise duty payable		196,581	92,490
General sales tax payable		1,093,276	888,994
Payable to joint venture partners		2,017,478	2,891,948
Retention money		427,965	374,746
Trade deposits		137,981	137,981
Employees' pension trust	9.1	-	-
Workers' profit participation fund - net	9.2	3,816,909	-
Un-paid dividend		6,530,840	997,631
Un-claimed dividend		119,357	119,297
Advances from customers		308,548	186,955
Other payables		161,849	207,616
		<u>35,700,163</u>	<u>28,624,204</u>

**9.1 Employees' pension trust**

The amount recognized in the balance sheet is as follows:

Present value of defined benefit obligation	19,945,816	17,529,400
Fair value of plan assets	<u>(15,066,515)</u>	<u>(12,845,226)</u>
Deficit of the fund	4,879,301	4,684,174
Unrecognized actuarial gain	<u>(4,879,301)</u>	<u>(4,684,174)</u>
Net liability at end of the period/year	<u>-</u>	<u>-</u>

The movement in the present value of defined benefit obligation is as follows:

Present value of defined benefit obligation at beginning of the period/year	17,529,400	12,293,631
Current service cost	574,231	592,713
Interest cost	2,125,489	1,851,204
Benefits paid	(632,261)	(454,045)
Actuarial loss	348,957	3,245,897
Present value of defined benefit obligation at end of the period/year	<u>19,945,816</u>	<u>17,529,400</u>

The movement in the fair value of plan assets is as follows:

Fair value of plan assets at beginning of the period/year	12,845,226	11,512,672
Expected return on plan assets	1,498,610	1,496,917
Contributions	1,550,067	947,000
Benefits paid	(632,261)	(454,045)
Actuarial loss	(195,127)	(657,318)
Fair value of plan assets at end of the period/year	<u>15,066,515</u>	<u>12,845,226</u>

The movement in liability recognized in the balance sheet is as follows:

Opening liability	-	-
Expense for the period/year	1,550,067	947,000
Payments to the fund during the period/year	<u>(1,550,067)</u>	<u>(947,000)</u>
Closing liability	<u>-</u>	<u>-</u>

Expense recognized in profit and loss account is as follows:

Current service cost	574,231	592,713
Interest cost	2,125,489	1,851,204
Expected return on plan assets	(1,498,610)	(1,496,917)
Actuarial loss recognized	348,957	-
	<u>1,550,067</u>	<u>947,000</u>

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

	<b>Unaudited 30 April 2011</b>	<b>Audited 30 June 2010</b>
	<b>(Rupees '000)</b>	
Plan assets comprise:		
Bonds	2,570,500	12,126,147
Equity	1,035,655	557,739
Term deposits Receipts (TDRs)	11,196,899	-
Cash and bank balances	263,461	161,340
	<u>15,066,515</u>	<u>12,845,226</u>

The expense is recognized in the following line items in profit and loss account:

Operating expenses	695,680	418,179
General and administration expenses	304,518	192,322
Technical services	549,869	336,499
	<u>1,550,067</u>	<u>947,000</u>
Actual return on plan assets	<u>792,466</u>	<u>839,599</u>

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The management's assessment of the expected returns is based exclusively on historical returns, without adjustments.

Comparison of present value of defined benefit obligation, fair value of plan assets and surplus or deficit of pension fund for five years is as follows:

	<b>30 April 2011</b>	<b>30 June 2010</b>	<b>30 June 2009</b>	<b>30 June 2008</b>	<b>30 June 2007</b>
	<b>(Rupees '000)</b>				
Present value of defined benefit obligation	19,945,816	17,529,400	12,293,631	11,262,067	9,320,649
Fair value of plan assets	(15,066,515)	(12,845,226)	(11,512,672)	(10,024,651)	(9,179,845)
Deficit	<u>4,879,301</u>	<u>4,684,174</u>	<u>780,959</u>	<u>1,237,416</u>	<u>140,804</u>
Experience adjustments on obligation	348,957	(3,245,897)	591,570	(851,946)	(790,131)
Experience adjustments on plan assets	(195,127)	(657,318)	(147,470)	(244,666)	(68,809)

Significant actuarial assumptions used were as follows:

	<b>2010</b>	<b>2009</b>
Discount rate per annum	14%	13%
Rate of increase in future compensation levels per annum	14%	13%
Expected rate of return on plan assets per annum	14%	13%
Indexation rate per annum	7%	6%

The Company expects to make a contribution of Rs 2,099.286 million (30 June 2010: 1,860.080 million) to the employees' pension trust during the next twelve months.

	<b>Unaudited 30 April 2011</b>	<b>Audited 30 June 2010</b>
	<b>(Rupees '000)</b>	
Receivable at beginning of the period/year	(289,329)	(468,801)
Prior year adjustment	-	(21,835)
	<u>(289,329)</u>	<u>(490,636)</u>
Received from fund during the period/year	289,329	490,636
Paid to the fund during the year	-	(4,950,000)
	<u>-</u>	<u>(4,950,000)</u>
Charge for the period/year	3,816,909	4,660,671
Payable/(receivable) at end of the period/year	<u>3,816,909</u>	<u>(289,329)</u>

**9.2 Workers' profit participation fund - net**

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

**Unaudited**      **Audited**  
**30 April**        **30 June**  
**2011**            **2010**  
**(Rupees '000)**

**10 PROVISION FOR TAXATION**

Tax payable at beginning of the period/year	6,216,639	2,540,170
Income tax paid during the period/year	(16,986,845)	(21,910,472)
Provision for current taxation - for the period/year	21,157,223	23,127,095
Provision for taxation - prior years	-	2,459,846
Tax payable at end of the period/year	10,387,017	6,216,639

**11 CONTINGENCIES AND COMMITMENTS**

**11.1 Contingencies**

**11.1.1** Claims against the Company not acknowledged as debts amounted to Rs 2,876.210 million at period end (year ended 30 June 2010: Rs 3,246.112 million).

**11.1.2** Certain banks have issued guarantees on behalf of the Company in ordinary course of business aggregating Rs 106.133 million (year ended 30 June 2010 : Rs 106.133 million), refer note 23.1 to the financial statements).

**11.1.3** The Company's share of associate contingencies based on the financial information of associate for the period ended 31 March 2011 (year ended 30 June 2010) are as follows;

- Indemnity bonds given to Collector of Customs against duty concessions on import of equipment and materials amounted to Rs 2.838 million (year ended 30 June 2010: Rs 6.492 million).

**11.2 Commitments**

**11.2.1** Commitments outstanding at period end amounted to Rs 11,527.140 million (year ended 30 June 2010: Rs 11,164.797 million). These include amounts aggregating to Rs 6,745.529 million (year ended 30 June 2010 : Rs 5,673.692 million) representing the Company's share in the minimum work commitments related to operated/non-operated concessions.

**11.2.2** Letters of credit issued by various banks on behalf of the Company in ordinary course of the business, outstanding at the period end amounted to Rs 1,331.277 million (year ended 30 June 2010 : Rs 3,662.399 million).

**11.2.3** The Company's share of associate commitments based on the financial information of associate for the period ended 31 March 2011 (year ended 30 June 2010: 30 June 2010) are as follows;

	<b>Unaudited</b>	<b>Audited</b>
	<b>31 March</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>(Rupees '000)</b>	
Capital expenditure:		
Share in joint ventures	182,323	687,465
Others	49,106	54,362
	231,429	741,827
Operating lease rentals due:		
Less than one year	2,926	3,929
More than one year but less than five years	4,680	6,300
	7,606	10,229
	239,035	752,056

OIL AND GAS DEVELOPMENT COMPANY LIMITED  
NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]  
FOR TEN MONTHS ENDED 30 APRIL 2011

12 PROPERTY, PLANT AND EQUIPMENT

(Rupees '000)

