

# Interim Report and Financial Information

For Nine Months Ended 31 March 2010

Exploring Potential.....



**OIL & GAS DEVELOPMENT COMPANY LIMITED**



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## Company Information

### Board of Directors

Mr. Farooq Rahmatullah	Chairman
Mr. Shah Mahboob Alam	Managing Director / CEO
Miss Shagufta Jumani	Director
Senator Mir Wali Muhammad Badini	Director
Mr. Ahmed Bakhsh Lehri	Director
Mr. Muhammad Ejaz Chaudhry	Director
Mr. Wasim A. Zuberi	Director
Mr. Tariq Faruque	Director
Dr. Kaiser Bengali	Director
Syed Masieh-ul-Islam	Director
Mr. Fahd Shaikh	Director

### Chief Financial Officer

Mr. Asif S. Sindhu

### Company Secretary

Mrs. Eram Ali Aziz

### Auditors

M/s KPMG Taseer Hadi & Co., Chartered Accountants  
M/s M. Yousuf Adil Saleem & Co., Chartered Accountants

### Legal Advisor

M/s Khokhar Law Chambers

### Tax Advisors

M/s Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants

### Registered Office

OGDCL House, Plot No 3, F-6/G-6, Blue Area, Jinnah Avenue, Islamabad.  
Tel: (PABX) (051) 9209811-8  
Fax: (051) 9209804-6, 9209708  
Email: [csec@ogdcl.com](mailto:csec@ogdcl.com)  
Website: [www.ogdcl.com](http://www.ogdcl.com)

### Registrar Office

Noble Computer Services (Pvt) Limited, Mezzanine Floor,  
House of Habib Building (Siddiqsons Tower), 3-Jinnah Cooperative Society,  
Main Shahrah-e-Faisal, Karachi-75350  
Tel: +92 21 4325482-87  
Fax: +92 21 4325442  
Email: [nctl@noble-computers.com](mailto:nctl@noble-computers.com)  
Website: [www.noblecomputers.com](http://www.noblecomputers.com)

## Directors' Interim Review

The Board of Directors of Oil & Gas Development Company Limited (OGDCL) has pleasure in presenting the un-audited financial statements together with a brief review of Company's operations for the third quarter and nine months ended 31 March 2010.

During the period under review, OGDCL's operational performance and financial results have been satisfactory. This is despite prevailing inter-corporate debt issues and development projects under litigation. Company's exploratory efforts resulted into six new Oil / Condensate and Gas discoveries in Guddu, Sinjhor, Nashpa, Dakhni and Tando Allah Yar concessions. On the basis of preliminary reserves estimates, these discoveries have added 12.22 million barrels (MMSTB) of Oil and 155.46 billion cubic feet (Bcf) of Gas to Company's reserves. Significant enhancement in Crude Oil, Condensate and Gas production is expected from these fields. Oil and Gas production from Nashpa during Extended Well Testing (EWT) is expected in June 2010 which will have considerable positive impact on Company's production and earning performance. Company's sales revenue and profit after taxation during the period were Rs 108.593 billion and Rs 42.609 billion respectively resulting into Earnings Per Share (EPS) of Rs 9.91.

### Board of Directors

Due to the resignation of Mr. Zahid Hussain, Managing Director with effect from 20 February 2010, Mr. Shah Mahboob Alam is officiating as Managing Director / CEO of the Company. The composition of Company's Board of Directors has also changed with effect from 30 December 2009 due to appointment of Senator Mir Wali Muhammad Badini, Mr. Ahmed Bakhsh Lehri, Dr. Kaiser Bengali, Syed Masieh-ul-Islam and Mr. Fahd Shaikh as new directors on the Board in place of Mr. Sikandar Hayat Jamali (late), Mr. Tariq Iqbal Khan, Mr. Waqar A. Malik, Mr. Rafique Dawood and Mr. Iskander Mohammed Khan. The Board welcomes the new directors and also wishes to record its appreciation for the valuable contributions made and services rendered by all outgoing directors during their tenure.

### Review of Operations

As of 31 March 2010, OGDCL was operating in 35 exploration blocks (22 blocks with 100% share and 13 blocks as operated joint ventures) including 3 offshore blocks covering an area of 63,581.12 Sq. Kms. In addition, OGDCL also holds working interest in another 07 exploration licenses operated by other Joint Venture (JV) partners. During the period under review, four new exploration licenses namely Channi Pull, Mari East, Jandran West and Lakhi Rud were granted to OGDCL, three exploration licenses namely Thatta, Thatta East, Khiranwala were relinquished / surrendered and operator ship of Offshore Indus-S transferred to M/s BP Alpha.

