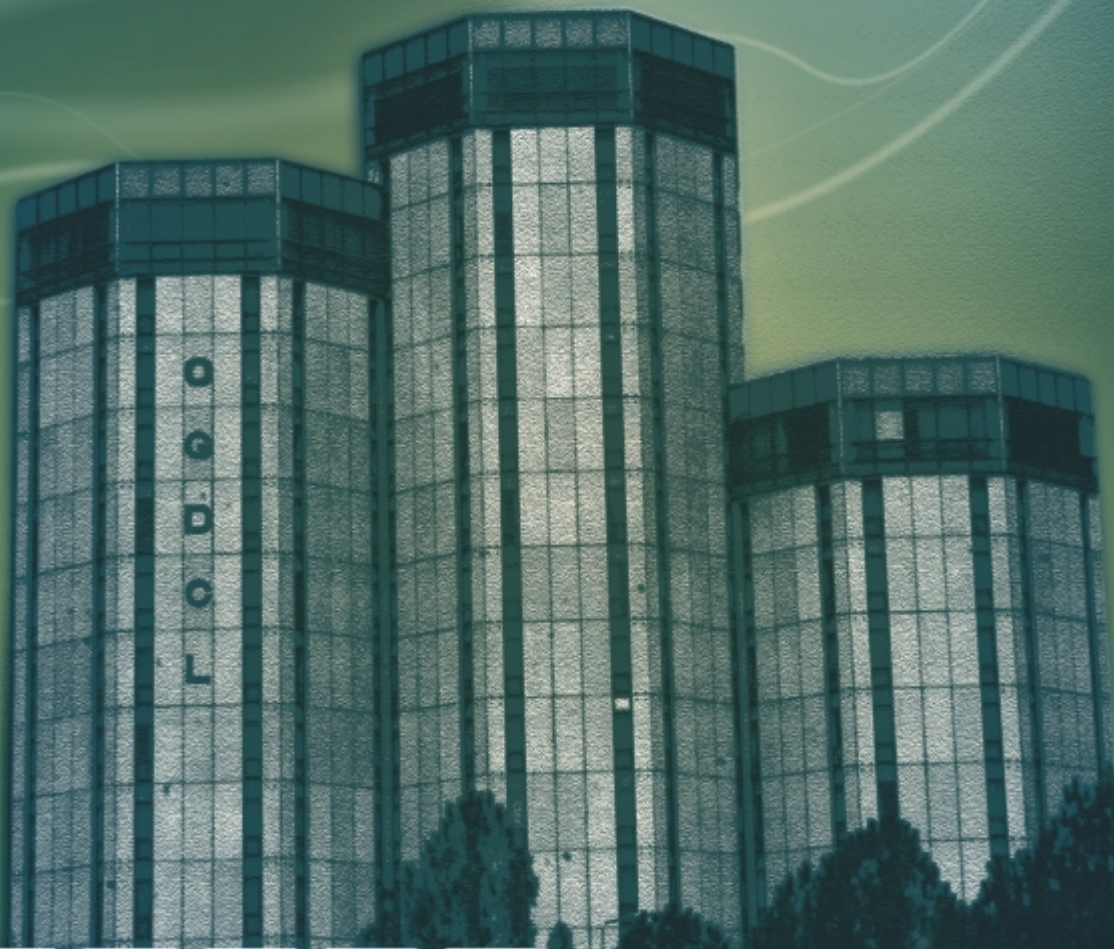


# Interim Report and Financial Information

For Six Months Ended 31 December 2010



**Oil & Gas Development Company Limited**

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# Company Information

## Board of Directors

Mr. Imtiaz Kazi	Chairman
Mr. Mohammad Naeem Malik	Managing Director / CEO
Senator Mir Wali Muhammad Badini	Director
Syed Amir Ali Shah	Director
Mr. Ahmad Bakhsh Lehri	Director
Mr. Zafar Iqbal Qadir	Director
Dr. Kaiser Bengali	Director
Mr. Wasim A. Zuberi	Director
Mr. Tariq Faruque	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 A.F. Ferguson & Co., Chartered Accountants

## Registered Office

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

## Registrar Office

Noble Computer Services (Pvt.) Limited, Mezzanine Floor,  
House of Habib Building (Siddiqsons Tower), 3-Jinnah Cooperative Housing Society,  
Main Shahrah-e-Faisal, Karachi-75350  
Phone: +92 21 34325482-87  
Fax: +92 21 34325442  
Website: [www.noble-computers.com](http://www.noble-computers.com)  
Email: [ncsl@noble-computers.com](mailto:ncsl@noble-computers.com)

# Directors' Interim Review

The Board of Directors of Oil & Gas Development Company Limited (OGDCL) is pleased to present the un-audited condensed financial statements together with a concise operational and financial overview for the half year ended 31 December 2010.