Description	Freehold land	Leasehold land	Buildings, offices and roads on freehold land	Buildings, offices and roads on leasehold land	Plant and machinery	Rigs	Pipelines	Office and domestic equipment	Office and technical data computers	Furniture and fixtures	Vehicles	Decommissioning cost	Capital works in progress (Note 12.3)	Stores held for capital expenditure	Total
<b>Cost</b>															
Balance as at 01 July 2009 - (Audited)	163,910	469,229	2,280,147	829,333	43,199,703	1,242,064	8,972,518	594,653	499,252	56,107	4,015,881	928,533	3,999,004	2,761,070	70,011,404
Additions during the year	20,973	28,505	228,959	19,969	3,078,393	144,995	287,615	27,235	21,543	31,384	495,868	167,510	5,059,595	1,642,362	11,254,906
Disposals / transfers during the year	-	-	-	-	(17,733)	(13,572)	-	(4,165)	(2,421)	-	(155,312)	-	(145,357)	(1,975,903)	(2,314,463)
Adjustments during the year	-	10,623	(632)	(10,623)	367	-	-	265	-	-	-	-	-	-	-
Balance as at 30 June 2010 - (Audited)	184,883	508,357	2,508,474	838,679	46,260,730	1,373,487	9,260,133	617,988	518,374	87,491	4,356,437	1,096,043	8,913,242	2,427,529	78,951,847
Balance as at 01 July 2010 - (Audited)	184,883	508,357	2,508,474	838,679	46,260,730	1,373,487	9,260,133	617,988	518,374	87,491	4,356,437	1,096,043	8,913,242	2,427,529	78,951,847
Additions during the period	47,554	-	82,999	1,883,156	2,505,703	169,528	205,738	20,802	18,547	2,466	145,013	11,479	2,139,931	1,577,742	8,810,658
Disposals / transfers during the period	-	-	-	-	(8,318)	(3,556)	-	(1,803)	(899)	(13)	(60,828)	-	(216,418)	(1,542,658)	(1,834,493)
Adjustments during the period	-	(9,112)	8,003	(1,611)	(5,007)	8,706	-	(980)	161	-	(160)	-	-	-	-
Balance as at 30 April 2011 - (Unaudited)	232,437	499,245	2,599,476	2,720,224	48,753,108	1,548,165	9,465,871	636,007	536,183	89,944	4,440,462	1,107,522	10,836,755	2,462,613	85,928,012
<b>Depreciation</b>															
Balance as at 01 July 2009 - (Audited)	-	167,194	775,447	547,131	28,616,993	707,079	5,235,043	396,889	405,548	31,885	2,529,197	384,542	-	358,490	40,155,438
Charge for the year	-	24,121	107,875	68,866	2,496,240	84,973	345,713	53,115	50,158	15,223	538,816	88,080	-	108,506	3,981,686
On disposals / transfers during the year	-	-	-	-	(15,710)	(11,956)	-	(3,993)	(2,403)	-	(150,113)	-	-	-	(184,175)
Adjustments during the year	-	(672)	612	-	(2,439,475)	-	2,439,437	98	-	-	-	-	-	-	-
Balance as at 30 June 2010 - (audited)	-	190,643	883,934	615,997	28,658,048	780,096	8,020,193	446,109	453,303	47,108	2,917,900	472,622	-	466,996	43,952,949
Balance as at 01 July 2010 - (Audited)	-	190,643	883,934	615,997	28,658,048	780,096	8,020,193	446,109	453,303	47,108	2,917,900	472,622	-	466,996	43,952,949
Charge for the period	-	10,604	116,431	45,242	2,430,002	79,373	233,141	42,003	36,698	9,348	431,304	75,250	-	71,656	3,581,052
On disposals during the period	-	-	-	-	(8,009)	(3,531)	-	(1,735)	(883)	(12)	(58,194)	-	-	-	(72,364)
Adjustments during the period	-	(606)	2,373	(1,964)	899	148	-	(759)	4	-	(95)	-	-	-	-
Balance as at 30 April 2011 - (Unaudited)	-	200,641	1,002,738	659,275	31,080,940	856,086	8,253,334	485,618	489,122	56,444	3,290,915	547,872	-	538,652	47,461,637
Carrying amount - 30 June 2010 - (Audited)	184,883	317,714	1,624,540	222,682	17,602,682	593,391	1,239,940	171,879	65,071	40,383	1,438,537	623,421	8,913,242	1,960,533	34,998,898
Carrying amount - 30 April 2011 - (Unaudited)	232,437	298,604	1,596,738	2,060,949	17,672,168	692,079	1,212,537	150,389	47,061	33,500	1,149,547	559,650	10,836,755	1,923,961	38,466,375
<b>Rates of depreciation (%)</b>	-	3.3~4	2.5~8	2.5~8	4~20	10	10	15	30	15	20	2.5~10	-	25	

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

**12.1** Cost and accumulated depreciation as at 30 April 2011 include Rs 23,456.187 million (30 June 2010 : Rs 21,789.009 million) and Rs 13,436.767 million (30 June 2010 : Rs 11,610.070 million) respectively being the Company's share in property, plant and equipment relating to joint ventures operated by other working interest owners.

	Note	Ten months ended 30 April	
		2011	2010
		(Rupees '000)	
<b>12.2 The depreciation charge has been allocated to:</b>			
Operating expenses	25	2,915,866	2,595,121
General and administration expenses	28	103,723	102,752
Technical services		561,463	544,511
		<u>3,581,052</u>	<u>3,242,384</u>
		<b>Unaudited</b>	<b>Audited</b>
		<b>30 April</b>	<b>30 June</b>
		<b>2011</b>	<b>2010</b>
		(Rupees '000)	

**12.3 Capital works in progress**

Production facilities and other civil works in progress:

Wholly owned

Joint ventures

3,217,198	2,498,361
7,420,731	6,212,120
10,637,929	8,710,481

Construction cost of field offices and various bases/offices owned by the Company

198,826	202,761
<u>10,836,755</u>	<u>8,913,242</u>

**12.4 Details of property, plant and equipment sold:**

Vehicles sold to following retiring employees as per Company's policy:

Mr. Khalid Jamil Khan

Mr. Saifullah Turk

Mr. Khurshid A Hashmi

Mr. Syed Amjad Ali

Mr. Attu Ram Punjabi

Mr. Muhammad Ashraf Najmi

Mr. Khurshid Ahmed

Mr. Arshad Hussain Rizvi

Mr. Aftab Hussain

Mr. Kaleem Ullah Khan

Mr. Nadeem Anwar

Mr. Naseer Ahmed Kasi

Mr. Syed Hasnain Jaffery

Mr. Qazi M Shakeel Ahmed

Mr. Muhammad Basharat

Mr. Iftikhar Hussain Shah

Mr. Mubasher ud Din

	Cost	Book value	Sale proceeds
		(Rupees)	
	1,360,000	235,567	235,567
	559,244	189,427	189,427
	559,244	291,287	291,287
	555,000	1,000	1,000
	555,000	1,000	1,000
	555,000	1,000	1,000
	555,000	1,000	1,000
	555,000	1,000	1,000
	969,000	161,184	161,184
	969,000	164,367	164,367
	551,667	144,324	144,324
	556,667	148,061	148,061
	969,000	57,224	57,224
	555,000	125,460	125,460
	1,198,974	669,240	669,240
	555,000	162,495	162,495
	559,244	217,262	217,262
	12,137,040	2,570,898	2,570,898
	60,736,910	246,558	27,981,000
<b>30 April 2011 - (Unaudited)</b>	<u>72,873,950</u>	<u>2,817,456</u>	<u>30,551,898</u>
<b>30 June 2010 - (Audited)</b>	<u>190,293,264</u>	<u>9,019,569</u>	<u>84,106,017</u>

Aggregate of other items of property, plant and equipment with individual book value not exceeding Rs 50,000, sold through public auction.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