During the period under review, 1,873 L. Kms of 2-D and 192 Sq. Kms of 3-D seismic survey were carried out in various concessions operated by OGDCL. In addition, the Company also carried out drilling operations on number of exploratory / appraisal and development wells. 32 new locations have been marked on ground and 15 new wells including 9 exploratory / appraisal wells and 6 development wells were

spudded. Subsequently, in April 2010, one more development well was spudded totaling to 16 wells during the current financial year.

In Offshore Indus-R E.L 1,325 L.Kms 2-D seismic data loading on work station is in progress for interpretation. Preliminary interpretation of data is completed. Processing of 1,804 L.Kms seismic data acquired in Eastern Offshore-A completed. Modalities are being finalized in Offshore Indus-G to handover 25% to each BPXA, ENI and PPL with operator ship to ENI.

OGDCL has 45 operated development and production / mining leases besides working interest ownership in 16 non-operated leases. During the period under review, various steps have been taken by the Company to improve production base and productivity of the fields. Average daily net production for the first nine months including share in operated and non-operated JV fields was as follows:

PRODUCTS	UOM	9M 2008-09	9M 2009-10
Crude Oil	Barrels / day	41,487	38,610
Gas	MMcf / day	988	974
LPG	M. Tons / day	226	206
Sulphur	M. Tons / day	66	68
Daily production has been worked out at 365 days / year.			

During the period under review, Crude Oil net production from Company's operated fields decreased by 10.3% despite increase in production from Thora and Dakhni fields. However, share of Crude Oil production from non-operated JV fields increased by 17.4%, resulting into net decrease in Crude Oil production by 6.9%. Company's gas production from its operated fields decreased by 4.9% compared with same period last year. However, share of gas production from non-operated JV fields increased by 11.3%, resulting into net decrease of 1.4%. LPG production from OGDCL's operated fields decreased by 19.0% mainly from Dhodak and Bobi fields. This decrease was partially offset by 10.4% increase in share of LPG production from non-operated JV fields.

Company has been successful in keeping the natural decline to minimum through rig-less and with rig workovers, stimulation and other innovative techniques in the southern region where most of the wells are on artificial lift. Moreover, OGDCL is developing Nashpa (EWT), Bahu, Pakhro, Nim West and Baloch (EWT) using indigenous sources and seamless development strategy. In the short term, Company expects production enhancement from Qadirpur, Nashpa, Mela, Dakhni and Rajjan after installation of compression in Qadirpur, EWT of Nashpa Well-1, completion of Mela Well-3, Dakhni Deep Well-4 and Rajjan Well-5.

The Company is actively working on completion of various on-going development projects like Qadirpur

Wellhead Compression System, Nashpa Field Development, Bahu Gas Field Development, Dakhni Expansion Project, Uch-II Development Project and Jhal Magsi Development Project. Work on development projects like Kunnar Pasahki Deep-Tando Allah Yar (KPD-TAY) Integrated Development Project and Sinjhora Development Project will be undertaken on accelerated pace after clearance of court cases.

Furthermore, Pakistan Petroleum Exploration & Production Association has recently taken up the issue of pricing of unconventional sources of gas (tight gas, shale gas, etc) and estimates considerable tight gas reserves in the Country. Once this is resolved, it will have considerable impact on OGDCL's future exploration and production strategy.

## Financial Results

Financial Results during the period reflected positive impact of Rs 13.673 billion in sales revenue on account of enhanced realized prices of Crude Oil, Gas and LPG mainly due to revision in Qadirpur wellhead gas price with effect from 01 January 2008. However, negative impact of Rs 5.317 billion was witnessed due to decline in production of Crude Oil, Gas and LPG. Product sales revenue during the period under review of Rs 108.562 billion (9M 2008-09: Rs 100.206 billion) is inclusive of Rs 5.461 billion on account of price revision in respect of Qadirpur wellhead gas pertaining to the period 01 January 2008 to 30 June 2009.

Net realized prices of Crude Oil, Gas and LPG averaged at US\$ 60.87/bbl, Rs 181.81/Mcf and Rs 53,296/M.Ton respectively compared to US\$ 58.50/bbl, Rs 173.39/Mcf and Rs 38,113/M.Ton respectively during the same period last year.

Profit before taxation for the period was Rs 69.391 billion compared to Rs 66.273 billion during same period last year, reflecting 4.7% increase in Company's earning performance. However, Company recorded profit after taxation of Rs 42.609 billion compared to Rs 44.408 billion in corresponding period of last year resulting into decrease in Earnings Per Share (EPS) by 4.1% to Rs 9.91 (9M 2008-09: Rs 10.33).

