

# Interim Report and Financial Information

Nine Months Ended 31 March 2011



**Oil & Gas Development Company Limited**

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## Corporate 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) has pleasure in presenting the un-audited financial statements along with a concise review of the Company's operations for the third quarter and nine months ended 31 March 2011.

During the period under review, OGDCL exhibited improved financial results because of higher realized prices of crude oil, gas and LPG coupled with increase in gas production. Its sales revenue and profit after taxation during the period increased by 12.6% and 15.4% to Rs 122.266 billion and Rs 49.185 billion respectively translating into Earnings per Share (EPS) of Rs 11.44 compared to Rs 9.91 during the corresponding period of last year. This is despite slight decline in crude oil production, issue of mounting inter-corporate circular debt, heavy floods in the country in the month of July 2010 and unfavorable security situation in some of the Company's operational areas.

### Exploration and Development Activities

As of 31 March 2011, OGDCL's concession portfolio stood at 34 own and operated joint venture (JV) exploration licenses (21 blocks with 100% shares and 13 blocks as operated JVs including 3 offshore blocks) covering an area of 61,084 Sq. Kms.

During first nine months of the current financial year, seismic crew of the Company acquired 1,063 L. Kms of 2-D and 299 Sq. Kms of 3-D seismic data in various exploration blocks. Twenty six (26) new well locations were marked on ground out of which eleven (11) wells including four (4) exploratory / appraisal wells namely Sehar-1, Naspha-2, Maru-2 and Naspha-3 and seven (7) development wells namely Qadirpur-41, Uch-23, Thora-8, Uch-24, Uch-29, Uch-30 and Uch-31 were spudded. Another development well Pasahki-7 was spudded in April 2011. In addition, drilling/testing of fifteen (15) ongoing wells from previous financial year also remained underway. However, the Company could not start operations in ten (10) exploration blocks (30.26% of total acreage) due to non availability of security clearance / security cover from the concerned agencies.

During the current financial year 2010-11, the Company's exploratory efforts resulted in locating two (2) new oil / gas condensate discoveries namely 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. These discoveries have the potential of adding 0.14 million barrels of oil / condensate and 59 billion cubic feet of gas to the Company's reserve base.

OGDCL continued to place emphasis on oil and gas exploration and stepped up development efforts for key projects in order to enhance production base. The Company is presently making vigorous efforts to complete the on-going development projects namely Dakhni expansion, Sinjhor, Jhal Magsi, Kunnar Pasahki Deep-Tando Allah Yar (KPD-TAY) and Uch-II Development projects having a combined production capacity of approximately 8000 barrels of crude oil per day, 500 MMcf of gas per day and 500 M. Tons of LPG per day.

Activities at Uch-II development project are in full swing as eight (8) wells out of fifteen (15) wells have already been drilled while drilling operations on two (2) wells along with civil work on Uch-33 is in progress. After completion of drilling activities and installation / commission of Uch-II plant, an additional 160 MMcf per day gas would be available for commercial supply to Uch-II Power (Pvt) Limited (UPL) for power generation with effect from 01 November 2013 as per Uch-II Gas Sale Agreement (GSA) signed between OGDCL and UPL.

### Production

The Company continues to pursue best practices to maintain and enhance production and keep natural decline to minimum with the application of rig-less techniques and by undertaking rig-workover jobs regularly. During the period under review, annual turnaround (ATA) of plants was carried out at Chanda, Qadirpur, Dakhni and Uch fields. The Company also witnessed increase in crude oil and gas production at Nashpa well after conducting choke performance test. Moreover, the Company has also started producing 16 MMcf per day gas from Bahu field with effect from January 2011.

OGDCL is actively working on the development of Sinjhoru and Reti/Maru wells using indigenous resources to substantially augment the production levels, leading to improvement in financial results.

The Company is presently operating a total of forty five (45) Development and Production leases including both owned and operated JVs. The average daily net production for the period under review including share in both operated and non-operated JV fields is as under:

Products	UOM	9M 2010-11	9M 2009-10
Crude oil	Barrels/day	37,302	38,610
Gas	MMcf/day	1,001	974
LPG	M.Tons/day	197	206
Sulphur	M.Tons/day	71	68

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

During the period under review, Company's gas production including its share in operated and non-operated JV fields increased by 2.8% compared to the corresponding period of last year. The increase was due to the start of production from the new fields namely Bahu, Pakhro, Sheikhan and Naspha coupled with increase in share of gas production from non-operated JV fields.