**13 DEVELOPMENT AND PRODUCTION ASSETS - Intangible**

Description	(Rupees '000)							Total
	Producing fields		Shut-in fields		Wells in progress (Note 13.1)	Sub total	Decommissioning cost	
	Wholly owned	Joint ventures	Wholly owned	Joint ventures				
<b>Cost</b>								
Balance as at 01 July 2009 - (Audited)	30,917,881	29,721,587	4,562,603	7,332,131	5,822,024	78,356,226	7,919,805	86,276,031
Additions during the year	-	-	-	-	12,563,074	12,563,074	189,434	12,752,508
Transfer from exploration and evaluation assets	(281,437)	2,038,191	285,974	1,234,923	-	3,277,651	-	3,277,651
Transfers in/(out) during the year	4,052,256	3,896,173	763,941	118	(8,712,488)	-	-	-
<b>Balance as at 30 June 2010 - (Audited)</b>	<b>34,688,700</b>	<b>35,655,951</b>	<b>5,612,518</b>	<b>8,567,172</b>	<b>9,672,610</b>	<b>94,196,951</b>	<b>8,109,239</b>	<b>102,306,190</b>
Balance as at 01 July 2010 - (Audited)	34,688,700	35,655,951	5,612,518	8,567,172	9,672,610	94,196,951	8,109,239	102,306,190
Additions during the period	-	-	-	-	9,113,358	9,113,358	357,724	9,471,082
Transfer from exploration and evaluation assets	1,147	346,497	237	40,959	-	388,840	-	388,840
Transfers in/(out) during the period	7,255,105	7,193,941	25,978	443,826	(14,918,850)	-	-	-
<b>Balance as at 30 April 2011 -(Unaudited)</b>	<b>41,944,952</b>	<b>43,196,389</b>	<b>5,638,733</b>	<b>9,051,957</b>	<b>3,867,118</b>	<b>103,699,149</b>	<b>8,466,963</b>	<b>112,166,112</b>
<b>Amortization</b>								
Balance as at 01 July 2009 - (Audited)	18,286,804	14,345,000	377,603	141,994	-	33,151,401	4,066,864	37,218,265
Charge for the year	2,857,574	3,148,317	-	-	-	6,005,891	451,177	6,457,068
<b>Balance as at 30 June 2010 - (Audited)</b>	<b>21,144,378</b>	<b>17,493,317</b>	<b>377,603</b>	<b>141,994</b>	<b>-</b>	<b>39,157,292</b>	<b>4,518,041</b>	<b>43,675,333</b>
Balance as at 01 July 2010 - (Audited)	21,144,378	17,493,317	377,603	141,994	-	39,157,292	4,518,041	43,675,333
Charge for the period	4,772,228	4,542,534	-	-	-	9,314,762	948,294	10,263,056
<b>Balance as at 30 April 2011 -(Unaudited)</b>	<b>25,916,606</b>	<b>22,035,851</b>	<b>377,603</b>	<b>141,994</b>	<b>-</b>	<b>48,472,054</b>	<b>5,466,335</b>	<b>53,938,389</b>
<b>Impairment</b>								
Balance as at 01 July 2010	-	-	-	-	-	-	-	-
Charge for the period	-	-	703,589	-	-	703,589	97,079	800,668
<b>Balance as at 30 April 2011- (Unaudited)</b>	<b>-</b>	<b>-</b>	<b>703,589</b>	<b>-</b>	<b>-</b>	<b>703,589</b>	<b>97,079</b>	<b>800,668</b>
Carrying amounts - 30 June 2010 - (Audited)	13,544,322	18,162,634	5,234,915	8,425,178	9,672,610	55,039,659	3,591,198	58,630,857
<b>Carrying amounts - 30 April 2011 -(Unaudited)</b>	<b>16,028,346</b>	<b>21,160,538</b>	<b>4,557,541</b>	<b>8,909,963</b>	<b>3,867,118</b>	<b>54,523,506</b>	<b>2,903,549</b>	<b>57,427,055</b>

**Unaudited**  
**30 April**  
**2011**

**Audited**  
**30 June**  
**2010**

(Rupees '000)

**13.1 Wells in progress**

Wholly owned	2,407,515	4,244,185
Joint ventures	1,459,603	5,428,425
	<b>3,867,118</b>	<b>9,672,610</b>

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

		Unaudited 30 April 2011	Audited 30 June 2010
	Note	(Rupees '000)	
<b>14 EXPLORATION AND EVALUATION ASSETS</b>			
Balance at beginning of the period/year		4,899,241	4,942,575
Additions during the period/year		4,106,560	7,769,503
		9,005,801	12,712,078
Cost of dry and abandoned wells during the period/year	27	(3,520,644)	(4,535,186)
Cost of wells transferred to development and production assets during the period/year		(388,840)	(3,277,651)
		(3,909,484)	(7,812,837)
		5,096,317	4,899,241
Stores held for exploration and evaluation activities	14.1	3,911,151	4,652,153
Balance at end of the period/year		<u>9,007,468</u>	<u>9,551,394</u>
<b>14.1 Stores held for exploration and evaluation activities</b>			
Balance at beginning of the period/year		4,652,153	3,837,124
Additions		124,608	1,862,158
Issuances		(865,610)	(1,047,129)
Balance at end of the period/year		<u>3,911,151</u>	<u>4,652,153</u>
<b>14.2 Liabilities, other assets and expenditure incurred on exploration and evaluation activities are:</b>			
Liabilities related to exploration and evaluation		<u>1,008,863</u>	<u>907,892</u>
Current assets related to exploration and evaluation		<u>109,794</u>	<u>340,610</u>
Exploration and prospecting expenditure		<u>5,409,743</u>	<u>7,902,370</u>
<b>15 LONG TERM INVESTMENTS</b>			
Investments in related party	15.1	253,103	221,634
Investments held to maturity	15.2	3,225,000	3,009,801
		<u>3,478,103</u>	<u>3,231,435</u>
<b>15.1 Investment in related party - associate, quoted</b>			
Mari Gas Company Limited (MGCL)			
Cost of investment (14,700,000 (30 June 2010: 14,700,000) fully paid ordinary shares of Rs 10 each)		73,500	73,500
Post acquisition profits brought forward		148,135	136,936
		221,635	210,436
Share of profit for the period/year - net of taxation		65,910	64,118
Dividend received		(34,442)	(52,920)
		31,468	11,198
		<u>253,103</u>	<u>221,634</u>

**2011**                      **2010**  
**(Rupees '000)**

Summarized financial information in respect of MGCL is set out below:

Total assets	24,055,049	22,627,082
Total liabilities	13,688,790	13,792,313
Total revenue for the period	4,807,415	3,772,158
Total distribution for the period	281,864	251,455

The latest available unaudited financial statements of MGCL are that of 31 March 2011. For the purpose of applying equity method of accounting, the assets, liabilities and results are based on unaudited financial information of MGCL for the nine months period ended 31 March 2011 (30 June 2010: 31 March 2010).

The Company has 20% (30 June 2010: 20%) holding in the associate. The fair value of the investment in associate as of the period end was Rs 1,556.73 million (30 June 2010: Rs 1,901.886 million).

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

	Note	Unaudited 30 April 2011 (Rupees '000)	Audited 30 June 2010
<b>15.2 Investments held to maturity</b>			
Term Deposit Receipts (TDRs)	15.2.1	<u>3,225,000</u>	<u>3,009,801</u>
		<u>3,225,000</u>	<u>3,009,801</u>

**15.2.1** These represent investments in local currency TDRs. Face value of these investments is Rs 3,225 million (30 June 2010: Rs 2,965 million) and carry effective interest rate of 13.06% (30 June 2010: 12.30% to 12.50%) per annum. These investments are due to mature within next 12 months, however, these have not been classified as current assets based on the management's intention to reinvest them in the like investments for a longer term. These investments are earmarked against capital reserve as explained in note 5 to this financial information.

	Note	Unaudited 30 April 2011 (Rupees '000)	Audited 30 June 2010
<b>16 LONG TERM LOANS AND RECEIVABLE</b>			
Long term loans - secured	16.1	1,765,513	1,824,164
Long term receivable - unsecured	16.2	-	78,166
		<u>1,765,513</u>	<u>1,902,330</u>
<b>16.1 Long term loans - secured</b>			
Considered good:			
Executives		549,651	614,179
Other employees		1,554,953	1,545,592
		<u>2,104,604</u>	<u>2,159,771</u>
Current portion shown under loans and advances	19	<u>(339,091)</u>	<u>(335,607)</u>
		<u>1,765,513</u>	<u>1,824,164</u>

**16.1.1** Movement of carrying amount of loans to executives and other employees:

	Balance as at 01 Jul 2010	Disbursement during the period	Adjustments during the period	Repayments during the period	Balance as at 30 April 2011
	(Rupees '000)				
Due from:					
Executives	614,179	2,430	35,761	102,719	549,651
Other employees	1,545,592	195,446	(35,761)	150,324	1,554,953
<b>2011 (Unaudited)</b>	<u>2,159,771</u>	<u>197,876</u>	<u>-</u>	<u>253,043</u>	<u>2,104,604</u>
<b>2010 (Audited)</b>	<u>1,891,083</u>	<u>521,153</u>	<u>-</u>	<u>252,465</u>	<u>2,159,771</u>

**16.1.2** The loans are granted to the employees of the Company in accordance with the Company's service rules. House building and conveyance loans are for maximum period of 15 and 5 years respectively. These loans are secured against the underlying assets. Included in these are loans of Rs 1,720.489 million (30 June 2010: Rs 1,715.922 million) which carry no interest. The balance amount carries an effective interest rate of 13.17% (30 June 2010: 13.65%) per annum. Interest free loans to employees have not been discounted as required by IAS 39 "Financial Instruments: Recognition and Measurement" as the amount involved is deemed immaterial.