Cash flow from operations for the period was Rs 47.634 billion (9M 2008-09: Rs 33.053 billion). After investment and financing activities of Rs 39.723 billion (cash outflow) and Rs 1.147 billion (inflow) respectively, the Company's cash and cash equivalent at the end of period were Rs 17.998 billion.

The prevailing inter-corporate debt crisis in the industry is negatively impacting OGDCL as its trade debts on 31 March 2010 includes overdue receivable of Rs 62.534 billion from refineries and gas companies. The Management of the Company has already taken up this issue with the Government of Pakistan and position of receivables is being reported to the Government on daily basis. Early resolution of this issue is critical to ensure smooth running of Company's operations, maintaining adequate liquidity position, carrying out Company's exploration and development programme and timely discharge of statutory obligations

including payment of royalty, duties / taxes and dividend etc. Nevertheless, if the existing trend persists, the Company may face liquidity concerns triggering borrowing requirement, which will in turn affect the Company's financial risk profile.

## **Dividend**

The Board of Directors of the Company is pleased to announce third interim cash dividend of Rs 1.50 per share (15.0%). This is in addition to two interim cash dividends of Rs 2.50 per share (25.0%) totaling to Rs 4.00 per share (40.0%) for the year ending 30 June 2010.

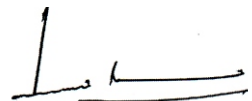
## **Future Outlook**

During first nine months of the year, OGDCL has delivered significant exploration successes and enhanced Oil and Gas reserves base. The Company also progressed new seismic acquisition and exploratory & development drilling. Based on the results achieved in the current financial year together with favorable impact of revision in gas prices and expected production from newly discovered Nashpa Well-1, Mela Well-3 and other newly discovered fields, we look forward to Company's improved operational and financial results in the near future.

## **Acknowledgments**

The Board of Directors would like to extend its appreciation to the Joint Venture partners, Management and all the employees of the Company for their contribution towards the results achieved by the Company during first nine months of the year and look forward for their continued dedication and commitment for future growth of the Company.

On behalf of the Board



Chairman

28 April 2010

# **CONDENSED INTERIM FINANCIAL INFORMATION**

Nine Months Ended 31 March 2010



OIL & GAS DEVELOPMENT  
COMPANY LIMITED

**Condensed Interim Balance Sheet [unaudited]  
As at 31 March 2010**

		Unaudited 31 March 2010	Audited 30 June 2009
	Note	(Rupees '000)	
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital		43,009,284	43,009,284
Capital reserves		3,809,405	3,658,318
Unappropriated profit		<u>100,457,444</u>	<u>79,503,794</u>
		<b>147,276,133</b>	<b>126,171,396</b>
<b>NON CURRENT LIABILITIES</b>			
Deferred taxation		<b>20,557,833</b>	17,710,497
Deferred employee benefits		<b>2,416,023</b>	2,008,499
Provision for decommissioning cost		<b>12,025,595</b>	10,814,506
		<b>34,999,451</b>	30,533,502
<b>CURRENT LIABILITIES</b>			
Trade and other payables	4	<b>31,588,328</b>	18,747,328
Provision for taxation	5	<b>14,761,623</b>	2,540,170
		<b>46,349,951</b>	21,287,498
		<u><b>228,625,535</b></u>	<u><b>177,992,396</b></u>
<b>CONTINGENCIES AND COMMITMENTS</b>	6		

The annexed selected notes 1 to 17 form an integral part of this condensed interim financial information.



**Chief Executive**

		Unaudited 31 March 2010	Audited 30 June 2009
	Note	(Rupees '000)	
<b>NON CURRENT ASSETS</b>			
Fixed assets			
Property, plant and equipment	7	<b>33,495,543</b>	28,482,194
Development and production assets - intangible	8	<b>55,304,036</b>	49,057,766
Exploration and evaluation assets	9	<b>9,097,998</b>	8,779,699
		<b>97,897,577</b>	86,319,659
Long term investments		<b>3,127,111</b>	2,903,133
Long term loans and receivable		<b>1,557,489</b>	1,849,707
Long term prepayments		<b>121,363</b>	85,357
		<b>102,703,540</b>	91,157,856
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		<b>15,490,360</b>	17,464,351
Stock in trade		<b>118,444</b>	108,301
Trade debts	10	<b>88,662,411</b>	56,140,092
Loans and advances		<b>2,511,288</b>	2,643,354
Deposits and short term prepayments		<b>422,814</b>	419,621
Interest accrued		<b>26,566</b>	27,156
Other receivables		<b>549,606</b>	969,930
Other financial assets	11	<b>11,818,497</b>	5,087,917
Cash and bank balances		<b>6,322,009</b>	3,973,818
		<b>125,921,995</b>	86,834,540
		<b>228,625,535</b>	177,992,396

