

# Auditors' Report to the Members

We have audited the annexed balance sheet of Oil and Gas Development Company Limited (“the Company”) as at 30 June 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion-
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 30 June 2011 and of the profit, total comprehensive income, its cashflows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

We draw attention to note 18.1 to the financial statements wherein it is stated that trade debts include an overdue amount of Rs 45,072 million receivable from oil refineries and gas companies. We also draw your attention to note 16.2 to the financial statements wherein it is stated that long term receivable has not been paid by Karachi Electric

Supply Company Limited in accordance with settlement plan. Though the recovery of these debts have been slow due to circular debt issue, the Company considers the amount as fully recoverable for the reason given in the aforementioned notes. Our report is not qualified in respect of this matter.

*KPMG Taseer Hadi & Co.*

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Engagement Partner: Riaz Pesnani

12 August 2011  
Islamabad

*M. Yousuf Adil Saleem & Co.*

M. Yousuf Adil Saleem & Co.  
Chartered Accountants  
Engagement Partner: Nadeem Yousuf Adil

12 August 2011  
Islamabad