The maximum amount due from executives at the end of any month during the period/year was Rs 549.651 million (30 June 2010: Rs 614.179 million).

	Note	Unaudited 30 April 2011 (Rupees '000)	Audited 30 June 2010
<b>16.2 Long term receivable - unsecured</b>			
Considered good		606,937	606,937
Effect of fair value adjustment		(3,874)	(15,208)
		<u>603,063</u>	<u>591,729</u>
Current portion shown under other receivables	21	<u>(603,063)</u>	<u>(513,563)</u>
		<u>-</u>	<u>78,166</u>

This represents receivable from Karachi Electric Supply Company Limited (KESC), as a result of inter corporate debt adjustment approved by the Government of Pakistan in February, 1999, pursuant to the Economic Coordination Committee of Cabinet (ECC) decision in February, 1999.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

The amount from KESC is receivable in 32 equal quarterly installments of Rs 46.688 million commencing from February 2004. KESC has not paid any installment due since December 2008 due to prevailing circular debt issue. The GoP has confirmed to the Company in writing that steps are being taken to resolve the issue of circular debt under a policy on priority. Management considers this amount to be fully recoverable. Therefore, no provision has been made in this interim financial information.

This receivable carries no interest and is repayable in eight years with two years grace period. In accordance with IAS 39 "Financial Instruments: Recognition and Measurement" this has been stated at present value using the discount rate of 7.5% per annum and the difference between the carrying amount and present value of expected future cash flows has been included in profit and loss account.

	<b>Unaudited 30 April 2011</b>	<b>Audited 30 June 2010</b>
	(Rupees '000)	
<b>17 STORES, SPARE PARTS AND LOOSE TOOLS</b>		
Stores, spare parts and loose tools	15,513,975	15,741,623
Stores and spare parts in transit	342,059	323,222
	<u>15,856,034</u>	<u>16,064,845</u>
Provision for slow moving, obsolete and in transit stores	(1,537,567)	(1,537,567)
	<u>14,318,467</u>	<u>14,527,278</u>
<b>18 TRADE DEBTS</b>		
Un-secured, considered good	111,969,553	82,992,291
Un-secured, considered doubtful	138,440	196,117
	<u>112,107,993</u>	<u>83,188,408</u>
Provision for doubtful debts	(138,440)	(196,117)
	<u>111,969,553</u>	<u>82,992,291</u>

**18.1** Trade debts include overdue amount of Rs 79,704 million (30 June 2010: Rs 58,159 million) receivable from oil refineries and gas companies. Considering slow settlement of these debts during the period due to circular debt issue, a committee under the chairmanship of Secretary Finance, GoP has been formed to review and settle the circular debt issue. The GoP has confirmed to the Company in writing that steps are being taken to resolve the issue of circular debt under a mechanism on priority. Management considers this amount to be fully recoverable. Therefore, no provision has been made in this interim financial information on account of circular debts outstanding. Subsequent to the balance sheet date until 03 June 2011, an amount of Rs 44,612 million has been received from oil refineries and gas companies out of overdue amount as of 30 April 2011.

	<b>Note</b>	<b>Unaudited 30 April 2011</b>	<b>Audited 30 June 2010</b>
		(Rupees '000)	
<b>19 LOANS AND ADVANCES</b>			
Advances considered good:			
Suppliers and contractors		669,513	1,075,191
Joint venture partners		1,214,169	786,525
Others		858,809	19,558
		<u>2,742,491</u>	<u>1,881,274</u>
Current portion of long term loans - secured	16.1	339,091	335,607
		<u>3,081,582</u>	<u>2,216,881</u>
Advances considered doubtful		187,033	187,033
		<u>3,268,615</u>	<u>2,403,914</u>
Provision for doubtful advances		(187,033)	(187,033)
		<u>3,081,582</u>	<u>2,216,881</u>
<b>20 DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Security deposits		14,016	10,601
Short term prepayments		653,224	606,040
		<u>667,240</u>	<u>616,641</u>

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

	Note	Unaudited 30 April 2011 (Rupees '000)	Audited 30 June 2010
<b>21 OTHER RECEIVABLES</b>			
Development surcharge		80,357	80,357
Current portion of long term receivable - unsecured	16.2	603,063	513,563
Claims receivable		26,036	9,219
Workers' profit participation fund		-	289,329
Others		6,976	34,483
		<u>716,432</u>	<u>926,951</u>
Claims considered doubtful		10,439	10,439
		<u>726,871</u>	<u>937,390</u>
Provision for doubtful claims		(10,439)	(10,439)
		<u><u>716,432</u></u>	<u><u>926,951</u></u>
<b>22 OTHER FINANCIAL ASSETS</b>			
Investments:			
At fair value through profit or loss - NIT units		142,974	127,900
Held to maturity	22.1	20,956,333	10,992,923
		<u>21,099,307</u>	<u>11,120,823</u>
<b>22.1</b>	This represents foreign currency TDRs amounting to USD 178.952 million, carrying interest rate ranging from 2.95% to 3.50% per annum and local currency TDRs amounting to Rs 6,055 million, carrying interest rate of 13.00%. The balance of 30 June 2010 represented foreign currency TDRs amounting to USD 128.437 million with interest rate ranging from 1.50% to 1.90% per annum.		
<b>23 CASH AND BANK BALANCES</b>			
Cash at bank:			
Deposit accounts	23.1	11,197,353	7,674,284
Current accounts		122,595	149,659
		11,319,948	7,823,943
Cash in hand		27,111	19,877
Cash in transit		66,559	-
		<u>11,413,618</u>	<u>7,843,820</u>
<b>23.1</b>	These deposit accounts carry interest rate of 0.05% to 12.00% (30 June 2010: 0.10% to 11.25%) per annum and include foreign currency deposits amounting to USD 1.744 million (30 June 2010: USD 11.587 million). Deposits amounting to Rs 106.133 million (30 June 2010: Rs 106.133 million) with banks were under lien to secure bank guarantees issued on behalf of the Company.		

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

	Note	One month ended 30 April		Ten months ended 30 April	
		2011	2010	2011	2010
		(Rupees '000)		(Rupees '000)	
<b>24 SALES - net</b>					
<b>Gross sales</b>					
Crude oil		11,846,694	5,724,507	68,888,663	57,337,483
Gas		7,536,919	7,466,013	78,112,504	64,846,426
Gasoline		-	-	-	4,304
Kerosene oil		-	9,446	47,045	96,827
High speed diesel oil		-	-	1,823	-
Naphtha		-	26,069	151,162	313,523
Liquefied petroleum gas		560,504	318,038	4,510,903	3,766,261
Sulphur		-	-	668,202	226,332
Other operating revenue	24.1	3,268	219	40,097	31,027
		<u>19,947,385</u>	<u>13,544,292</u>	<u>152,420,399</u>	<u>126,622,183</u>
Effect of price discount on crude oil-net of government levies	24.2	(15,239,388)	-	(15,239,388)	-
Effect of gas price revision-net of government levies	24.3 & 24.4	-	-	2,786,389	5,461,100
		<u>(15,239,388)</u>	<u>-</u>	<u>(12,452,999)</u>	<u>5,461,100</u>
<b>Government levies</b>					
Excise duty		(236,972)	(129,315)	(2,436,888)	(1,227,703)
Development surcharge		692	(1,929)	(6,638)	(20,781)
General sales tax		(1,119,949)	(1,026,864)	(11,815,788)	(9,855,727)
Discount on crude oil price		-	-	(90,209)	-
		<u>(1,356,229)</u>	<u>(1,158,108)</u>	<u>(14,349,523)</u>	<u>(11,104,211)</u>
		<u>3,351,768</u>	<u>12,386,184</u>	<u>125,617,877</u>	<u>120,979,072</u>
<b>24.1 Other operating revenue</b>					
Gas processing		3,268	219	40,097	31,027
		<u>3,268</u>	<u>219</u>	<u>40,097</u>	<u>31,027</u>

**24.2** Kunnar crude oil price was provisionally fixed by the Ministry of Petroleum and Natural Resources (MPNR) vide letter no. PL-NPA(4)2000-Kun dated 17 June 2002 on the basis of pricing formula of Badin-II (Revised) concession having no price discounts, subject to retrospective adjustment on finalization of Kunnar Crude Oil Sale Purchase Agreement ("the COSA"). As advised by the MPNR vide letter No.PL-Misc(6)/2005/Bobi dated 30 October 2008 the Kunnar COSA was submitted on the basis of aforementioned pricing formula. Later on, the MNPR advised that the Kunnar COSA may be resubmitted on the basis of Badin-I pricing formula which contains discounts and the Company was also advised vide MPNR letter No. PL-NPA(4)2009-Kunnar dated 30 April 2011, to revise invoices for the period starting January 2007. The Company is pursuing the matter with the concerned authorities to get the price without discount, however, being prudent the Company has decided to make an adjustment of Rs 15,239 million in this interim financial information. Also refer note 3.9.