*v. pal*  
**Director**

**Condensed Interim Profit and Loss Account/Statement of Comprehensive Income [unaudited]  
For Nine Months Ended 31 March 2010**

	Note	Three months ended 31 March		Nine months ended 31 March	
		2010	2009	2010	2009
(Rupees '000)					
Sales - net	12	35,959,486	28,290,932	108,592,888	100,231,295
Royalty		(4,083,625)	(3,267,078)	(12,485,976)	(11,513,862)
Operating expenses		(5,245,039)	(5,365,016)	(16,038,017)	(16,021,107)
Transportation charges		(394,757)	(410,331)	(1,232,057)	(1,192,402)
		<u>(9,723,421)</u>	<u>(9,042,425)</u>	<u>(29,756,050)</u>	<u>(28,727,371)</u>
<b>Gross profit</b>		<b>26,236,065</b>	<b>19,248,507</b>	<b>78,836,838</b>	<b>71,503,924</b>
Other income		1,102,788	661,609	2,309,463	3,744,062
Exploration and prospecting expenditure		(1,414,130)	(771,007)	(6,135,759)	(4,273,104)
General and administration expenses		(372,631)	(217,282)	(1,078,264)	(765,621)
Reversal of provision for impairment loss		-	1,417	-	24,977
Finance cost		(336,726)	(174,802)	(935,635)	(516,735)
Workers' profit participation fund		(1,261,604)	(940,408)	(3,652,181)	(3,488,050)
Share of profit in associate - net of taxation		16,717	13,296	46,978	43,505
		<u>23,970,479</u>	<u>17,821,330</u>	<u>69,391,440</u>	<u>66,272,958</u>
<b>Profit before taxation</b>		<b>23,970,479</b>	<b>17,821,330</b>	<b>69,391,440</b>	<b>66,272,958</b>
Taxation		(9,854,558)	(5,217,919)	(26,782,061)	(21,864,787)
		<u>14,115,921</u>	<u>12,603,411</u>	<u>42,609,379</u>	<u>44,408,171</u>
<b>Profit for the period</b>		<b>14,115,921</b>	<b>12,603,411</b>	<b>42,609,379</b>	<b>44,408,171</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>14,115,921</b>	<b>12,603,411</b>	<b>42,609,379</b>	<b>44,408,171</b>
<b>Earnings per share - basic and diluted (Rupees)</b>	13	<b>3.28</b>	<b>2.93</b>	<b>9.91</b>	<b>10.33</b>

The annexed selected notes 1 to 17 form an integral part of this condensed interim financial information.



Chief Executive



Director

# Condensed Interim Cash Flow Statement [unaudited] For Nine Months Ended 31 March 2010

	Nine months ended 31 March 2010	2009
	(Rupees '000)	
<b>Cash flows from operating activities</b>		
Profit before taxation	69,391,440	66,272,958
Adjustments for:		
Depreciation	2,425,705	2,348,966
Amortization of development and production assets	4,067,776	4,058,999
Royalty	12,485,976	11,513,862
Workers' profit participation fund	3,652,181	3,488,050
Provision for employee benefits	1,334,632	1,043,379
Un-winding of discount on provision for decommissioning cost	928,765	503,885
Interest income	(1,046,197)	(1,516,342)
Un-realized (gain)/loss on investments at fair value through profit or loss	(20,931)	122,815
Dividend income	(14,756)	(29,512)
Gain on disposal of property, plant and equipment	(57,453)	(10,462)
Interest income on long term receivables	(20,314)	(28,669)
Share of profit in associated company	(46,978)	(43,505)
Stores inventory written off	8,379	-
Reversal of impairment loss	-	(24,977)
	<u>93,088,225</u>	<u>87,699,447</u>
<b>Working capital changes</b>		
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	1,965,612	(337,720)
Stock in trade	(10,143)	69,090
Trade debts	(32,522,319)	(24,041,173)
Deposits and short term prepayments	(3,193)	110,611
Advances and other receivables	396,121	183,699
(Decrease)/increase in current liabilities:		
Trade and other payables	(2,101,304)	1,549,393
<b>Cash generated from operations</b>	<u>60,812,999</u>	<u>65,233,347</u>
Royalty paid	(1,029,484)	(13,655,018)
Employee benefits paid	(927,108)	(884,250)
Received from/(paid to) workers' profit participation fund - net	490,636	(174,911)
Income taxes paid	(11,713,272)	(17,466,498)
	<u>(13,179,228)</u>	<u>(32,180,677)</u>
Net cash from operating activities	47,633,771	33,052,670
<b>Cash flows from investing activities</b>		
Capital expenditure	(17,792,177)	(19,796,565)
Interest received	1,033,537	1,758,892
Dividend received	52,976	53,157
Purchase of investments	(201,969)	-
Proceeds from encashment of investments	-	1,498,347
Proceeds from disposal of property, plant and equipment	60,555	14,452
Long term prepayments	(36,006)	30,244
Net cash used in investing activities	(16,883,084)	(16,441,473)
<b>Cash flows from financing activities</b>		
Dividends paid	(21,692,847)	(21,291,990)
Net cash used in financing activities	(21,692,847)	(21,291,990)
<b>Net increase/(decrease) in cash and cash equivalents</b>	9,057,840	(4,680,793)
<b>Cash and cash equivalents at beginning of the period</b>	<u>8,939,828</u>	<u>18,276,380</u>
<b>Cash and cash equivalents at end of the period</b>	<u>17,997,668</u>	<u>13,595,587</u>

