

Interim Report and Financial Information

For Six Months Ended 31 December 2009

Exploring Potential.....



OIL & GAS DEVELOPMENT COMPANY LIMITED

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Company Information

Board of Directors

Mr. Farooq Rahmatullah
Mr. Zahid Hussain
Mr. Muhammad Ejaz Chaudhry
Mr. Tariq Faruque
Miss Shagufta Jumani
Mr. Wasim A. Zuberi
Mr. Fahd Shaikh
Dr. Kaiser Bengali
Mr. Ahmed Bakhsh Lehri
Senator Mir Wali Muhammad Badini
Syed Masieh-ul-Islam

Chairman
Managing Director / CEO
Director
Director
Director
Director
Director
Director
Director
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.
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Fax: (051) 9209804-6, 9209708
Email: csec@ogdcl.com
Website: 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
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Website: www.noble-computers.com

Directors' Interim Review

The Directors of Oil & Gas Development Company Limited (OGDCL) are pleased to present the un-audited financial statements together with a brief review of Company's operations for the half year ended 31 December 2009.

During the first half of current financial year, the Company has made steady progress in all areas and its financial performance has been satisfactory. This is despite the issues of inter-corporate debt, development projects under litigation and law & order situation in some of Company's operational areas.

During the period under review, Company's committed efforts yielded four new Oil / Condensate and Gas discoveries including a significant one in Nashpa E.L (Nashpa Well-1) in NWFP, another two in Guddu E.L (Reti Well-1) and Sinjhoru E.L (Baloch Well-1) in Sindh, and one at Dakhni (Dakhni Well -11) in Punjab. On the basis of preliminary reserves estimates, these discoveries have added 11.86 million barrels (MMSTB) of Oil and 86.76 billion cubic feet (Bcf) of Gas to Company's reserves. Subsequently, in January-February, 2010, two more Gas / Condensate fields in Guddu E.L (Maru Well-1) and Tando Allah Yar E.L (Shah Well-1), both in Sindh, have been discovered. Sizeable enhancement of Crude Oil, Condensate and Gas production is expected from these newly discovered fields. Oil and Gas production from Nashpa during Extended Well Testing (EWT) is expected to start in May 2010 which will have significant positive impact on Company's earning performance.

Company's financial performance during the period reflected positive financial impact of Rs 8.684 billion in gas sales revenue on account of revision in Qadirpur wellhead gas price with effect from 01 January 2008. Company's sales revenue and profit after taxation during the period was Rs 72.633 billion and Rs 28.493 billion respectively resulting into Earnings Per Share (EPS) of Rs 6.62 compared to Rs 7.39 in the corresponding period last year.

However, issue of inter-corporate circular debt remains a matter of great concern for the Company as trade debt on 31 December 2009 includes overdue receivables of Rs 42.215 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 pivotal 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.

Board of Directors

During the first half of the year, composition of Company's Board of Directors has changed due to appointment of Mr. Fahd Shaikh, Dr. Kaiser Bengali, Mr. Ahmed Bakhsh Lehri, Senator Mir Wali Muhammad Badini and Syed Masieh-ul-Islam 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 the outgoing directors during their tenure.

Review of Operations

A substantial and balanced exploratory, appraisal and development programme for adding new reserves continues to be central to OGDCL's business model. This programme has further been strengthened with addition of four new exploration blocks namely Channi Pull, Mari East, Jandran West and Lakhi Rud which were provisionally awarded to the Company during the first half of the year. However, three exploration blocks namely Thatta, Thatta East and Offshore Indus-S were surrendered / relinquished by the Company during the period under review.

As of 31 December 2009, OGDCL was operating in 32 exploration blocks (19 blocks with 100% share and 13 blocks as operated Joint Venture (JV) including 3 offshore blocks) covering an area of 61,282.77 Sq. Kms. In addition, OGDCL also holds working interest in another 7 exploration blocks operated by other JV partners.