**24.3** Bobi gas was provisionally invoiced on the basis of Daru Gas Pricing Agreement subject to retrospective adjustment. Oil and Gas Regulatory Authority (OGRA) notified the Bobi gas prices on 24 September 2010 w.e.f 01 January 2007. Based on the OGRA price notifications, an amount of Rs 2,786 million, relating to the period from 01 January 2007 to 30 June 2010 has been invoiced to the customer and accounted for in this interim financial information. Also refer note 3.9.

**24.4** Qadirpur gas price is linked with High Sulphur Fuel Oil (HSFO) prices in the international market. Qadirpur Gas Pricing Agreement contained discount levels defined upto HSFO price of US\$ 200/M.Ton. It also states that in case HSFO price exceeds said level, the parties will negotiate the discount for higher HSFO prices. During price notification period of July-December 2005, the HSFO prices started exceeding US\$ 200/M.Ton. The matter was taken up with the GoP in August 2005. As a result of negotiation with the Government, a discount table for HSFO prices above US\$ 200/M.Ton and upto US\$ 400/M.Ton was agreed in March 2009. Formal notification of revised discount table by the Government is still awaited.

Meanwhile, the Government issued a provisional discount table for HSFO prices upto US\$ 320/M.Ton and provisional price notification for the period from 01 July 2006 to 31 December 2007 was issued by OGRA. As no further notification was issued, the Company continued to raise invoices until 31 December 2009 under above referred notification. Subsequently, on 18 January 2010, OGRA issued provisional price notification for the period from 01 January 2008 to 31 December 2009 and on 18 February 2010 OGRA issued price notification for the period 01 January to 30 June 2010. Based on the aforesaid notifications, an amount of Rs 5,461 million, on account of prior period revenues, was invoiced to the customer and accounted for in the year 2010. Adjustment in revenue from July 2005 to April 2011 may be required upon final notification of the discount table and the wellhead prices, impact of which can not be determined at this stage.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

	Note	One month ended 30 April		Ten months ended 30 April	
		2011	2010	2011	2010
		(Rupees '000)		(Rupees '000)	
<b>25 OPERATING EXPENSES</b>					
Salaries, wages and benefits	25.1	423,371	762,053	4,325,153	4,184,375
Traveling and transportation		41,704	49,282	511,982	485,733
Repairs and maintenance		43,300	27,594	782,961	455,315
Stores and supplies consumed		146,322	117,930	1,014,977	861,398
Rent, fee and taxes		56,260	16,738	323,499	207,953
Insurance		36,128	35,220	350,291	303,158
Communication		3,283	1,640	27,493	20,391
Utilities		7,088	1,733	32,191	29,521
Land and crops compensation		7,953	1,920	149,627	165,760
Contract services		208,899	74,095	1,513,904	701,222
Joint venture expenses		107,266	262,468	1,435,731	1,795,170
Desalting, decanting and naphtha storage charges		3,593	5,033	64,314	71,226
Charges related to minimum supply of gas - liquidated damages		132,249	-	190,704	46,908
Welfare of locals at fields		19,540	43,503	105,407	408,009
Provision for slow moving, obsolete and in transit stores		-	414,669	-	414,669
Provision for doubtful debts		-	82,808	-	82,808
Stores inventory written off		-	(66)	1,188	8,313
Workover charges		139,300	63,190	1,084,313	413,588
Depreciation	12.2	309,856	262,124	2,915,866	2,595,121
Impairment on development and production assets		800,668	-	800,668	-
Amortization of development and production assets	13	4,728,374	763,056	10,263,056	4,830,832
Transfer from general and administration expenses	28	105,734	86,022	1,131,412	1,035,003
Miscellaneous		345	206	2,664	2,905
		<u>7,321,233</u>	<u>3,071,218</u>	<u>27,027,401</u>	<u>19,119,378</u>
Stock of crude oil and other products:					
Balance at beginning of the period		167,809	118,444	172,084	108,301
Balance at end of the period		(231,097)	(136,324)	(231,097)	(136,324)
		<u>7,257,945</u>	<u>3,053,338</u>	<u>26,968,388</u>	<u>19,091,355</u>

25.1 These include charge against employee retirement benefits of Rs 944.488 million (30 April 2010: Rs. 535.821 million).

	One month ended 30 April		Ten months ended 30 April		
	2011	2010	2011	2010	
		(Rupees '000)		(Rupees '000)	
<b>26 OTHER INCOME</b>					
<b>Income from financial assets</b>					
Interest income on:					
Investments and bank deposits		223,019	122,175	1,791,164	1,168,372
Delayed payments from customers		119,600	9,357	329,114	137,163
		<u>342,619</u>	<u>131,532</u>	<u>2,120,278</u>	<u>1,305,535</u>
Dividend income from NIT units		-	-	10,216	14,756
Un-realized (loss)/gain on investments at fair value through profit or loss		(499)	363	15,074	21,294
Effect of fair value adjustment of long term receivable		-	-	11,334	20,314
Exchange (loss)/gain - net		(41,293)	(71,605)	(493,670)	236,995
		<u>300,827</u>	<u>60,290</u>	<u>1,663,232</u>	<u>1,598,894</u>
<b>Income from non financial assets</b>					
Insurance claim received		-	-	-	5,875
Gain on disposal of property, plant and equipment		13,261	-	27,734	57,453
(Loss)/gain on disposal of stores, spare parts and loose tools		(14,585)	16,634	40,651	70,087
Others		53,435	2,089	140,249	656,167
		<u>52,111</u>	<u>18,723</u>	<u>208,634</u>	<u>789,582</u>
		<u>352,938</u>	<u>79,013</u>	<u>1,871,866</u>	<u>2,388,476</u>

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

	Note	One month ended 30 April		Ten months ended 30 April	
		2011	2010	2011	2010
		(Rupees '000)		(Rupees '000)	
<b>27 EXPLORATION AND PROSPECTING EXPENDITURE</b>					
Cost of dry and abandoned wells	14	1,015,915	81,136	3,520,644	4,059,353
Prospecting expenditure		188,378	385,556	1,889,099	2,543,098
		<u>1,204,293</u>	<u>466,692</u>	<u>5,409,743</u>	<u>6,602,451</u>
<b>28 GENERAL AND ADMINISTRATION EXPENSES</b>					
Salaries, wages and benefits	28.1	169,693	300,054	1,689,673	1,701,960
Traveling and transportation		20,115	22,471	202,947	184,370
Repairs and maintenance		2,811	20,602	104,437	127,519
Stores and supplies consumed		3,614	2,580	33,623	75,084
Rent, fee and taxes		(609)	5,616	39,632	37,496
Communication		2,720	2,123	28,687	39,369
Utilities		6,284	4,077	42,877	35,010
Training and scholarships		1,316	1,411	10,599	10,280
Legal services		3,965	5,406	23,080	30,264
Contract services		9,102	15,275	95,631	95,038
Auditors' remuneration		1,800	-	2,680	
Advertising		5,537	3,065	37,405	34,910
Joint venture expenses		47,449	47,804	439,233	464,463
Insurance		150	138	1,502	1,374
Donations	28.2	-	20	200,316	20
Unallocated expenses of technical services		21,592	-	517,511	24,006
Depreciation	12.2	10,334	10,044	103,723	102,752
Miscellaneous		1,167	183	8,105	7,001
		<u>307,040</u>	<u>440,869</u>	<u>3,581,661</u>	<u>2,970,916</u>
Allocation of expenses to:					
Operations	25	(105,734)	(86,022)	(1,131,412)	(1,035,003)
Technical services		(66,641)	(57,888)	(644,948)	(560,690)
		<u>(172,375)</u>	<u>(143,910)</u>	<u>(1,776,360)</u>	<u>(1,595,693)</u>
		<u>134,665</u>	<u>296,959</u>	<u>1,805,301</u>	<u>1,375,223</u>

**28.1** These include charge against employee retirement benefits of Rs 371.878 million (30 April 2010: Rs. 212.869 million).