Crude oil production during the period has been marginally lower compared with the corresponding period of last year. Crude oil production from Company's own and operated JV fields decreased by 4.9% mainly due to the decline in production from Kunnar, Pasahki, Bobi, Tando Alam and Sono on account of natural depletion of reserves and from Chanda and Mela on account of short lifting of crude oil after floods damaged road network. The production decline was partially offset by the increase in production from Kal, Rajian and commencement of production from Naspha. Share of crude oil production from non-operated JV fields increased by 5.1% resulting in net decrease in crude oil production by 3.4%.

#### Financial Results

Despite the trend of declining production from mature oil fields, OGDCL has been able to deliver stable operating performance and completed the nine months period (July 2010- March 2011) with improved financial results.

The Company witnessed 12.6% growth in sales revenue to Rs 122.266 billion over the corresponding period of last year. Factors attributing to the said increase are higher realized prices of crude oil, gas, LPG and sulphur, higher sales volume of gas and favorable financial impact of Rs 2.786 billion (01 January 2007 to 30 June 2010) on account of gas price revision in respect of Bobi field. However, the Company's sales revenue was negatively impacted by Rs 1.367 billion due to decline in production of crude oil, LPG and white petroleum products.

During the period, net realized prices of crude oil, gas and LPG averaged at US \$ 67.47 / BBL, Rs 215.22 / Mcf and Rs 63,510.40 / M.Ton compared to US \$ 60.87 / BBL, Rs 181.81 / Mcf and Rs 53,295.85 / M.Ton respectively during the same period of 2009-10.

Profit before taxation for the period was Rs 77.263 billion compared to Rs 69.391 billion during the same period of previous year reflecting 11.3% increase in the Company's earning performance. OGDCL recorded profit after taxation of Rs 49.185 billion compared to Rs 42.609 billion during corresponding period of last year resulting in increase of Earnings per Share (EPS) by 15.4% to Rs 11.44 (9M 2009-10: Rs 9.91).

Cash flow from operations for the period after working capital changes and payment of income tax of Rs 16.963 billion and royalty of Rs 13.985 billion was Rs 30.397 billion, showing a decrease of Rs 17.237 billion over the same period last year. After investment and financing activities of Rs 27.234 billion (cash outflow) and Rs 1.590 billion (cash inflow) respectively, the Company's cash and cash equivalent increased by Rs 4.754 billion with the ending balance of Rs 23.591 billion as on 31 March 2011.

The prevailing inter-corporate debt issue in the industry is negatively impacting OGDCL as its trade debts as of 31 March 2011 have mounted to Rs 127.303 billion, which includes overdue amount of Rs 93.266 billion, receivable from oil refineries and gas distribution companies. An early resolution of this issue is pivotal for ensuring the smooth running of exploration, development and production activities along with timely discharge of statutory obligations including payment of royalty, duties / taxes and dividends etc.

**Dividend**

The Board of Directors is pleased to declare second interim cash dividend of Rs 1.50 per share (15%). This is in addition to the first interim cash dividend of Rs 1.50 per share (15%) already declared making an aggregate dividend as Rs 3.00 per share (30%) for the year ending 30 June 2011.

**Acknowledgment**

The Board of Directors places on record its gratitude for the support and co-operation received from Company's shareholders, JV partners, Ministry of Petroleum & Natural Resources and value the professionalism, dedication and commitment of the Management and employees of the Company, which have contributed to the stability and success of the organization and look forward for their continued support in future.

On behalf of the Board

27 April 2011

  
(Imtiaz Kazi)  
Chairman



**INTERIM REPORT**  
**AND**  
**FINANCIAL INFORMATION**  
Nine Months Ended 31 March 2011



**OIL & GAS DEVELOPMENT  
COMPANY LIMITED**

**Condensed Interim Balance Sheet [unaudited]  
As at 31 March 2011**

	Note	Unaudited 31 March 2011	Audited 30 June 2010
(Rupees '000)			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital		43,009,284	43,009,284
Capital reserves		4,009,049	3,859,682
Unappropriated profit		<u>146,656,193</u>	<u>110,523,520</u>
		<b>193,674,526</b>	157,392,486
<b>NON CURRENT LIABILITIES</b>			
Deferred taxation		26,017,948	21,499,184
Deferred employee benefits		2,973,830	2,699,773
Provision for decommissioning cost		13,724,907	12,435,365
		<b>42,716,685</b>	36,634,322
<b>CURRENT LIABILITIES</b>			
Trade and other payables	4	34,707,173	28,624,204
Provision for taxation	5	12,812,619	6,216,639
		<b>47,519,792</b>	34,840,843
		<u><b>283,911,003</b></u>	<u>228,867,651</u>