During the first half of the current financial year, the Company's operational and financial performance has been satisfactory. This is despite the issues of mounting inter-corporate circular debt, heavy floods in the Country during the month of July 2010 and unfavorable security situation in some of the Company's operational areas. Higher realized prices of crude oil, gas & LPG coupled with increase in gas production has delivered improved financial results. Company's sales revenue and profitability grew by 12% and 11% to Rs 81.090 billion and Rs 31.598 billion respectively translating into an Earnings Per Share (EPS) of Rs 7.35 compared to Rs 6.62 during the corresponding period of preceding year.

During the period under review, OGDCL discovered two (2) new oil / gas condensate fields including Sheikhan Well-1 in Kohat E.L in District Kohat of Khyber Pukhtoonkhawa Province and Gopang Well-1 in Nim E.L in District Hyderabad of Sindh Province.

## Board of Directors

The Board of Directors comprises eleven Directors including the Chairman and MD / CEO. During the first half of the year, Mr. Imtiaz Kazi joined the Board as Chairman in place of Mr. Kamran Lashari and Mr. Mohammad Naeem Malik has been appointed as MD/CEO in place of Mr. Shah Mahboob Alam. On his promotion and transfer from Ministry of Petroleum & Natural Resources (MP&NR) to the Privatization Commission, Mr. Muhammad Ejaz Chaudhry, Director, OGDCL Board has been replaced by Mr. Zafar Iqbal Qadir, Additional Secretary, MP&NR with effect from 13 January 2011. The Board welcomes the new Directors and appreciates the services rendered by the outgoing Directors.

## Financial Results

OGDCL continued to deliver strong operating performance and completed the first half of the year with improved financial results. Company's sales revenue increased by 12% to Rs 81.090 billion compared with Rs 72.633 billion in the corresponding period last year. This increase is mainly due to a combination of higher realized prices of crude oil, gas, LPG and sulphur, higher sales volume of gas and favorable financial impact of Rs 2.786 billion on account of gas price revision in respect of Bobi field with effect from 01 January 2007. However, decline in production volume of crude oil, LPG and white petroleum products had a negative financial impact of Rs 1.421 billion on Company's sales revenue. During the period, net realized prices of crude oil, gas and LPG averaged at US \$ 66.08 / BBL, Rs 215.95 / Mcf and Rs 58,298 / M.Ton compared to US \$ 59.72 / BBL, Rs 177.09 / Mcf and Rs 49,288 / M.Ton respectively during the same period of 2009-10.

Profit before taxation for the period was Rs 51.171 billion compared to Rs 45.421 billion during the first half of previous year depicting 13% improvement and continuing upward trend in the Company's earning performance. Profit after taxation was Rs 31.598 billion compared to Rs 28.493 billion corresponding period of last year.

During first half of current financial year, net cash flow from operating activities after working capital changes and payment of income tax of Rs 10.898 billion and royalty of Rs 11.104 billion was Rs 20.434 billion, showing a decrease of Rs 11.190 billion over the same period last year. After investment and financing activities of Rs 16.224 billion (cash outflow) and Rs 959 million (cash inflow) respectively, the Company's cash and cash equivalent at the end of the period were Rs 24.006 billion.

Company's trade debts as of 31 December 2010 include overdue amounts of Rs 76.241 billion which were not paid by oil refineries and gas distribution companies due to inter-corporate circular debt issue. The Management is aggressively pursuing the recovery of these overdue receivables with the relevant customers and the Government of Pakistan. An early settlement of these debts is essential for ensuring that the exploration, development and production activities of the Company are not affected.

## Dividend

In view of the present cash position of the Company due to mounting trade receivables and aggressive exploration and development plans, the Board of Directors has considered it prudent to preserve cash and not to declare any dividend for the quarter ended 31 December 2010.

## Exploration and Development Activities

OGDCL's concession portfolio as of 31 December 2010 stood at 35 own and operated joint ventures (JVs) exploration licenses (22 blocks with 100% shares and 13 blocks as operated JVs including 3 offshore blocks) covering an area of 63,581 Sq. Kms.

During the first half of 2010-11, the seismic crew of the Company has acquired 576 L. Kms of 2-D and 116 Sq. Kms of 3-D seismic data. On the drilling front, OGDCL marked twenty four (24) well locations on the ground and spudded two (2) new exploratory / appraisal wells namely Sehar-1 and Nashpa-2 and five (5) development wells namely Qadirpur-41, Thora-8, Uch 23, 24 and 29. Moreover, another development well Uch-31 has also been spudded on 27 January 2011. In addition, drilling / testing of 13 ongoing wells from the previous financial year are also in progress. During the period under review, workover jobs on Toot-12 and Lashari-5 have been successfully completed and resulting in revival of production of 1,100 bopd. Workover jobs on Kal-2 and Missakeswal-2 wells are in progress.