**28.2** Donations do not include any amount paid to any person or organization in which a director or his spouse had any interest.

	Note	One month ended 30 April		Ten months ended 30 April	
		2011	2010	2011	2010
		(Rupees '000)		(Rupees '000)	
<b>29 FINANCE COST</b>					
Unwinding of discount on provision for decommissioning cost	8	128,492	81,817	1,213,184	1,010,582
Others		454	791	7,006	7,661
		<u>128,946</u>	<u>82,608</u>	<u>1,220,190</u>	<u>1,018,243</u>
<b>30 TAXATION</b>					
Provision for taxation:					
- for the period	10	(2,401,725)	1,091,747	21,157,223	22,566,626
- prior years	10	-	-	-	2,459,846
		<u>(2,401,725)</u>	<u>1,091,747</u>	<u>21,157,223</u>	<u>25,026,472</u>
Deferred	30.1	(5,963,028)	577,888	(1,444,264)	3,425,224
		<u>(8,364,753)</u>	<u>1,669,635</u>	<u>19,712,959</u>	<u>28,451,696</u>

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

**Ten months ended 30 April**  
**2011**                      **2010**  
**(Rupees '000)**

**30.1 Reconciliation of tax charge for the period/year :**

Accounting profit	<u>72,521,280</u>	<u>76,081,963</u>
Tax rate	<u>48.89%</u>	<u>51.99%</u>
Tax on accounting profit at applicable rate	35,455,654	39,555,012
Tax effect of royalty allowed for tax purposes	(12,614,742)	(6,285,586)
Tax effect of depletion and other allowances	(5,570,281)	(9,527,876)
Tax effect of amount not admissible for tax purposes	1,090,800	1,191,884
Tax effect of exempt income	(1,021)	(1,298)
Tax effect of income chargeable to tax at reduced corporate rate	(3,161)	(224,900)
Tax effect of litigious taxation issues	1,355,710	1,284,614
Tax effect of prior years	-	2,459,846
	<u>19,712,959</u>	<u>28,451,696</u>

**30.2** Various appeals in respect of assessment years 1992-93 to 2002-03, tax years 2003 to 2010 are pending at different appellate forums in the light of the order of the Commissioner of Inland Revenue (Appeals) and decision of the Adjudicator, appointed by both the Company as well as the Federal Board of Revenue (FBR) mainly on the issues of decommissioning cost and depletion allowance.

**One month ended 30 April**                      **Ten months ended 30 April**  
**2011**                      **2010**                      **2011**                      **2010**  
**(Rupees '000)**

**31 EARNINGS PER SHARE - BASIC AND DILUTED**

Profit for the period (Rupees '000)	<u>3,373,955</u>	<u>5,020,888</u>	<u>52,808,321</u>	<u>47,630,267</u>
Average number of shares outstanding during the period ('000)	<u>4,300,928</u>	<u>4,300,928</u>	<u>4,300,928</u>	<u>4,300,928</u>
Earnings per share - basic (Rupees)	<u>0.78</u>	<u>1.17</u>	<u>12.28</u>	<u>11.07</u>

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

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

**32 FINANCIAL INSTRUMENTS**

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout this interim financial information.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

**32.1 Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

The Company is exposed to credit risk from its operating and certain investing activities and the Company's credit risk exposures are categorized under the following headings:

**32.1.1 Counterparties**

The Company conducts transactions with the following major types of counterparties:

*Trade debts*

Trade debts are essentially due from oil refining companies, oil and gas marketing companies and power generation companies and the Company does not expect these companies to fail to meet their obligations. Majority of sales to the Company's customers are made on the basis of agreements approved by GoP.

Sale of crude oil and natural gas is at prices determined in accordance with the agreed pricing formula as approved by GoP under respective agreements. Prices of liquefied petroleum gas are determined by the Company subject to maximum of preceding months' average prices of Saudi Aramco. Sale of refined petroleum products is made at prices notified by OGRA.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade debts. This allowance is based on the management's assessment of a specific loss component that relates to individually significant exposures.

*Bank and investments*

The Company limits its exposure to credit risk by investing in liquid securities and maintaining bank accounts only with counterparties that have a credit rating of at least A1 and A. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

**32.1.2 Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<b>Unaudited 30 April 2011</b>	<b>Audited 30 June 2010</b>
	<b>(Rupees '000)</b>	
Long term investments	3,225,000	3,009,801
Long term loans and receivable	2,707,667	2,751,500
Trade debts	111,969,553	82,992,291
Loans and advances	1,214,169	786,525
Deposits	14,016	10,601
Other receivables	33,012	333,031
Interest accrued	155,813	17,031
Other financial assets	20,956,333	10,992,923
Bank balances	11,319,948	7,823,943
	<u>151,595,511</u>	<u>108,717,646</u>

The maximum exposure to credit risk for financial assets at the reporting date by type of customer was:

	<b>Unaudited 30 April 2011</b>	<b>Audited 30 June 2010</b>
	<b>(Rupees '000)</b>	
Oil refining companies	58,112,877	47,344,482
Oil and gas marketing companies	49,595,216	31,255,545
Power generation companies	3,857,752	4,038,517
Banks and financial institutions	35,657,094	21,843,698
Others	4,372,572	4,235,404
	<u>151,595,511</u>	<u>108,717,646</u>

The Company's most significant customers, an oil refining company and a gas marketing company, accounts for Rs 61,209 million of the trade debts carrying amount at 30 April 2011 (30 June 2010: Rs 41,502 million).

The maximum exposure to credit risk for trade debts at the reporting date by type of product was:

	<b>Unaudited 30 April 2011</b>	<b>Audited 30 June 2010</b>
	<b>(Rupees '000)</b>	
Crude oil	58,112,774	47,309,172
Gas	53,415,901	35,248,514
Kerosene oil	47,315	49,201
High speed diesel oil	1,909	-
Naphtha	103	35,310
Liquefied petroleum gas	290,436	288,974
Other operating revenue	101,115	61,120
	<u>111,969,553</u>	<u>82,992,291</u>

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

**32.1.3 Impairment losses**

The aging of trade debts at the reporting date was:

	Unaudited		Audited	
	30 April 2011		30 June 2010	
	Gross debts	Impaired	Gross debts	Impaired
	(Rupees '000)		(Rupees '000)	
Not past due	30,699,942	-	25,029,408	-
Past due 0-30 days	10,796,458	-	7,325,481	-
Past due 30-60 days	9,933,004	-	8,617,245	-
Past due 60-90 days	9,461,807	-	7,469,278	-
Over 90 days	51,216,782	(138,440)	34,746,996	(196,117)
	<u>112,107,993</u>	<u>(138,440)</u>	<u>83,188,408</u>	<u>(196,117)</u>

The movement in the allowance for impairment in respect of trade debts during the period/year was as follows:

	Unaudited	Audited
	30 April	30 June
	2011	2010
	(Rupees '000)	
Balance at beginning of the period/year	196,117	113,309
Provision (reversed)/made during the period/year	(57,677)	82,808
Balance at end of the period/year	<u>138,440</u>	<u>196,117</u>

As explained in note 18 to this financial information, the Company believes that no impairment allowance is necessary in respect of trade debts past due other than the amount provided. Trade debts are essentially due from oil refining companies, oil and gas marketing companies and power generation companies, the Company is actively pursuing for recovery of debts and the Company does not expect these companies to fail to meet their obligations.

The movement in the allowance for impairment in respect of loans, advances and other receivables during the period/year was as follows:

	Unaudited	Audited
	30 April	30 June
	2011	2010
	(Rupees '000)	
Balance at beginning of the period/year	197,472	196,422
Provision made during the period/year	-	1,050
Balance at end of the period/year	<u>197,472</u>	<u>197,472</u>

The allowance accounts in respect of trade receivables, loans and advances are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible, at that point the amount considered irrecoverable is written off against the financial asset directly.