In Offshore Indus-R E.L. 1,325 L.Kms 2-D seismic data loading on work station is in progress for interpretation. Seismic data acquired in Eastern Offshore-AE.L. and Offshore Indus-S E.L. is under processing. 50% share along with operator ship of Offshore Indus-S has been transferred to M/s BPXA, UK and modalities are being finalized in Offshore Indus-G to handover 25% to each BPXA, ENI and PPL with operator ship to ENI.

During the first half, 1,141 L. Kms of 2-D and 192 Sq. Kms of 3-D seismic data acquisition have been achieved in various concessions operated by OGDCL. The Company also carried out drilling operations on number of exploratory / appraisal and development wells. 30 new locations have been marked on ground and 8 new wells including 5 exploratory / appraisal wells and 3 development wells were spudded. Subsequently, in January-February 2010, 4 more exploratory / appraisal and development wells were also spudded totaling to 12 wells during the current financial year. Workover jobs have also been carried out on another 4 wells.

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. OGDCL has recently added 10 MMcfd of Gas and 350 barrels of Condensate from Dakhni and 4 MMcfd of Gas from Nandpur. Gas compression facilities have been installed at Chanda Oil field to meet the pressure requirement of SNGPL. Annual Turn Around (ATA) of plants at Bobi, Dakhni, Uch, and Kunnar were carried out and forced evaporation system has been installed at Fimkassar and Tando Alam Oil fields in order to dispose off the produced water.

Average daily net production for the first half including share in operated and non-operated joint venture fields was as follows:

PRODUCTS	UOM	1 st Half 2008-09	1 st Half 2009-10
Crude Oil	Barrels / day	41,573	38,787
Gas	MMcf / day	964	960
LPG	M. Tons / day	229	199
Sulphur	M. Tons / day	66	64
Daily production has been worked out at 365 days / year.			

Compared with equivalent period last year, Crude Oil net production from Company's operated fields decreased by 8.9% despite increase in production from Mela, Dakhni and Thora fields. However, share of Crude Oil production from non-operated JV fields increased by 8.9%, resulting into net decrease in Crude Oil production by 6.7% (2,786 barrels per day). During the first half, Company's gas production from its operated fields decreased by 2.4% compared with same period last year. However, share of gas production from non-operated JV fields increased by 6.7%, resulting into nominal decrease of 4 MMcfd. LPG production from OGDCL's operated fields and share from non-operated JV fields during the period under review was also lower than anticipated mainly due to water break through at Dhodak field, ATA at Dakhni, Kunnar, Uch and Bobi fields etc.

Production enhancement in short term (next 12 months) is expected from Qadirpur, Nashpa, Mela, Dakhni and Rajian after installation of compression in Qadirpur, EWT of Nashpa Well No. 1, completion of Mela Well No. 3, Dakhni Development Wells No. 12 & Dakhni Deep Well No. 4, workover of Missa Keswal Well No. 3 and drilling of Rajian Development Well No. 5A.

The Company is actively working on completion of various on-going development projects like Qadirpur Compression System, Dakhni Expansion Project, Uch-II Development Project, Jhal Magsi Development Project, Bahu Development Project and Pakhro Project. Work on development projects like Kunnar Pasakhi-Tando Allah Yar (KPD-TAY) Integrated Development Project and Sinjhora Development Project will be undertaken on accelerated pace after clearance of court cases.

Financial Results

Sales revenue remained slightly above that in the equivalent period last year mainly due to positive financial impact of Rs 8.684 billion on account of revision in Qadirpur wellhead gas price which has been notified by Oil & Gas Regulatory Authority (OGRA) on provisional basis with effect from 01 January 2008. However, financial performance was negatively impacted by decline in production of Crude Oil and LPG and substantial drop in realized prices of gas in some of the non-operated JV fields.

Product sales revenue during the period under review of Rs 72.633 billion (1H 2008-09: Rs 71.940 billion) is inclusive of Rs 8.684 billion on account of price revision in respect of Qadirpur gas effective 01 January 2008. (Rs 3.223 billion pertains to first half of 2009-10 and Rs 5.461 billion to the period 01 January 2008 to 30 June 2009). However, the Company witnessed decrease in sales revenue during the period on account of decline in realized prices of Crude Oil and Gas (mainly in non-operated JV fields) together with decrease in sale volume of Crude Oil, LPG and other petroleum products.