OGDCL could not start operations in ten (10) exploration blocks (29.07% of total acreage) due to non availability of security clearance from the concerned authorities. However, security clearance in Zin Block (covering an area of 5,559.74 Sq. Kms) is granted and civil work on marked well location (Zin X-1) has been completed.

In addition, OGDCL is also working on the on-going development projects namely Sinjhora Development project, Dakhni Expansion project, Jhal Magsi Development project, Kunnar Pasahki Deep - Tando Allah Yar (KPD-TAY) joint Development project and Uch-II Development project. As part of Qadirpur Gas Compression project all the fourteen (14) reciprocating compressors have been installed and commissioned. Performance testing is in hand and at present field is supplying approximately 590-600 MMcf of raw gas.

## Production

The Company is endeavoring to maintain and enhance production level and keep natural decline to minimum for which workover jobs are being undertaken regularly. Recently an increase in oil and gas production is achieved at Naspha well after conducting choke performance test. Moreover, a newly discovered exploratory well Sheikhan-1 has started gas production and Gopang & Nim West wells have also been connected with Daru central facilities by implementing seamless development strategy and bringing these wells into production in shortest possible time.

Annual turnaround (ATA) of plants has been carried out at Chanda, Qadirpur, Dakhni and Uch along with commissioning of well head compressors at Qadirpur field. Moreover, development of Sinjhora, Bahu, Reti and Maru fields is being carried out using indigenous resources for augmenting production level. These fields are expected to commence production during current financial year.

OGDCL is operating in forty five (45) Development and Production Leases which include both owned and operated joint ventures. Average daily net production for the half year (2010-11) including share in operated and non operated joint venture fields is as follows:

PRODUCTS	UOM	1 <sup>st</sup> Half 2010-11	1 <sup>st</sup> Half 2009-10
Crude Oil	Barrels / day	36,970	38,787
Gas	MMcf / day	981	960
LPG	M. Tons / day	194	199
Sulphur	M. Tons / day	68	64

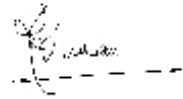
• Daily production has been worked out at 365 days/year.

During the first half of the year, OGDCL benefited from higher realized price of crude oil, gas and LPG along with increase in gas production resulting in improved financial results. Based on production growth trend witnessed during the second quarter and current exploration and development activities including development of Sinjhoru, Bahu, Reti & Maru fields and completion of under drilling wells namely Mela-3, Nashpa-2 and Chak Naurang South, we anticipate significant enhancement in oil production leading to further improvement in financial results. We also anticipate that overall performance of the Company will be in line with expectations during the current financial year.

**Acknowledgments**

On behalf of the Board, I would like to express my sincere appreciation to the Management and employees of the Company who through excellent teamwork contributed towards the results achieved during the first half of current financial year and look forward for their continued efforts and professional work for further growth of the Company.

On behalf of the Board



(Imtiaz Kazi)  
Chairman

24 February 2011

**INTERIM REPORT  
AND  
FINANCIAL INFORMATION**

For Six Months Ended 31 December 2010



**OIL & GAS DEVELOPMENT  
COMPANY LIMITED**

# Review Report to the Members

## Independent Auditors' Report to the Members on Review of Condensed Interim Financial Information

### Introduction

We have reviewed the accompanying condensed interim balance sheet of Oil and Gas Development Company Limited ("the Company") as at 31 December 2010 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six months period then ended (condensed interim financial information). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

Without qualifying our conclusion, we draw attention to note 10.1 to the condensed interim financial information wherein it is stated that trade debts include overdue amount of Rs 76,241 million receivable from oil refineries and gas companies. 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 note to the condensed interim financial information.

The figures for the three months period ended 31 December 2010 and 2009 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

*KPMG Taseer Hadi & Co.*

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

*M. Yousuf Adil Saleem & Co.*

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

**Date: 24 February 2011**

**Place: Islamabad**

## Condensed Interim Balance Sheet [unaudited] As at 31 December 2010

		Unaudited 31 December 2010	Audited 30 June 2010
	Note	(Rupees '000)	
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital		43,009,284	43,009,284
Capital reserves		3,959,028	3,859,682
Unappropriated profit		<u>129,119,835</u>	<u>110,523,520</u>
		<b>176,088,147</b>	<b>157,392,486</b>
<b>NON CURRENT LIABILITIES</b>			
Deferred taxation		<u>25,452,107</u>	21,499,184
Deferred employee benefits		<u>2,912,217</u>	2,699,773
Provision for decommissioning cost		<u>13,239,809</u>	12,435,365
		<b>41,604,133</b>	<b>36,634,322</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	4	<u>35,292,331</u>	28,624,204
Provision for taxation	5	<u>10,937,785</u>	6,216,639
		<b>46,230,116</b>	<b>34,840,843</b>
		<u><b>263,922,396</b></u>	<u><b>228,867,651</b></u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	6		

The annexed selected notes 1 to 18 form an integral part of this condensed interim financial information.