**32.2 Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to close out market positions due to dynamic nature of the business. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

The maturity profile of the Company's financial liabilities based on the contractual amounts is as follows:

	Unaudited		Audited	
	30 April 2011		30 June 2010	
Trade and other payables	Carrying amount	Contractual cash flows	Carrying amount	Contractual cash flows
	(Rupees '000)		(Rupees '000)	
All the trade and other payables have maturity upto one year	16,259,720	16,259,720	11,436,844	11,436,844

### 32.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, equity price and crude oil price will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

#### 32.3.1 Foreign currency risk management

PKR is the functional currency of the Company and as a result currency exposure arise from transactions and balances in currencies other than PKR. The Company's potential currency exposure comprise;

- Transactional exposure in respect of non functional currency monetary items.
- Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below;

#### Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

#### Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure is incurred by the Company in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as a part of overall risk management strategy. The Company does not enter into forward exchange contracts.

#### Exposure to foreign currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts:

	Unaudited	Audited
	30 April	30 June
	2011	2010
	(USD '000)	
Trade debts	350,914	310,305
Investments held to maturity	178,952	128,437
Cash and bank balances	1,744	11,587
Trade and other payables	(3,046)	(2,963)
	<u>528,564</u>	<u>447,366</u>

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

Foreign currency commitments outstanding at year end are as follows:

	<b>Unaudited 30 April 2011</b>	<b>Audited 30 June 2010</b>
	(Rupees '000)	
Euro (€)	209,557	269,800
USD (\$)	3,024,218	2,659,998
GBP (£)	562,260	375,261
	<u>3,796,035</u>	<u>3,305,059</u>

The following significant exchange rates applied during the period/year:

	<b>Unaudited Average rate 30 April 2011 (Rupees)</b>	<b>Audited 30 June 2010 (Rupees)</b>	<b>Unaudited Reporting date 30 April 2011 (Rupees)</b>	<b>Audited mid spot rate 30 June 2010 (Rupees)</b>
<b>USD 1</b>	<u>84.73</u>	<u>83.38</u>	<u>83.27</u>	<u>85.59</u>

**Foreign currency sensitivity analysis**

A 10 percent strengthening of the PKR against the USD at 30 April 2011 would have decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 30 June 2010.

	<b>Unaudited 30 April 2011</b>	<b>Audited 30 June 2010</b>
	(Rupees '000)	
Profit and loss account	4,401,272	3,828,919

A 10 percent weakening of the PKR against the USD at 30 April 2011 would have had the equal but opposite effect on USD to the amounts shown above, on the basis that all other variables remain constant.

**32.3.2 Interest rate risk management**

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period. The Company adopts a policy to ensure that interest rate risk is minimized by investing in fixed rate investments like DSCs and TDRs while the Company has no borrowings.

**- Profile**

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	<b>Unaudited 30 April 2011</b>	<b>Audited 30 June 2010</b>	<b>Unaudited 30 April 2011</b>	<b>Audited 30 June 2010</b>
	%		(Rupees '000)	
<b>Fixed rate instruments</b>				
<b>Financial assets</b>				
Long term investments	13.06	12.30 to 12.50	3,225,000	3,009,801
Long term loans	13.17	13.65	388,682	443,849
Other financial assets	2.95 to 13.00	1.5 to 1.90	20,956,333	10,992,923
Cash and bank balances	0.05 to 12.00	0.10 to 11.25	11,197,353	7,674,284
			35,767,368	22,120,857
<b>Financial liabilities</b>			-	-
			<u>35,767,368</u>	<u>22,120,857</u>

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

**Fair value sensitivity analysis for fixed rate instruments**

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not have derivatives as hedging instruments recognized under fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

**32.3.3 Other market price risk**

The Company is following a policy to set aside reserve for self insurance of rigs, wells, plants, pipelines, vehicles, workmen compensation, losses of petroleum products in transit and is keeping such reserve invested in specified investments. The primary goal of the Company's investment strategy is to maximize investment returns on surplus funds. The Company's price risk arises from investments in NIT units which are designated at fair value through profit or loss, however, in accordance with the investment strategy the performance of NIT units is actively monitored and they are managed on a fair value basis.

**Sensitivity analysis of price risk**

A change of Rs 5 in the value of investments at fair value through profit and loss would have increased or decreased profit and loss by Rs 22.701 million (2010: Rs 22.701 million).

**Sensitivity analysis of crude oil price risk**

A change of USD 5 in average price of crude oil would increase or decrease profit by Rs 10,406 million (30 June 2010: Rs 5,710 million) on the basis that all other variables remain constant.

**32.4 Fair values**

All financial assets and financial liabilities are initially recognized at the fair value of consideration paid or received, net of transaction costs as appropriate, and subsequently carried at fair value or amortized cost, as indicated in the tables below.

The financial assets and liabilities are presented by class in the tables below at their carrying values, which generally approximate to the fair values.

**Financial assets and liabilities**

	Loans and receivables	Held at fair value through profit or loss	Other financial assets and liabilities at amortized cost	Total
30 April 2011 (Unaudited)	(Rupees '000)			
<b>Financial assets</b>				
Long term loans and receivable	2,104,604	-	603,063	2,707,667
Loans and advances	1,214,169	-	-	1,214,169
Deposits	10,601	-	-	10,601
Trade debts - net of provision	111,969,553	-	-	111,969,553
Other receivables	33,012	-	-	33,012
Cash and bank balances	-	-	11,413,618	11,413,618
Long term investments	-	-	3,225,000	3,225,000
Other financial assets	-	142,974	20,956,333	21,099,307
<b>Total financial assets</b>	115,331,939	142,974	36,198,014	151,672,927
<b>Non financial assets</b>				122,288,807
<b>Total assets</b>				<u>273,961,734</u>
<b>Financial liabilities</b>				
Trade and other payables	-	-	16,259,720	16,259,720
<b>Non financial liabilities</b>				66,855,386
<b>Total liabilities</b>				<u>83,115,106</u>

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

**Financial assets and liabilities**

<b>30 June 2010 (Audited)</b>	<b>Loans and receivables</b>	<b>Held at fair value through profit or loss</b>	<b>Other financial assets and liabilities at amortized cost</b>	<b>Total</b>
	<b>(Rupees '000)</b>			
<b>Financial assets</b>				
Long term loans and receivable	2,159,771	-	591,729	2,751,500
Loans and advances	786,525	-	-	786,525
Deposits	10,601	-	-	10,601
Trade debts - net of provision	82,992,291	-	-	82,992,291
Other receivables	333,031	-	-	309,951
Cash and bank balances	-	-	7,843,820	7,843,820
Long term investments	-	-	3,009,801	3,009,801
Other financial assets	-	127,900	10,992,923	11,120,823
<b>Total financial assets</b>	<b>86,282,219</b>	<b>127,900</b>	<b>22,438,273</b>	<b>108,825,312</b>
<b>Non financial assets</b>				<b>120,042,339</b>
<b>Total assets</b>				<b>228,867,651</b>
<b>Financial liabilities</b>				
Trade and other payables	-	-	11,436,844	11,436,844
<b>Non financial liabilities</b>				<b>60,038,321</b>
<b>Total liabilities</b>				<b>71,475,165</b>

The basis for determining fair values is as follows:

**Interest rates used for determining fair value**

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. Since the majority of the financial assets are fixed rate instruments, there is no significant difference in market rate and the rate of instrument, fair value significantly approximates to carrying value.

**Fair value hierarchy**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	<b>Rupees '000</b>		
<b>30 April 2011 (Unaudited)</b>			
<b>Assets carried at fair value</b>			
Investments at fair value through profit and loss account	142,974	-	-
<b>30 June 2010 (Audited)</b>			
<b>Assets carried at fair value</b>			
Investments at fair value through profit and loss account	127,900	-	-

**Determination of fair values**

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

**Investment in fair value through profit and loss account - held for trading**

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date.

**Investment in associate**

The fair value of investment in associate is determined by reference to their quoted closing bid price at the reporting date. The fair value is determined for disclosure purposes.