**CONTINGENCIES AND COMMITMENTS**

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



**Chief Executive**

		<b>Unaudited 31 March 2011</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>37,485,845</b>	34,998,898
Development and production assets - intangible	8	<b>61,594,311</b>	58,630,857
Exploration and evaluation assets	9	<b>9,852,865</b>	9,551,394
		<b>108,933,021</b>	103,181,149
Long term investments		<b>3,472,416</b>	3,231,435
Long term loans and receivable		<b>1,620,990</b>	1,902,330
Long term prepayments		<b>145,972</b>	118,937
		<b>114,172,399</b>	108,433,851
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		<b>14,418,187</b>	14,527,278
Stock in trade		<b>167,809</b>	172,084
Trade debts	10	<b>127,302,513</b>	82,992,291
Loans and advances		<b>2,377,057</b>	2,216,881
Deposits and short term prepayments		<b>921,975</b>	616,641
Interest accrued		<b>67,238</b>	17,031
Other receivables		<b>749,748</b>	926,951
Other financial assets	11	<b>15,465,117</b>	11,120,823
Cash and bank balances		<b>8,268,960</b>	7,843,820
		<b>169,738,604</b>	120,433,800
		<b>283,911,003</b>	228,867,651

  
**Director**

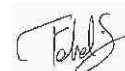
## Condensed Interim Profit and Loss Account [unaudited] For Nine Months Ended 31 March 2011

	Note	Three months ended 31 March		Nine months ended 31 March	
		2011	2010	2011	2010
(Rupees '000)					
Sales - net	12	41,175,614	35,959,486	122,266,109	108,592,888
Royalty		(5,135,322)	(4,083,625)	(14,432,485)	(12,485,976)
Operating expenses		(7,414,147)	(5,245,039)	(20,206,362)	(16,062,023)
Transportation charges		(427,377)	(394,757)	(1,406,016)	(1,232,057)
		<u>(12,976,846)</u>	<u>(9,723,421)</u>	<u>(36,044,863)</u>	<u>(29,780,056)</u>
<b>Gross profit</b>		<b>28,198,768</b>	26,236,065	<b>86,221,246</b>	78,812,832
Other income		599,761	1,102,788	1,518,928	2,309,463
Exploration and prospecting expenditure		(669,276)	(1,414,130)	(4,205,450)	(6,135,759)
General and administration expenses		(307,532)	(372,631)	(1,174,717)	(1,054,258)
Finance cost		(375,724)	(336,726)	(1,091,244)	(935,635)
Workers' profit participation fund		(1,373,254)	(1,261,604)	(4,066,449)	(3,652,181)
Share of profit in associate - net of taxation		19,083	16,717	60,224	46,978
<b>Profit before taxation</b>		<b>26,091,826</b>	23,970,479	<b>77,262,538</b>	69,391,440
Taxation		(8,505,447)	(9,854,558)	(28,077,712)	(26,782,061)
<b>Profit for the period</b>		<b>17,586,379</b>	14,115,921	<b>49,184,826</b>	42,609,379
<b>Earnings per share - basic and diluted (Rupees)</b>	13	<u>4.09</u>	<u>3.28</u>	<u>11.44</u>	<u>9.91</u>

The annexed 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 Nine Months Ended 31 March 2011

	Three months ended 31 March		Nine months ended 31 March	
	2011	2010	2011	2010
	(Rupees '000)			
Profit for the period	17,586,379	14,115,921	49,184,826	42,609,379
Other comprehensive income - net of taxation	-	-	-	-
<b>Total comprehensive income for the period</b>	<b><u>17,586,379</u></b>	<b><u>14,115,921</u></b>	<b><u>49,184,826</u></b>	<b><u>42,609,379</u></b>