**Chief Executive**

		<b>Unaudited 31 December 2010</b>	<b>Audited 30 June 2010</b>
	<b>Note</b>	<b>(Rupees '000)</b>	
<b>NON CURRENT ASSETS</b>			
Fixed assets			
Property, plant and equipment	7	<b>36,885,034</b>	34,998,898
Development and production assets- intangible	8	<b>61,464,181</b>	58,630,857
Exploration and evaluation assets	9	<b>9,096,041</b>	9,551,394
		<b>107,445,256</b>	103,181,149
Long term investments		<b>3,392,231</b>	3,231,435
Long term loans and receivables		<b>1,690,350</b>	1,902,330
Long term prepayments		<b>122,005</b>	118,937
		<b>112,649,842</b>	108,433,851
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		<b>14,676,878</b>	14,527,278
Stock in trade		<b>177,451</b>	172,084
Trade debts	10	<b>107,922,724</b>	82,992,291
Loans and advances		<b>3,075,051</b>	2,216,881
Deposits and short term prepayments		<b>517,954</b>	616,641
Interest accrued		<b>52,496</b>	17,031
Other receivables		<b>701,699</b>	926,951
Other financial assets	11	<b>14,339,084</b>	11,120,823
Cash and bank balances		<b>9,809,217</b>	7,843,820
		<b>151,272,554</b>	120,433,800
		<b>263,922,396</b>	228,867,651

  
**Director**

## Condensed Interim Profit and Loss Account [unaudited] For Six Months Ended 31 December 2010

	Note	Three months ended 31 December		Six months ended 31 December	
		2010	2009	2010	2009
		(Rupees '000)			
Sales - net	12	41,638,861	40,807,879	81,090,495	72,633,402
Royalty		(4,773,826)	(4,787,501)	(9,297,163)	(8,402,351)
Operating expenses		(6,437,452)	(5,570,824)	(12,792,215)	(10,816,984)
Transportation charges		(581,247)	(389,792)	(978,639)	(837,300)
		<u>(11,792,525)</u>	<u>(10,748,117)</u>	<u>(23,068,017)</u>	<u>(20,056,635)</u>
<b>Gross profit</b>		<b>29,846,336</b>	<b>30,059,762</b>	<b>58,022,478</b>	<b>52,576,767</b>
Other income		312,381	407,970	919,167	1,206,675
Exploration and prospecting expenditure		(1,004,261)	(3,495,352)	(3,536,174)	(4,721,629)
General and administration expenses		(358,925)	(353,575)	(867,185)	(681,627)
Finance cost		(360,454)	(308,392)	(715,520)	(598,909)
Workers' profit participation fund		(1,422,804)	(1,316,498)	(2,693,195)	(2,390,577)
Share of profit in associate - net of taxation		21,019	19,548	41,141	30,261
<b>Profit before taxation</b>		<b>27,033,292</b>	<b>25,013,463</b>	<b>51,170,712</b>	<b>45,420,961</b>
Taxation		(12,144,721)	(8,585,577)	(19,572,265)	(16,927,503)
<b>Profit for the period</b>		<b>14,888,571</b>	<b>16,427,886</b>	<b>31,598,447</b>	<b>28,493,458</b>
<b>Earnings per share - basic and diluted (Rupees)</b>	13	<b>3.46</b>	<b>3.82</b>	<b>7.35</b>	<b>6.62</b>

The annexed selected notes 1 to 18 form an integral part of this condensed interim financial information.



Chief Executive



Director

## Condensed Interim Statement of Comprehensive Income [unaudited] For Six Months Ended 31 December 2010

	Three months ended 31 December		Six months ended 31 December	
	2010	2009	2010	2009
	(Rupees '000)			
Profit for the period	14,888,571	16,427,886	31,598,447	28,493,458
Other comprehensive income - net of taxation	-	-	-	-
<b>Total comprehensive income for the period</b>	<b><u>14,888,571</u></b>	<b><u>16,427,886</u></b>	<b><u>31,598,447</u></b>	<b><u>28,493,458</u></b>

The annexed selected notes 1 to 18 form an integral part of this condensed interim financial information.