The annexed selected notes 1 to 17 form an integral part of this condensed interim financial information.

  
Chief Executive

  
Director

## Condensed Interim Statement of Changes in Equity [unaudited] For Nine Months Ended 31 March 2010

	Share capital	Capital reserve		Unappropriated profit	Total equity
		Bonus share	Self insurance		
(Rupees '000)					
Balance as at 01 July 2008	43,009,284	836,000	2,667,064	63,902,995	110,415,343
Transfer to capital reserve	-	-	152,905	(152,905)	-
<b>Total comprehensive income for the period</b>	-	-	-	44,408,171	44,408,171
<b>Transactions with owners, recorded directly in equity</b>					
Final dividend 2008: Rs 3.50 per share	-	-	-	(15,053,249)	(15,053,249)
First interim dividend 2009: Rs 2.00 per share	-	-	-	(8,601,857)	(8,601,857)
Second interim dividend 2009: Rs 1.75 per share	-	-	-	(7,526,625)	(7,526,625)
Total contributions by and distributions to owners	-	-	-	(31,181,731)	(31,181,731)
<b>Balance as at 31 March 2009</b>	<u>43,009,284</u>	<u>836,000</u>	<u>2,819,969</u>	<u>76,976,530</u>	<u>123,641,783</u>
Balance as at 01 July 2009	43,009,284	836,000	2,822,318	79,503,794	126,171,396
Transfer to capital reserve	-	-	151,087	(151,087)	-
<b>Total comprehensive income for the period</b>	-	-	-	42,609,379	42,609,379
<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)
Total contributions by and distributions to owners	-	-	-	(21,504,642)	(21,504,642)
<b>Balance as at 31 March 2010</b>	<u>43,009,284</u>	<u>836,000</u>	<u>2,973,405</u>	<u>100,457,444</u>	<u>147,276,133</u>

The annexed selected notes 1 to 17 form an integral part of this condensed interim financial information.



Chief Executive



Director

# Selected Notes to the Condensed Interim Financial Information [unaudited] For Nine Months Ended 31 March 2010

## 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 (1GDS = 10 ordinary shares of the Company) are listed on the London Stock Exchange.

On 14 August 2009, the Government of Pakistan (GoP) launched Benazir Employees Stock Option Scheme (BESOS) whereby the GoP transferred 438,815,774 shares to OGDCL Employees Empowerment Trust ("the Trust") without any consideration subject to transfer back of these shares to the President of Pakistan as provided in the Trust Deed. Accordingly, the GoP's shareholding in the Company is reduced to 74.82% from 85.02% effective 14 August 2009. As per the Trust Deed such shares will be allocated through Unit Certificates to eligible employees in proportion to their entitlement on the basis of length of service. The Trust is entitled to receive dividends declared on or after 14 August 2009 and 50% of such dividends will be distributed among employees on the basis of units held while the balance 50% will be transferred to the Privatization Commission of Pakistan.

## 2 BASIS OF PREPARATION

This condensed interim financial information is unaudited and is being submitted to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984 and have been presented in accordance with the requirements of International Accounting Standard 34: Interim Financial Reporting. This does not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended 30 June 2009. Comparative figures of the balance sheet are extracted from the annual financial statements for the year ended 30 June 2009 whereas comparative profit and loss account/statement of comprehensive income, statement of changes in equity and cash flow statement are stated from unaudited condensed interim financial information for the nine months ended 31 March 2009.