Net realized prices of Crude Oil, Gas and LPG averaged at US\$ 59.72/bbl, Rs 177.09/Mcf and Rs 49,288/M.Ton respectively compared to US\$ 69.00/bbl, Rs 169.57/Mcf and Rs 39,724/M.Ton respectively during the same period last year.

Despite slight increase in sales revenue, profit before taxation for the period was Rs 45.421 billion compared to Rs 48.428 billion during same period last year, reflecting 6.2% decrease in Company's earning performance. These results were impacted mainly on account of decrease in other income and higher exploration and prospecting expenditure. Company recorded profit after taxation of Rs 28.493 billion compared to Rs 31.781 billion in first half of last year resulting into Earnings Per Share (EPS) of Rs 6.62 (1H 2008-09: Rs 7.39).

Cash flow from operations for the period was Rs 31.624 billion (1H 2008-09: Rs 23.451 billion). After investment and financing activities of Rs 23.472 billion (cash outflow) and Rs 597.974 million (inflow) respectively, the Company's cash and cash equivalent at the end of period were Rs 17.689 billion.

Dividend

Directors of the Company are pleased to declare second interim cash dividend of Rs 1.50 per share (15.0%). This is in addition to first interim dividend of Re 1.00 per share (10.0%) totaling to Rs 2.50 per share (25.0%) for the year ending June 30, 2010.

Future Outlook

In the first half of 2009-10, OGDCL has delivered significant exploration successes, improved exploration portfolio, enhanced oil and gas reserves base and progressed new seismic acquisition and exploratory & development drilling. Based on the results achieved in the first half together with positive impact of revision in Qadirpur Gas price and expected production from Nashpa, we look forward to Company's improved operational and financial results during the rest of this year.

Acknowledgements

The Board of Directors would like to convey its appreciation to the Management and all the employees of the Company for their contribution towards the results achieved by the Company during the first half of the year and look forward for their continued commitment for future progress of the Company.

On behalf of the Board



(Farooq Rahmatullah)
Chairman

24 February 2010

INTERIM REPORT
AND
FINANCIAL INFORMATION

For Six Months Ended 31 December 2009



**OIL & GAS DEVELOPMENT
COMPANY LIMITED**

Auditors' 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 2009 and the related condensed interim profit and loss account/statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "interim financial information"), for the six months period then ended. Management is responsible for the preparation and presentation of this 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 interim financial information based on our review.

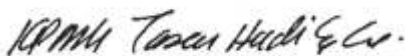
Scope of Review

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 the 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.

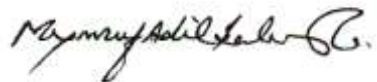
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at and for the six months period ended 31 December 2009 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Without qualifying our review report, we draw attention to note 10.1 to the interim financial information wherein it is stated that trade debts include overdue amount of Rs 42,215 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 note.



KPMG TASEER HADI & Co.
Chartered Accountants
Islamabad
24 February 2010



M. YOUSUF ADIL SALEEM & Co.
Chartered Accountants
Islamabad
24 February 2010

**Condensed Interim Balance Sheet [unaudited]
As at 31 December 2009**

		Unaudited 31 December 2009	Audited 30 June 2009
	Note	(Rupees '000)	
SHARE CAPITAL AND RESERVES			
Share capital		43,009,284	43,009,284
Capital reserves		3,759,128	3,658,318
Unappropriated profit		<u>92,843,193</u>	<u>79,503,794</u>
		139,611,605	126,171,396
NON CURRENT LIABILITIES			
Deferred taxation		18,385,344	17,710,497
Deferred employee benefits		2,279,283	2,008,499
Provision for decommissioning cost		11,604,878	10,814,506
		32,269,505	30,533,502
CURRENT LIABILITIES			
Trade and other payables	4	29,671,582	18,747,328
Provision for taxation	5	10,825,637	2,540,170
		40,497,219	21,287,498
		<u>212,378,329</u>	<u>177,992,396</u>
CONTINGENCIES AND COMMITMENTS			
	6		

The annexed notes 1 to 17 form an integral part of this condensed interim financial information. The condensed financial information for the six months ended 31 December 2009 have been signed by the Chairman and one Director, duly authorized by the Board, as the Chief Executive of the Company was on leave.