**Chief Executive**



**Director**

# Condensed Interim Cash Flow Statement [unaudited] For Six Months Ended 31 December 2010

	Six months ended 31 December 2010	2009 (Rupees '000)
<b>Cash flows from operating activities</b>		
Profit before taxation	51,170,712	45,420,961
Adjustments for:		
Depreciation	1,763,856	1,617,273
Amortization of development and production assets	3,170,524	3,104,213
Royalty	9,297,163	8,402,351
Workers' profit participation fund	2,693,195	2,390,577
Provision for employee benefits	947,810	805,728
Un-winding of discount on provision for decommissioning cost	711,515	594,276
Interest income	(927,339)	(546,155)
Un-realized gain on investments at fair value through profit or loss	(14,756)	(15,437)
Dividend income	(10,216)	(14,756)
Gain on disposal of property, plant and equipment	(14,473)	(33,797)
Effect of fair value adjustment of long term receivable	(8,334)	(14,266)
Share of profit in associated company	(41,141)	(30,261)
Stores inventory written off	1,188	8,379
	<b>68,739,704</b>	<b>61,689,086</b>
<b>Working capital changes</b>		
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	(150,788)	875,843
Stock in trade	(5,367)	(5,510)
Trade debts	(24,930,433)	(21,296,643)
Deposits and short term prepayments	98,687	32,599
Advances and other receivables	(701,933)	(1,402,422)
Increase/(decrease) in current liabilities:		
Trade and other payables	114,822	162,701
<b>Cash generated from operations</b>	<b>43,164,692</b>	<b>40,055,654</b>
Royalty paid	(11,104,298)	(510,436)
Employee benefits paid	(1,017,636)	(444,944)
Received from workers' profit participation fund	289,329	490,636
Income taxes paid	(10,898,196)	(7,967,189)
	<b>(22,730,801)</b>	<b>(8,431,933)</b>
Net cash from operating activities	<b>20,433,891</b>	<b>31,623,721</b>
<b>Cash flows from investing activities</b>		
Capital expenditure	(8,669,909)	(8,650,111)
Interest received	932,220	539,395
Dividends received	10,216	22,106
Purchase of investments	(160,000)	(133,969)
Proceeds from disposal of property, plant and equipment	16,101	36,473
Long term prepayments	(3,068)	(1,995)
Net cash used in investing activities	<b>(7,874,440)</b>	<b>(8,188,101)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(7,390,549)	(14,686,025)
Net cash used in financing activities	<b>(7,390,549)</b>	<b>(14,686,025)</b>
<b>Net increase in cash and cash equivalents</b>	<b>5,168,902</b>	<b>8,749,595</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>18,836,743</b>	<b>8,939,828</b>
<b>Cash and cash equivalents at end of the period</b>	<b>24,005,645</b>	<b>17,689,423</b>

The annexed selected notes 1 to 18 form an integral part of this condensed interim financial information.



**Chief Executive**



**Director**

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

	Share capital	Capital reserve		Unappropriated profit	Total equity
		Capital reserve	Self insurance		
(Rupees '000)					
Balance at 01 July 2009	43,009,284	836,000	2,822,318	79,503,794	126,171,396
Transfer to capital reserve	-	-	100,810	(100,810)	-
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	28,493,458	28,493,458
Total comprehensive income for the period	-	-	-	28,493,458	28,493,458
<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)
Total distributions to owners	-	-	-	(15,053,249)	(15,053,249)
Balance at 31 December 2009	<u>43,009,284</u>	<u>836,000</u>	<u>2,923,128</u>	<u>92,843,193</u>	<u>139,611,605</u>
Balance at 01 July 2010	43,009,284	836,000	3,023,682	110,523,520	157,392,486
Transfer to capital reserve	-	-	99,346	(99,346)	-
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	31,598,447	31,598,447
Total comprehensive income for the period	-	-	-	31,598,447	31,598,447
<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)
Total distributions to owners	-	-	-	(12,902,786)	(12,902,786)
Balance at 31 December 2010	<u>43,009,284</u>	<u>836,000</u>	<u>3,123,028</u>	<u>129,119,835</u>	<u>176,088,147</u>

The annexed selected notes 1 to 18 form an integral part of this condensed interim financial information.



**Chief Executive**



**Director**

# Notes to the Condensed Interim Financial Information [unaudited] For Six Months Ended 31 December 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.

## 2 BASIS OF PREPARATION

This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended 30 June 2010. Comparative balance sheet is extracted from annual financial statements as of 30 June 2010 whereas comparative profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity are stated from unaudited condensed interim financial information for the six months period ended 31 December 2009.

The condensed interim financial information is unaudited and is being submitted to the members as required under Section 245 of the Companies Ordinance, 1984.

## 3 ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

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 2010.

### 3.1 APPLICATION OF IFRS 2

Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions became effective from 01 July 2010 which requires an entity receiving goods or services (receiving entity) in either an equity-settled or a cash-settled share-based payment transaction to account for the transaction in its separate or individual financial statements.

On 14 August 2009, the Government of Pakistan launched a scheme called Benazir Employees' Stock Option Scheme ('BESOS') for the employees of state owned entities including Oil and Gas Development Company Limited (OGDCL). Under the scheme a Trust was formed and 12% of the shares held by the Ministry of Petroleum & Natural Resources were transferred to the Trust during year ended 30 June 2010. The eligible employees have been allotted units of the trust, based on the length of the service till 14 August 2009. On cessation of the employment each employee will be required to surrender the units for cash payment from the fund equivalent to market value of the shares. Under the scheme eligible employees will not be entitled to get the benefit unless they have served five more years from the date of enforcement of BESOS except for certain exceptional reasons for early separation from the Company as mentioned in the Trust deed. The eligible employees will be entitled to 50% of the dividend and the remaining 50% dividend will be transferred to Central Revolving Fund of the Privatization Commission who would settle the surrendered units of the Trust on behalf of GoP.