**Non - derivative financial assets**

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

**Non-derivative financial liabilities**

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

**32.5 Capital management**

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and/or issue new shares. There were no changes to Company's approach to capital management during the period/year and the Company is not subject to externally imposed capital requirement.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

	Note	Unaudited 30 April 2011 (Rupees '000)	Audited 30 June 2010
<b>33 CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	23	11,413,618	7,843,820
Short term highly liquid investments	22	20,956,333	10,992,923
		32,369,951	18,836,743
<b>34 NUMBER OF EMPLOYEES</b>			
Total number of employees at the end of the year was as follows:			
Regular		10,168	9,989
Contractual		485	375
		10,653	10,364

**35 RELATED PARTIES TRANSACTIONS**

Related parties comprise associated company, profit oriented state controlled entities, major shareholders, directors, companies with common directorship, key management personnel and employees pension trust. Transactions of the Company with related parties and balances outstanding at the period end, except for transactions with few state-controlled entities which are not material, hence not disclosed in these financial statements, are as follows:

	Ten months ended 30 April 2011	2010 (Rupees '000)
<b>Associated company</b>		
Share of profit in associate - net of taxation	65,910	50,501
<b>Major shareholders</b>		
<b>Government of Pakistan</b>		
Dividend paid	9,653,744	16,615,940
<b>OGDCL Employees' Empowerment Trust (OEEET)</b>		
Dividend paid	1,269,359	1,535,856
<b>Related parties by virtue of common directorship and GoP holdings</b>		
<b>Attock Refinery Limited</b>		
Sale of crude oil	32,574,950	35,116,602
Desalting charges paid	-	11,308
Trade debts as at 30 April	28,566,273	23,939,912
Trade payable as at 30 April	113,304	43,508
<b>Pakistan Refinery Limited</b>		
Sale of crude oil	6,076,541	6,427,093
Trade debts as at 30 April	7,371,077	7,969,556
<b>Government Holdings (Private) Limited (GHPL)</b>		
GHPL share (various fields)	45,917	52,959
Payable as at 30 April	1,059	70,620
<b>Pak Arab Refinery Company Limited</b>		
Sale of crude oil	6,639,293	4,423,181
Trade debts as at 30 April	7,824,773	3,032,880

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

	Note	Ten months ended 30 April	
		2011	2010
		(Rupees '000)	
<b>RELATED PARTY TRANSACTIONS- Continued</b>			
<b>Sui Northern Gas Pipelines Limited</b>			
Sale of natural gas		41,791,354	43,179,008
Purchase of high BTU value gas		1,895,753	1,871,682
Trade debts as at 30 April		16,902,773	17,745,242
Payable as at 30 April		259,056	-
<b>Sui Southern Gas Company Limited</b>			
Sale of natural gas		29,815,015	18,175,528
Pipeline rental charges		29,000	57,952
Trade debts as at 30 April		32,643,219	18,488,619
<b>Pakistan State Oil Company Limited</b>			
Sale of refined petroleum products		48,868	96,827
Sale of liquefied petroleum gas		-	25,424
Purchase of petroleum, oil and lubricants		2,269,665	2,194,075
Trade debts as at 30 April		49,020	45,072
Trade payable as at 30 April		5,789	98,120
<b>Packages Limited</b>			
Sale of sulphur		-	2,808
<b>National Insurance Company Limited</b>			
Insurance premium paid		531,655	825,170
<b>National Logistic Cell</b>			
Crude transportation charges paid		1,251,457	988,647
Payable as at 30 April		403,294	287,168
<b>Heavy Mechanical Complex</b>			
Purchase of stores and spares		60,214	26,670
<b>Water and Power Development Authority</b>			
Sale of natural gas		10,655	38,016
Receivable as at 30 April		4,023	28,688
<b>Enar Petrotech Services Limited</b>			
Consultancy services		423,999	131,578
Sale of crude oil		1,506,458	1,691,843
Trade debts as at 30 April		225,518	96,129
Payable as at 30 April		8,766	41,682
<b>Other related parties</b>			
Contribution to staff benefit funds		1,550,067	710,250
Remuneration including benefits and perquisites of key management personnel	35.1	118,522	127,797

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

**35.1 Key management personnel**

Key management personnel comprises chief executive, executive directors and general managers of the Company:

	<b>Ten months ended 30 April</b>	
	<b>2011</b>	<b>2010</b>
	<b>(Rupees '000)</b>	
Managerial remuneration	58,573	65,093
Housing and utilities	21,630	24,548
Other allowances and benefits	18,700	23,917
Medical benefits	531	647
Contribution to pension fund	19,088	13,592
	<u>118,522</u>	<u>127,797</u>
Number of persons	<u>23</u>	<u>23</u>

**35.2** The amounts of the trade debts outstanding are unsecured and will be settled in cash. No expense has been recognized in the current or prior years for bad or doubtful debts in respect of the amounts owed by related parties.

**36 REMUNERATION OF CHIEF EXECUTIVES, DIRECTORS AND EXECUTIVES**

The aggregate amount charged in these financial statements for the remuneration of the chief executives and executives was as follows:

	<b>30 April 2011</b>		<b>30 April 2010</b>	
	<b>Chief</b>		<b>Chief</b>	
	<b>Executive</b>	<b>Executives</b>	<b>Executive</b>	<b>Executives</b>
	<b>(Rupees '000)</b>			
Managerial remuneration	75	990,814	6,595	880,416
Housing and utilities	201	682,937	3,119	607,129
Other allowances and benefits	266	583,359	5,483	990,693
Medical benefits	-	118,383	116	114,145
Contribution to pension fund	-	323,307	-	181,923
	<u>542</u>	<u>2,698,800</u>	<u>15,313</u>	<u>2,774,306</u>
Number of persons including those who worked part of the period/year	1	1,163	2	1,089

- Executive means any employee whose basic salary exceeds Rs 500,000 (30 June 2010: Rs 500,000) per year.

- The above were provided with medical facilities and are eligible for employee benefits for which contributions are made based on actuarial valuations. The Chief executives and certain executives were provided with free use of Company's cars in accordance with their entitlement. Certain loans to executives are provided interest free loans, refer note 16.1.2 to the financial information.

- The aggregate amount charged in this financial information in respect of fee to 12 directors (30 June 2010: 15) was Rs 3,600,000 (30 June 2010: Rs 2,958,800).

**37 APPLICABILITY OF IFRIC 4 "DETERMINING WHETHER AN ARRANGEMENT CONTAINS A LEASE"**

International Accounting Standards Board (IASB) has issued IFRIC-4 "Determining whether an Arrangement contains a Lease", which is effective for financial periods beginning on or after 01 January 2006. According to the said interpretation an arrangement conveys the right to use the asset, if the arrangement conveys to the purchaser (lessee) the right to control the use of the underlying asset. The right to control the use of the underlying asset is conveyed when the purchaser has the ability or right to operate the asset or direct others to operate the asset in a manner it determines while obtaining or controlling more than an insignificant amount of the output or other utility of the asset. Such arrangements are to be accounted for as a lease in accordance with the requirements of IAS 17- "Leases".

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION [UNAUDITED]**  
**FOR TEN MONTHS ENDED 30 APRIL 2011**

The Company's production facilities at Uch field's control, due to purchase of total output by Uch Power Limited (UPL) an Independent Power Producer (IPP), appears to fall in the definition of lease. However, Securities and Exchange Commission of Pakistan (SECP) vide its circular No. 21 of 2009 has decided to defer the implementation of IFRIC 4 to all companies which have executed implementation agreements with the Government/Authority or entity, this relaxation would be available till the conclusion of their agreements, entered on or before 30 June 2010. However, impact of IFRIC-4 is mandatory to be disclosed in the financial statements as per requirements of IAS-8.

Had this interpretation been applied, following adjustments to profit and loss account and balance sheet would have been made:

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 April</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>(Rupees '000)</b>	
Profit for the period/year	52,808,321	59,177,125
Amortization reversed	179,682	55,124
Finance income recognized	2,900,220	3,174,773
Sales revenue reversed	(3,181,368)	(3,567,889)
Tax impact at estimated effective rate	30,359	101,127
Adjusted profit for the period/year	<u>52,737,214</u>	<u>58,940,260</u>
Carried forward balance of unappropriated profit at the end of period would have been as follows.		
Adjusted unappropriated profit brought forward	113,699,972	82,917,111
Adjusted profit for the period/year	<u>52,737,214</u>	<u>58,940,260</u>
	166,437,186	141,857,371
Transfer to capital reserve	(166,209)	(201,364)
Dividend paid	(19,354,179)	(27,956,035)
Adjusted unappropriated profit at end of period/year	<u>146,916,798</u>	<u>113,699,972</u>
Unadjusted profit	<u>143,811,453</u>	<u>110,523,520</u>

**38 DATE OF AUTHORIZATION FOR ISSUE**

This interim financial information was authorized for issue on 14 June 2011 by the Board of Directors of the Company.

**39 GENERAL**

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

**Chief Executive**

**Director**