Director

		Unaudited 31 December 2009	Audited 30 June 2009
	Note	(Rupees '000)	
NON CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	7	30,135,468	28,482,194
Development and production assets - intangible	8	51,192,008	49,057,766
Exploration and evaluation assets	9	9,114,229	8,779,699
		90,441,705	86,319,659
Long term investments		3,059,199	2,903,133
Long term loans and receivable		1,657,137	1,849,707
Long term prepayments		87,352	85,357
		95,245,393	91,157,856
CURRENT ASSETS			
Stores, spare parts and loose tools		16,580,129	17,464,351
Stock in trade		113,811	108,301
Trade debts	10	77,436,735	56,140,092
Loans and advances		4,212,697	2,643,354
Deposits and short term prepayments		387,022	419,621
Interest accrued		34,731	27,156
Other receivables		541,044	969,930
Other financial assets	11	10,491,909	5,087,917
Cash and bank balances		7,334,858	3,973,818
		117,132,936	86,834,540
		212,378,329	177,992,396




Chairman

Condensed Interim Profit and Loss Account/Statement of Comprehensive Income [unaudited] For Six Months Ended 31 December 2009

	Note	Three months ended 31 December		Six months ended 31 December	
		2009	2008	2009	2008
(Rupees '000)					
Sales - net	12	40,807,879	30,556,776	72,633,402	71,940,363
Royalty		(4,787,501)	(3,283,447)	(8,402,351)	(8,246,784)
Operating expenses		(5,570,824)	(5,592,240)	(10,792,978)	(10,656,091)
Transportation charges		(389,792)	(314,101)	(837,300)	(782,071)
		(10,748,117)	(9,189,788)	(20,032,629)	(19,684,946)
Gross profit		30,059,762	21,366,988	52,600,773	52,255,417
Other income		407,970	892,420	1,206,675	3,082,453
Exploration and prospecting expenditure		(3,495,352)	(1,182,112)	(4,721,629)	(3,502,097)
General and administration expenses		(353,575)	(279,615)	(705,633)	(548,339)
Finance cost		(308,392)	(170,258)	(598,909)	(341,933)
Workers' profit participation fund		(1,316,498)	(1,031,371)	(2,390,577)	(2,547,642)
Share of profit in associate - net of taxation		19,548	15,809	30,261	30,209
Profit before taxation		25,013,463	19,611,861	45,420,961	48,428,068
Taxation		(8,585,577)	(6,810,312)	(16,927,503)	(16,646,868)
Profit for the period		16,427,886	12,801,549	28,493,458	31,781,200
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		16,427,886	12,801,549	28,493,458	31,781,200
Earnings per share - basic and diluted (Rupees)	13	3.82	2.98	6.62	7.39

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


Director



Chairman

Condensed Interim Cash Flow Statement [unaudited] For Six Months Ended 31 December 2009