## 3 ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

Except as described below, accounting policies, related judgments, estimates and assumptions adopted for preparation of this condensed interim financial information are the same as those applied in preparation of the annual audited financial statements for the year ended 30 June 2009.

### Change in accounting policy

The Company has applied revised IAS-1; "Presentation of financial Statements (2007)", which became effective for annual period beginning on or after 01 January 2009. Accordingly all changes in owners equity are presented in the statement of changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. This presentation has been applied in this condensed interim financial information. Comparative information has been re-presented in conformity with the revised standard. The change in accounting policy impacts presentation only without any impact on earnings per share.

**Selected Notes to the Condensed Interim Financial Information [unaudited]  
For Nine Months Ended 31 March 2010**

	31 March 2010	30 June 2009
	(Rupees '000)	
<b>4 TRADE AND OTHER PAYABLES</b>		
Creditors	197,764	814,714
Accrued liabilities	5,565,169	6,952,534
Royalty	15,766,402	4,309,910
Excise duty	100,364	114,614
General sales tax	939,010	805,044
Payable to joint venture partners	2,698,099	3,152,520
Retention money	361,629	266,371
Trade deposits	157,981	134,481
Workers' profit participation fund	3,652,181	-
Un-paid dividend	1,626,565	1,816,304
Un-claimed dividend	116,126	114,592
Advances from customers	185,918	184,559
Other payables	221,120	81,685
	<u>31,588,328</u>	<u>18,747,328</u>
<b>5 PROVISION FOR TAXATION</b>		
Tax payable at beginning of the period/year	2,540,170	4,223,048
Income tax paid during the period/year	(11,713,272)	(21,492,595)
Provision for current taxation - for the period/year	21,474,879	16,799,082
Provision for taxation - prior years	2,459,846	3,010,635
Tax payable at end of the period/year	<u>14,761,623</u>	<u>2,540,170</u>

**5.1 TAX STATUS**

Various appeals in respect of assessment years 1992-93 to 2002-03, tax years 2003 to 2009 are pending at different appellate forums in the light of the order of the Commissioner 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.

**6 CONTINGENCIES AND COMMITMENTS**

**Contingencies**

There is no material change in the contingent liabilities as reported in the annual audited financial statements for the year ended 30 June 2009, except for a claim by Additional Collector (LTPU) against the Company of Rs 3,031.339 million in respect of short payment of sales tax in relation to Uch gas field. The management do not expect the outcome of the case to have an adverse material effect on the Company's financial position.

**Commitments**

There is no material change in the amount of commitments as reported in the annual audited financial statements for the year ended 30 June 2009.

**Selected Notes to the Condensed Interim Financial Information [unaudited]  
For Nine Months Ended 31 March 2010**

		Nine months ended 31 March	
		2010	2009
	Note	(Rupees '000)	
<b>7</b>	<b>PROPERTY, PLANT AND EQUIPMENT</b>		
	Carrying amount at beginning of the period	28,482,194	23,229,631
	Additions during the period	7.1 7,930,776	7,508,884
	Book value of disposals	7.2 (3,102)	(1,166)
	Depreciation charge for the period	(2,914,325)	(2,704,791)
	Reversal of provision for impairment loss	-	24,977
	Carrying amount at end of the period	<u>33,495,543</u>	<u>28,057,535</u>
<b>7.1</b>	<b>Additions during the period</b>		
	Freehold land	3,224	5,511
	Leasehold land	2,289	1,935
	Buildings, offices and roads on freehold land	6,300	42,686
	Buildings, offices and roads on leasehold land	537	-
	Plant and machinery	2,165,145	4,609,348
	Rigs	132,579	91,966
	Pipelines	6,522	79,467
	Vehicles	467,334	769,631
	Office and domestic equipment	18,171	80,879
	Office and technical data computers	9,641	38,087
	Furniture and fixture	26,230	6,581
	Stores held for capital expenditure (net)	809,036	47,084
	Decommissioning cost	10,391	30,198
	Capital work in progress (net)	4,273,377	1,705,511
		<u>7,930,776</u>	<u>7,508,884</u>
<b>7.2</b>	During the nine months ended 31 March 2010, property, plant and equipment with a carrying amount of Rs 3.102 million (2009: Rs 1.166 million) were disposed of, resulting in a gain on disposal of Rs 57.453 million (2009: Rs 10.462 million), which is included in other income.		