The Company has referred the matter to Institute of Chartered Accountants of Pakistan (ICAP) and Securities and Exchange Commission of Pakistan (SECP) for exemption from applicability of International Financial Reporting Standard -2 Share Based Payments (IFRS-2). At present the matter is pending before ICAP and SECP and management is confident that applicability of IFRS-2 will be exempted by SECP. Accordingly, the above mentioned scheme has not been accounted for under the requirements of IFRS-2 in the condensed interim financial information of the Company for six month period ended 31 December 2010.

## Notes to the Condensed Interim Financial Information [unaudited] For Six Months Ended 31 December 2010

	Unaudited 31 December 2010	Audited 30 June 2010
	(Rupees '000)	
<b>4 TRADE AND OTHER PAYABLES</b>		
Creditors	220,017	206,904
Accrued liabilities	6,151,712	6,500,721
Royalty payable	14,211,786	16,018,921
Excise duty payable	221,082	92,490
General sales tax payable	1,223,553	888,994
Payable to joint venture partners	2,832,052	2,891,948
Retention money	422,047	374,746
Trade deposits	137,981	137,981
Employees' pension trust	155,007	-
Workers' profit participation fund - net	2,693,195	-
Un-paid dividend	6,505,408	997,631
Un-claimed dividend	123,757	119,297
Advances from customers	265,426	186,955
Other payables	129,308	207,616
	<u>35,292,331</u>	<u>28,624,204</u>
<b>5 PROVISION FOR TAXATION</b>		
Tax payable at beginning of the period/year	6,216,639	2,540,170
Income tax paid during the period/year	(10,898,196)	(21,910,472)
Provision for current taxation - for the period/year	15,619,342	23,127,095
Provision for taxation - prior years	-	2,459,846
Tax payable at end of the period/year	<u>10,937,785</u>	<u>6,216,639</u>

### 5.1 TAX STATUS

There is no change in the tax status of the Company as reported in the annual audited financial statements for the year ended 30 June 2010.

## 6 CONTINGENCIES AND COMMITMENTS

### 6.1 Contingencies

**6.1.1** Claims against the Company not acknowledged as debts amounted to Rs 3,312.078 million at period end (30 June 2010: Rs 3,246.112 million).

**6.1.2** Certain banks have issued guarantees on behalf of the Company in ordinary course of business aggregating Rs 106.133 million (30 June 2010 : Rs 106.133 million).

**6.1.3** The Company's share of associate contingencies based on the financial statements of associate for the period ended 30 September 2010 (2009: 30 September 2009) 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 (30 September 2009: Rs 10.518 million).

## Notes to the Condensed Interim Financial Information [unaudited] For Six Months Ended 31 December 2010

### 6.2 Commitments

- 6.2.1** Commitments outstanding at period end amounted to Rs 10,508.108 million (30 June 2010: Rs 11,164.797 million). These included amounts aggregating to Rs 6,825.536 million (30 June 2010: Rs 5,673.692 million) representing the Company's share in the minimum work commitments related to operated/non-operated concessions.
- 6.2.2** 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 2,241.559 million (30 June 2010: Rs 3,662.399 million).
- 6.2.3** The Company's share of associate commitments based on the financial statements of associate for the period ended 30 September 2010 (2009: 30 September 2009) are as follows;

	2010	2009
	(Rupees '000)	
Capital expenditure:		
Share in joint ventures	662,154	743,584
Others	43,198	95,472
	<b>705,352</b>	<b>839,056</b>
Operating lease rentals due:		
Less than one year	3,573	3,925
More than one year but less than five years	5,694	8,540
	<b>9,267</b>	<b>12,465</b>
	<b>714,619</b>	<b>851,521</b>

		Six months ended 31 December	
		2010	2009
		(Rupees '000)	
<b>7</b>	<b>PROPERTY, PLANT AND EQUIPMENT</b>		
	Carrying amount at beginning of the period	<b>34,998,898</b>	28,482,194
	Additions during the period	<b>3,986,316</b>	3,590,648
	Book value of disposals	<b>(1,628)</b>	(2,676)
	Depreciation charge for the period	<b>(2,098,552)</b>	(1,934,698)
	Carrying amount at end of the period	<b>36,885,034</b>	<b>30,135,468</b>