	Six months ended 31 December	
	2009	2008
	(Rupees '000)	
Cash flows from operating activities		
Profit before taxation	45,420,961	48,428,068
Adjustments for:		
Depreciation	1,617,273	1,643,440
Amortization of development and production assets	3,104,213	2,715,530
Royalty	8,402,351	8,246,784
Workers' profit participation fund	2,390,577	2,547,642
Provision for employee benefits	805,728	718,992
Un-winding of discount on provision for decommissioning cost	594,276	330,243
Interest income	(546,155)	(1,151,537)
Un-realized (gain)/loss on investments at fair value through profit or loss	(15,437)	131,669
Dividend income	(14,756)	(29,512)
Gain on disposal of property, plant and equipment	(33,797)	(10,462)
Interest income on long term receivables	(14,266)	(19,786)
Share of profit in associated company	(30,261)	(30,209)
Stores inventory written off	8,379	-
Provision for doubtful debts	-	(3,173)
	61,689,086	63,517,689
Working capital changes		
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	875,843	(535,425)
Stock in trade	(5,510)	61,306
Trade debts	(21,296,643)	(21,088,648)
Deposits and short term prepayments	32,599	247,030
Advances and other receivables	(1,402,422)	116,666
(Decrease)/increase in current liabilities:		
Trade and other payables	162,701	2,063,923
Cash generated from operations	40,055,654	44,382,541
Royalty paid	(510,436)	(10,566,530)
Employee benefits paid	(444,944)	(584,827)
Received from/(paid to) workers' profit participation fund - net	490,636	(174,911)
Income taxes paid	(7,967,189)	(9,605,307)
	(8,431,933)	(20,931,575)
Net cash from operating activities	31,623,721	23,450,966
Cash flows from investing activities		
Capital expenditure	(8,650,111)	(13,353,203)
Interest received	539,395	1,317,075
Dividend received	22,106	36,862
Purchase of investments	(133,969)	-
Proceeds from encashment of investments	-	683,347
Proceeds from disposal of property, plant and equipment	36,473	14,854
Long term prepayments	(1,995)	25,389
Net cash used in investing activities	(8,188,101)	(11,275,676)
Cash flows from financing activities		
Dividends paid	(14,686,025)	(19,998,209)
Net cash used in financing activities	(14,686,025)	(19,998,209)
Net increase/(decrease) in cash and cash equivalents	8,749,595	(7,822,919)
Cash and cash equivalents at beginning of the period	8,939,828	18,276,380
Cash and cash equivalents at end of the period	17,689,423	10,453,461

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


Director


Chairman

Selected Notes to the Condensed Interim Financial Information [unaudited] For Six Months Ended 31 December 2009

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 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 has 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 six months ended 31 December 2008.

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 as of and for the six months ended 31 December 2009. 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 Six Months Ended 31 December 2009

	31 December 2009	30 June 2009
	(Rupees '000)	
4 TRADE AND OTHER PAYABLES		
Creditors	189,936	814,714
Accrued liabilities	5,587,751	6,952,534
Royalty	12,201,825	4,309,910
Excise duty	109,348	114,614
General sales tax	2,206,396	805,044
Payable to joint venture partners	3,587,025	3,152,520
Retention money	386,350	266,371
Trade deposits	134,481	134,481
Employees' pension trust	90,000	-
Workers' profit participation fund	2,390,577	-
Un-paid dividend	2,182,002	1,816,304
Un-claimed dividend	116,118	114,592
Advances from customers	186,808	184,559
Other payables	302,965	81,685
	<u>29,671,582</u>	<u>18,747,328</u>
5 PROVISION FOR TAXATION		
Tax payable at beginning of the period/year	2,540,170	4,223,048
Income tax paid during the period/year	(7,967,189)	(21,492,595)
Provision for current taxation - for the period/year	14,293,520	16,799,082
Provision for taxation - prior years	1,959,136	3,010,635
Tax payable at end of the period/year	<u>10,825,637</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 2008 are pending at different appellate forums in the light of the order of the Commissioner of Income Tax (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.

Selected Notes to the Condensed Interim Financial Information [unaudited] For Six Months Ended 31 December 2009

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.

	Note	Six months ended 31 December	
		2009	2008
		(Rupees '000)	
7 PROPERTY, PLANT AND EQUIPMENT			
Carrying amount at beginning of the period		28,482,194	23,229,631
Additions during the period	7.1	3,590,648	5,288,985
Book value of disposals	7.2	(2,676)	(1,166)
Depreciation charge for the period		(1,934,698)	(1,867,653)
Carrying amount at end of the period		<u>30,135,468</u>	<u>26,649,797</u>
7.1 Additions during the period			
Freehold land		1,907	424
Leasehold land		-	1,935
Buildings, offices and roads on freehold land		4,784	44,897
Plant and machinery		1,489,380	3,898,148
Rigs		114,297	81,049
Pipelines		4,088	78,093
Vehicles		200,443	499,035
Office and domestic equipment		7,386	74,859
Office and technical data computers		8,191	26,421
Furniture and fixture		33,666	4,671
Stores held for capital expenditure (net)		545,573	63,730
Decommissioning cost		10,391	30,198
Capital work in progress (net)		1,170,542	485,525
		<u>3,590,648</u>	<u>5,288,985</u>

Selected Notes to the Condensed Interim Financial Information [unaudited] For Six Months Ended 31 December 2009

- 7.2 During the six months ended 31 December 2009, property, plant and equipment with a carrying amount of Rs 2.676 million (2008: Rs 1.166 million) were disposed of, resulting in a gain on disposal of Rs 33.797 million (2008: Rs 10.462 million), which is included in other income.