		Nine months ended 31 March	
		2010	2009
		(Rupees '000)	
<b>8</b>	<b>DEVELOPMENT AND PRODUCTION ASSETS - INTANGIBLE</b>		
	Carrying amount at beginning of the period	49,057,766	36,808,041
	Additions during the period	10,314,046	11,298,685
	Amortization charge for the period	(4,067,776)	(4,058,999)
	Carrying amount at end of the period	<u>55,304,036</u>	<u>44,047,727</u>

**Selected Notes to the Condensed Interim Financial Information [unaudited]  
For Nine Months Ended 31 March 2010**

	Nine months ended 31 March	
	2010	2009
	(Rupees '000)	
<b>9 EXPLORATION AND EVALUATION ASSETS</b>		
Balance at beginning of the period	4,942,575	2,823,295
Additions during the period	5,873,622	5,736,763
	<b>10,816,197</b>	8,560,058
Cost of dry and abandoned wells during the period	(3,978,217)	(2,685,098)
Cost of wells transferred to development and production assets during the period	(2,667,440)	(814,331)
	<b>(6,645,657)</b>	(3,499,429)
	<b>4,170,540</b>	5,060,629
Stores held for exploration and evaluation activities	4,927,458	4,207,929
Balance at end of the period	<b>9,097,998</b>	9,268,558

	31 March	30 June
	2010	2009
	(Rupees '000)	
<b>10 TRADE DEBTS</b>		
Un-secured, considered good	88,662,411	56,140,092
Un-secured, considered doubtful	113,309	4,328,255
	<b>88,775,720</b>	60,468,347
Provision for doubtful debts	(113,309)	(113,309)
Trade debts written off	-	(4,214,946)
	<b>88,662,411</b>	56,140,092

- 10.1 Trade debts include overdue amount of Rs 62,534 million (30 June 2009: Rs 28,183 million) receivable from oil refineries and gas companies. Settlement of these debts remained slow 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. The Company received Rs 17,000 million and Rs 8,547 million in June and September 2009 respectively. The Ministry of Finance has confirmed to the Company in writing that the entire circular debt is good and fully recoverable. Therefore, no provision has been made in this condensed interim financial information.

	31 March	30 June
	2010	2009
	(Rupees '000)	
<b>11 OTHER FINANCIAL ASSETS</b>		
Investments:		
At fair value through profit or loss - NIT units	142,838	121,907
Available for sale	11,675,659	4,966,010
	<b>11,818,497</b>	5,087,917

- 11.1 These include foreign currency TDRs amounting to USD 116.983 million (30 June 2009: USD 61 million) and carry interest rate of 1.60% to 2.25% (30 June 2009: 2.00% to 4.28%) per annum. PKR TDRs carry interest rate of 12.00% to 12.55% per annum.

## Selected Notes to the Condensed Interim Financial Information [unaudited] For Nine Months Ended 31 March 2010

	Three months ended 31 March		Nine months ended 31 March	
	2010	2009	2010	2009
<b>12 SALES - NET</b>	<b>(Rupees '000)</b>			
<b>Gross sales</b>				
Crude oil	17,572,000	10,592,526	51,612,976	50,081,743
Gas	19,999,928	19,839,105	62,841,513	55,266,986
Gasoline	-	25,684	4,304	204,492
Kerosene oil	22,461	40,256	87,381	124,254
High speed diesel oil	-	1,142	-	3,804
Solvent oil	-	-	-	4,537
Naphtha	92,168	79,987	287,454	481,171
Liquefied petroleum gas	1,360,824	801,232	3,448,223	2,726,990
Sulphur	115,214	54,104	226,332	286,506
Other operating revenue	10,197	8,461	30,808	25,247
	<b>39,172,792</b>	<b>31,442,497</b>	<b>118,538,991</b>	<b>109,205,730</b>
<b>Government levies</b>				
Excise duty	(368,666)	(384,919)	(1,098,388)	(1,119,023)
Development surcharge	(5,891)	(16,146)	(18,852)	(35,908)
General sales tax	(2,838,749)	(2,750,500)	(8,828,863)	(7,819,504)
	<b>(3,213,306)</b>	<b>(3,151,565)</b>	<b>(9,946,103)</b>	<b>(8,974,435)</b>
	<b>35,959,486</b>	<b>28,290,932</b>	<b>108,592,888</b>	<b>100,231,295</b>

- 12.1 Qadirpur gas price is linked with 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 Oil and Gas Regulatory Authority (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 has 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 2010 to 30 June 2010. Based on the aforesaid notifications, an amount of Rs 5,461.426 million, on account of prior period revenues, has been accounted for in the current period. Adjustment in revenue from July 2005 to March 2010 may be required upon final notification of the discount table and the wellhead prices, impact of which can not be determined at this stage.