## Notes to the Condensed Interim Financial Information [unaudited] For Six Months Ended 31 December 2010

	Six months ended 31 December 2010		2009	
	(Rupees '000)			
<b>7.1 Additions during the period</b>				
Freehold land	47,554		1,907	
Buildings, offices and roads on freehold land	4,944		4,784	
Buildings, offices and roads on leasehold land	44,373		-	
Plant and machinery	1,571,945		1,489,380	
Rigs	28,625		114,297	
Pipelines	190,095		4,088	
Office and domestic equipment	13,572		7,386	
Office and technical data computers	8,621		8,191	
Furniture and fixture	496		33,666	
Vehicles	114,452		200,443	
Decommissioning cost	7,261		10,391	
Capital work in progress (net)	2,007,233		1,170,542	
Stores held for capital expenditure (net)	(52,855)		545,573	
	<u>3,986,316</u>		<u>3,590,648</u>	

**7.2** During the period ended 31 December 2010, property, plant and equipment with a carrying amount of Rs 1.628 million (31 December 2009: Rs 2.676 million) were disposed off, resulting in gain on disposal of Rs 14.473 million (31 December 2009: Rs 33.797 million).

	Six months ended 31 December 2010		2009	
	(Rupees '000)			
<b>8 DEVELOPMENT AND PRODUCTION ASSETS - INTANGIBLE</b>				
Carrying amount at beginning of the period	58,630,857		49,057,766	
Additions during the period	6,003,848		5,238,455	
Amortization charge for the period	(3,170,524)		(3,104,213)	
Carrying amount at end of the period	<u>61,464,181</u>		<u>51,192,008</u>	

	Six months ended 31 December 2010		2009	
	(Rupees '000)			
<b>9 EXPLORATION AND EVALUATION ASSETS</b>				
Balance at beginning of the period	4,899,241		4,942,575	
Additions during the period	2,592,106		4,008,225	
	7,491,347		8,950,800	
Cost of dry and abandoned wells during the period	(2,498,229)		(3,518,732)	
Cost of wells transferred to development and production assets during the period	(93,909)		(1,228,889)	
	(2,592,138)		(4,747,621)	
	<u>4,899,209</u>		4,203,179	
Stores held for exploration and evaluation activities	4,196,832		4,911,050	
Balance at end of the period	<u>9,096,041</u>		<u>9,114,229</u>	

## Notes to the Condensed Interim Financial Information [unaudited] For Six Months Ended 31 December 2010

	Unaudited 31 December 2010 (Rupees '000)	Audited 30 June 2010
<b>10 TRADE DEBTS</b>		
Un-secured, considered good	107,922,724	82,992,291
Un-secured, considered doubtful	<u>138,440</u>	<u>196,117</u>
	<b>108,061,164</b>	<b>83,188,408</b>
Provision for doubtful debts	<u>(138,440)</u>	<u>(196,117)</u>
	<b><u>107,922,724</u></b>	<b><u>82,992,291</u></b>

**10.1** Trade debts include overdue amount of Rs 76,241 million (30 June 2010: Rs 58,159 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 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 condensed interim financial information on account of circular debts outstanding.

		Unaudited 31 December 2010 (Rupees '000)	Audited 30 June 2010
<b>11 OTHER FINANCIAL ASSETS</b>			
Investments:	<b>Note</b>		
At fair value through profit or loss - NIT units		142,656	127,900
Held to maturity	11.1	<u>14,196,428</u>	<u>10,992,923</u>
		<b><u>14,339,084</u></b>	<b><u>11,120,823</u></b>

**11.1** 31 December 2010 balance represents foreign currency TDRs amounting to USD 156.307 million, carrying interest rate of 2.25% to 2.99% per annum and local currency TDRs amounting to Rs 1,026 million, carrying interest rate of 12.85%, while balance as of 30 June 2010 represents foreign currency TDRs amounting to USD 128.437 million that carried interest rate of 1.50% to 1.90% per annum.

	Three months ended 31 December		Six months ended 31 December	
	2010	2009	2010	2009
	(Rupees '000)			
<b>12 SALES - net</b>				
<b>Gross sales</b>				
Crude oil	20,141,460	17,606,684	37,027,861	34,040,976
Gas	23,968,047	25,876,480	49,678,073	42,841,585
Gasoline	-	4,304	-	4,304
Kerosene oil	30,622	20,302	47,045	64,920
High speed diesel oil	1,823	-	1,823	-
Naphtha	81,796	100,395	130,726	195,286
Liquefied petroleum gas	1,421,456	1,127,662	2,427,986	2,087,399
Sulphur	455,490	42,403	464,340	111,118
Other operating revenue	10,554	11,043	21,407	20,611
	<u>46,111,248</u>	<u>44,789,273</u>	<u>89,799,261</u>	<u>79,366,199</u>
<b>Government levies</b>				
Excise duty	(764,713)	(360,634)	(1,452,578)	(729,722)
Development surcharge	(3,567)	(4,009)	(7,330)	(12,961)
General sales tax	(3,613,898)	(3,616,751)	(7,158,649)	(5,990,114)
Discount on crude oil price	(90,209)	-	(90,209)	-
	<u>(4,472,387)</u>	<u>(3,981,394)</u>	<u>(8,708,766)</u>	<u>(6,732,797)</u>
	<b><u>41,638,861</u></b>	<b><u>40,807,879</u></b>	<b><u>81,090,495</u></b>	<b><u>72,633,402</u></b>

**12.1** The status of the gas price notification in relation to Qadirpur Gas Field is the same as disclosed in the annual audited financial statements for the year ended 30 June 2010.