	Six months ended 31 December	
	2009	2008
	(Rupees '000)	
8 DEVELOPMENT AND PRODUCTION ASSETS - INTANGIBLE		
Carrying amount at beginning of the period	49,057,766	36,808,041
Additions during the period	5,238,455	7,961,107
Amortization charge for the period	(3,104,213)	(2,715,530)
Carrying amount at end of the period	<u>51,192,008</u>	<u>42,053,618</u>
9 EXPLORATION AND EVALUATION ASSETS		
Balance at beginning of the period	4,942,575	2,823,295
Additions during the period	4,008,225	3,813,099
	8,950,800	6,636,394
Cost of dry and abandoned wells during the period	(3,518,732)	(2,382,683)
Cost of wells transferred to development and production assets during the period	(1,228,889)	(593,297)
	(4,747,621)	(2,975,980)
	4,203,179	3,660,414
Stores held for exploration and evaluation activities	4,911,050	4,500,764
Balance at end of the period	<u>9,114,229</u>	<u>8,161,178</u>
	31 December	30 June
	2009	2009
	(Rupees '000)	
10 TRADE DEBTS		
Un-secured, considered good	77,436,735	56,140,092
Un-secured, considered doubtful	113,309	4,328,255
	77,550,044	60,468,347
Provision for doubtful debts	(113,309)	(113,309)
Trade debts written off	-	(4,214,946)
	<u>77,436,735</u>	<u>56,140,092</u>

Selected Notes to the Condensed Interim Financial Information [unaudited] For Six Months Ended 31 December 2009

10.1 Trade debts include overdue amount of Rs 42,215 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 December 2009	30 June 2009
	Note	(Rupees '000)	
11 OTHER FINANCIAL ASSETS			
Investments:			
At fair value through profit or loss - NIT units		137,344	121,907
Available for sale	11.1	<u>10,354,565</u>	<u>4,966,010</u>
		<u>10,491,909</u>	<u>5,087,917</u>

11.1 These include foreign currency Term Deposits Receipts (TDRs) amounting to USD 100.50 million (30 June 2009: USD 61 million) and carry interest rate of 2.25% to 3.00% (30 June 2009: 2.00% to 4.28%) per annum. PKR TDRs carry interest rate of 13.25% per annum.

	Three months ended 31 December 2009		Six months ended 31 December 2009	
	2009	2008	2009	2008
	(Rupees '000)			
12 SALES - net				
Gross sales				
Crude oil	17,606,684	14,171,504	34,040,976	39,489,217
Gas	25,876,480	18,057,830	42,841,585	35,427,881
Gasoline	4,304	65,165	4,304	178,808
Kerosene oil	20,302	43,938	64,920	83,998
High speed diesel oil	-	2,662	-	2,662
Solvent oil	-	-	-	4,537
Naphtha	100,395	79,149	195,286	401,184
Liquefied petroleum gas	1,127,662	930,810	2,087,399	1,925,758
Sulphur	42,403	144,801	111,118	232,402
Other operating revenue	11,043	8,555	20,611	16,786
	44,789,273	33,504,414	79,366,199	77,763,233
Government levies				
Excise duty	(360,634)	(367,375)	(729,722)	(734,104)
Development surcharge	(4,009)	(11,700)	(12,961)	(19,762)
General sales tax	(3,616,751)	(2,568,563)	(5,990,114)	(5,069,004)
	<u>(3,981,394)</u>	<u>(2,947,638)</u>	<u>(6,732,797)</u>	<u>(5,822,870)</u>
	<u>40,807,879</u>	<u>30,556,776</u>	<u>72,633,402</u>	<u>71,940,363</u>

Selected Notes to the Condensed Interim Financial Information [unaudited] For Six Months Ended 31 December 2009

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 proposed. The Company, on behalf of JV partners, conveyed acceptance of this discount table to GoP vide letter dated 27 March 2009. Formal notification of revised discount table, by GoP, is still awaited.