	Three months ended 31 March		Nine months ended 31 March	
	2010	2009	2010	2009
<b>13 EARNINGS PER SHARE - BASIC AND DILUTED</b>				
Profit for the period (Rupees '000)	14,115,921	12,603,411	42,609,379	44,408,171
Average number of shares outstanding during the period ('000)	4,300,928	4,300,928	4,300,928	4,300,928
Earnings per share - basic (Rupees)	3.28	2.93	9.91	10.33

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

## Selected Notes to the Condensed Interim Financial Information [unaudited] For Nine Months Ended 31 March 2010

### 14 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 are as follows:

	Nine months ended 31 March 2010                      2009 (Rupees '000)	
<b>- Associated company</b>		
Share of profit in associate - net of taxation	46,978	43,505
<b>- Major shareholder</b>		
<b>Government of Pakistan</b>		
Dividend paid	16,615,940	16,298,737
<b>- Related parties by virtue of common directorship and GoP holdings</b>		
<b>Attock Refinery Limited</b>		
Sale of crude oil	31,227,007	29,894,097
Desalting charges paid	7,464	20,316
Receivable as at 31 March	21,231,805	14,268,308
<b>Pakistan Refinery Limited</b>		
Sale of crude oil	5,712,357	5,757,343
Receivable as at 31 March	7,254,820	4,758,679
<b>Government Holdings (Private) Limited</b>		
GHPL share (various fields)	52,959	133,190
<b>Pak Arab Refinery Company Limited</b>		
Sale of crude oil	4,098,794	3,134,901
Receivable as at 31 March	2,708,494	4,429,269
<b>Sui Northern Gas Pipelines Limited</b>		
Sale of natural gas	39,097,912	25,895,741
Purchase of high BTU value gas	1,664,585	1,679,540
Receivable as at 31 March	20,116,998	9,140,768
<b>Sui Southern Gas Company Limited</b>		
Sale of natural gas	15,675,872	22,326,838
Pipeline rental charges	29,448	29,632
Receivable as at 31 March	18,311,356	19,104,577

## Selected Notes to the Condensed Interim Financial Information [unaudited] For Nine Months Ended 31 March 2010

### RELATED PARTY TRANSACTIONS - Continued

	Nine months ended 31 March	
	2010	2009
	(Rupees '000)	
<b>Pakistan State Oil Company Limited</b>		
Sale of refined petroleum products	87,381	93,587
Sale of liquefied petroleum gas	25,424	18,842
Purchase of petroleum, oil and lubricants	1,984,026	2,300,742
Receivable as at 31 March	35,626	21,325
<b>Packages Limited</b>		
Sale of sulphur	2,808	20,859
<b>National Insurance Company Limited</b>		
Insurance premium paid	545,857	540,245
<b>National Logistic Cell</b>		
Crude oil transportation charges paid	915,945	940,859
<b>Heavy Mechanical Complex</b>		
Purchase of stores and spares	26,325	15,827
<b>Water and Power Development Authority</b>		
Sale of natural gas	34,348	58,327
Receipts against long term loan	-	93,375
Receivable as at 31 March	26,095	28,937
<b>Enar Petrotech Services Limited</b>		
Consultancy services	89,122	27,783
Sale of crude oil	1,247,271	1,397,559
Receivable as at 31 March	80,568	21,537
<b>- Other related parties</b>		
Contribution to staff benefit funds	1,334,632	1,020,062
Remuneration including benefits and perquisites of key management personnel and executives	2,473,431	1,936,835

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

- Executive means any employee whose basic salary exceeds Rs 500,000 (30 June 2009: Rs 500,000) per year.

## **Selected Notes to the Condensed Interim Financial Information [unaudited] For Nine Months Ended 31 March 2010**

### **15 RISK MANAGEMENT**

Financial risk management objectives and policies are consistent with that disclosed in the annual audited financial Statements for the year ended 30 June 2009.

### **16 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE**

- 16.1 The Board of Directors proposed interim dividend at the rate of Rs 1.50 per share in its meeting held on 28 April 2010.
- 16.2 This condensed interim financial information was authorized for issue on 28 April 2010.

### **17 GENERAL**

- 17.1 Previous period figures have been rearranged and/or reclassified, wherever necessary, for the purpose of comparison in this condensed interim financial information.
- 17.2 Figures have been rounded off to the nearest thousand of rupees, unless otherwise stated.



**Chief Executive**



**Director**





**Oil & Gas Development Company Limited**

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