## Notes to the Condensed Interim Financial Information [unaudited] For Six Months Ended 31 December 2010

13 EARNINGS PER SHARE - BASIC AND DILUTED	Three months ended 31 December		Six months ended 31 December	
	2010	2009	2010	2009
	(Rupees '000)			
Profit for the period (Rupees '000)	<u>14,888,571</u>	16,427,886	<u>31,598,447</u>	<u>28,493,458</u>
Average number of shares outstanding during the period ('000)	<u>4,300,928</u>	4,300,928	<u>4,300,928</u>	<u>4,300,928</u>
Earnings per share - basic (Rupees)	<u>3.46</u>	<u>3.82</u>	<u>7.35</u>	<u>6.62</u>

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

### 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, except for transactions with few state-controlled entities which are not material, hence not disclosed in this condensed interim financial information, are as follows:

	Six months ended 31 December	
	2010	2009
	(Rupees '000)	
<b>Associated company</b>		
Share of profit in associate - net of taxation	41,141	30,261
<b>Major shareholder</b>		
<b>Government of Pakistan</b>		
Dividend paid	4,826,872	11,789,068
<b>Related parties by virtue of common directorship and GoP holdings</b>		
<b>Attock Refinery Limited</b>		
Sale of crude oil	23,768,864	20,319,269
Desalting charges paid	-	7,464
Receivable as at 31 December	31,997,197	18,389,833
Payable as at 31 December	86,495	29,248
<b>Pakistan Refinery Limited</b>		
Sale of crude oil	4,823,732	3,621,421
Receivable as at 31 December	6,735,963	5,767,662
<b>Government Holdings (Private) Limited (GHPL)</b>		
GHPL share (various fields)	67,053	65,931
Payable as at 31 December	1,059	70,620
<b>Pak Arab Refinery Company Limited</b>		
Sale of crude oil	1,795,983	2,858,442
Receivable as at 31 December	2,989,228	1,468,141
<b>Sui Northern Gas Pipelines Limited</b>		
Sale of natural gas	24,412,788	27,609,483
Purchase of high BTU value gas	1,223,156	1,013,308
Receivable as at 31 December	15,644,290	21,963,326
<b>Sui Southern Gas Company Limited</b>		
Sale of natural gas	19,766,477	10,109,008
Pipeline rental charges	17,400	20,232
Receivable as at 31 December	29,264,622	13,566,014

# Notes to the Condensed Interim Financial Information [unaudited] For Six Months Ended 31 December 2010

	Six months ended 31 December	
	2010	2009
	(Rupees '000)	
<b>RELATED PARTY TRANSACTIONS - Continued</b>		
<b>Pakistan State Oil Company Limited</b>		
Sale of refined petroleum products	48,868	64,920
Sale of liquefied petroleum gas	-	18,287
Purchase of petroleum, oil and lubricants	1,421,350	1,158,576
Receivable as at 31 December	49,020	13,164
<b>Packages Limited</b>		
Sale of sulphur	-	2,808
<b>National Insurance Company Limited</b>		
Insurance premium paid	156,482	265,056
Payable as at 31 December	7,775	63
<b>National Logistic Cell</b>		
Crude transportation charges paid	711,606	590,278
Payable as at 31 December	348,616	205,544
<b>Heavy Mechanical Complex</b>		
Purchase of stores and spares	60,214	21,267
<b>Water and Power Development Authority</b>		
Sale of natural gas	10,655	23,309
Receivable as at 31 December	5,037	31,250
<b>Enar Petrotech Services Limited</b>		
Consultancy services	267,352	22,972
Sale of crude oil	836,845	812,937
Receivable as at 31 December	77,649	48,360
Payable as at 31 December	383	-
<b>Other related parties</b>		
Contribution to staff benefit funds	1,385,087	805,728
Remuneration including benefits and perquisites of key management personnel and executives	1,471,673	1,601,847
- 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 2010: Rs 500,000) per year.		

## 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 2010.

## 16 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

No interim dividend has been approved by the Board of Directors in its meeting held on 24 February 2011.

## 17 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on 24 February 2011 by the Board of Directors of the Company.

## 18 GENERAL

Figures in the condensed interim financial information have been rounded off to the thousand of rupee, unless otherwise stated .



**Chief Executive**



**Director**



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