Meanwhile, the GoP 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. Subsequent to the period end, on 18 January 2010, OGRA has issued provisional price notification for the period from 01 January 2008 to 31 December 2009. Based on said notification, additional revenue of Rs 8,684 million has been accounted for in this condensed interim financial information. Adjustment in revenue from July 2005 to December 2009 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 December		Six months ended 31 December	
2009	2008	2009	2008

(Rupees '000)

13 EARNINGS PER SHARE - BASIC AND DILUTED

Profit for the period (Rupees '000)	16,427,886	12,801,549	28,493,458	31,781,200
Average number of shares outstanding during the period ('000)	4,300,928	4,300,928	4,300,928	4,300,928
Earnings per share - basic (Rupees)	<u>3.82</u>	<u>2.98</u>	<u>6.62</u>	<u>7.39</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	
	2009	2008
	(Rupees '000)	
Associated company		
Share of profit in associate - net of taxation	30,261	30,209
Major shareholder		
Government of Pakistan		
Dividend paid	11,789,068	16,298,737
Related parties by virtue of common directorship and GoP holdings		
Attock Refinery Limited		
Sale of crude oil	20,319,269	23,796,841
Desalting charges paid	7,464	13,543
Receivable as at 31 December	18,389,833	16,352,852

Selected Notes to the Condensed Interim Financial Information [unaudited] For Six Months Ended 31 December 2009

	Six months ended 31 December	
	2009	2008
	(Rupees '000)	
RELATED PARTY TRANSACTIONS- Continued		
Pakistan Refinery Limited		
Sale of crude oil	3,621,421	-
Receivable as at 31 December	5,767,662	-
Government Holdings (Private) Limited		
GHPL share (various fields)	52,959	103,540
Pak Arab Refinery Company Limited		
Sale of crude oil	2,858,442	2,852,981
Receivable as at 31 December	1,468,141	4,138,444
Sui Northern Gas Pipelines Limited		
Sale of natural gas	27,609,483	16,900,296
Purchase of high BTU value gas	1,013,308	1,039,446
Receivable as at 31 December	21,963,326	7,844,785
Sui Southern Gas Company Limited		
Sale of natural gas	10,109,008	14,245,073
Pipeline rental charges	20,232	20,232
Receivable as at 31 December	13,566,014	16,718,490
Pakistan State Oil Company Limited		
Sale of refined petroleum products	64,920	60,877
Sale of liquefied petroleum gas	18,287	7,467
Purchase of petroleum, oil and lubricants	1,158,576	1,576,837
Receivable as at 31 December	13,164	12,248
Packages Limited		
Sale of sulphur	2,808	20,859
National Insurance Company Limited		
Insurance premium paid	265,056	279,261
National Logistic Cell		
Crude transportation charges paid	590,278	684,097
Heavy Mechanical Complex		
Purchase of stores and spares	21,267	15,827
Water and Power Development Authority		
Sale of natural gas	23,309	41,093
Receipts against long term loan	-	93,375
Receivable as at 31 December	31,250	28,561
Enar Petrotech Services Limited		
Consultancy services	22,972	24,390
Sale of crude oil	812,937	1,055,487
Receivable/(payable) as at 31 December	48,360	(8,003)
Other related parties		
Contribution to staff benefit funds	805,728	718,992
Remuneration including benefits and perquisites of key management personnel and executives	1,596,474	1,450,292

- 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 Six Months Ended 31 December 2009

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 approved interim dividend at the rate of Rs 1.50 per share in its meeting held on 24 February 2010.
- 16.2** This condensed interim financial information was authorized for issue on 24 February 2010 by the Board of Directors of the Company.

17 GENERAL

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



Director



Chairman



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