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



**Chief Executive**



**Director**

## Condensed Interim Cash Flow Statment [unaudited] For Nine Months Ended 31 March 2011

	Nine months ended 31 March 2011		2010
	(Rupees '000)		
<b>Cash flows from operating activities</b>			
Profit before taxation	77,262,538		69,391,440
Adjustments for:			
Depreciation	2,699,399		2,425,705
Amortization of development and production assets	5,534,682		4,067,776
Royalty	14,432,485		12,485,976
Workers' profit participation fund	4,066,449		3,652,181
Provision for employee benefits	1,425,043		1,334,632
Un-winding of discount on provision for decommissioning cost	1,084,692		928,765
Interest income	(1,568,145)		(1,046,197)
Un-realized gain on investments at fair value through profit or loss	(15,573)		(20,931)
Dividend income	(10,216)		(14,756)
Gain on disposal of property, plant and equipment	(14,473)		(57,453)
Effect of fair value adjustment of long term receivable	(11,334)		(20,314)
Share of profit in associated company	(60,224)		(46,978)
Stores inventory written off	1,188		8,379
	<b>104,826,511</b>		<b>93,088,225</b>
<b>Working capital changes</b>			
(Increase)/decrease in current assets:			
Stores, spare parts and loose tools	107,903		1,965,612
Stock in trade	4,275		(10,143)
Trade debts	(44,310,222)		(32,522,319)
Deposits and short term prepayments	(305,334)		(3,193)
Advances and other receivables	54,814		396,121
Increase/(decrease) in current liabilities:			
Trade and other payables	2,481,656		(2,101,304)
	<b>62,859,603</b>		<b>60,812,999</b>
<b>Cash generated from operations</b>			
Royalty paid	(13,985,139)		(1,029,484)
Employee benefits paid	(1,803,573)		(927,108)
Received from workers' profit participation fund	289,329		490,636
Income taxes paid	(16,962,968)		(11,713,272)
	<b>(32,462,351)</b>		<b>(13,179,228)</b>
Net cash from operating activities	<b>30,397,252</b>		<b>47,633,771</b>
<b>Cash flows from investing activities</b>			
Capital expenditure	(13,131,289)		(17,792,177)
Interest received	1,562,739		1,033,537
Dividends received	10,216		52,976
Purchase of investments	(260,000)		(201,969)
Proceeds from disposal of property, plant and equipment	17,246		60,555
Long term prepayments	(27,035)		(36,006)
Net cash used in investing activities	<b>(11,828,123)</b>		<b>(16,883,084)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	(13,815,268)		(21,692,847)
Net cash used in financing activities	<b>(13,815,268)</b>		<b>(21,692,847)</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,753,861</b>		<b>9,057,840</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>23,590,604</b>		<b>17,997,668</b>

The annexed 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 Nine Months Ended 31 March 2011

	Share capital	Capital reserves		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	-	-	151,087	(151,087)	-
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	42,609,379	42,609,379
Total comprehensive income for the period	-	-	-	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 distributions to owners	-	-	-	(21,504,642)	(21,504,642)
Balance at 31 March 2010	43,009,284	836,000	2,973,405	100,457,444	147,276,133
Balance at 01 July 2010	43,009,284	836,000	3,023,682	110,523,520	157,392,486
Transfer to capital reserve	-	-	149,367	(149,367)	-
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	49,184,826	49,184,826
Total comprehensive income for the period	-	-	-	49,184,826	49,184,826
<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 March 2011	43,009,284	836,000	3,173,049	146,656,193	193,674,526

The annexed 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 Nine Months Ended 31 March 2011

### 1 LEGAL STATUS AND OPERATIONS

Oil and Gas Development Company Limited (OGDCL), "the Company", was incorporated on 23 October 1997 under the Companies Ordinance, 1984. The registered office of the Company is located at OGDCL House, Plot No. 3, F-6 / G-6, Blue Area, Islamabad, Pakistan. The Company is engaged in the exploration and development of oil and gas resources, including production and sale of oil and gas and related activities. The Company is listed on all the three stock exchanges of Pakistan and its Global Depository Shares (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 nine months period ended 31 March 2010.

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 nine months period ended 31 March 2011.

## Notes to the Condensed Interim Financial Information [unaudited] For Nine Months Ended 31 March 2011

	Unaudited 31 March 2011	Audited 30 June 2010
	(Rupees '000)	
<b>4 TRADE AND OTHER PAYABLES</b>		
Creditors	343,572	206,904
Accrued liabilities	5,862,290	6,500,721
Royalty payable	16,466,267	16,018,921
Excise duty payable	209,456	92,490
General sales tax payable	1,213,305	888,994
Sales-pending price determination	3,457,257	-
Payable to joint venture partners	1,855,915	2,891,948
Retention money	433,767	374,746
Trade deposits	137,981	137,981
Workers' profit participation fund - net	4,066,449	-
Un-paid dividend	79,581	997,631
Un-claimed dividend	124,865	119,297
Advances from customers	294,497	186,955
Other payables	161,971	207,616
	<u>34,707,173</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	(16,962,968)	(21,910,472)
Provision for current taxation - for the period/year	23,558,948	23,127,095
Provision for taxation - prior years	-	2,459,846
Tax payable at end of the period/year	<u>12,812,619</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, except that the Company has filed its tax return for tax year 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 31 December 2010 (2009: 31 December 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 (31 December 2009: Rs 10.518 million).

## Notes to the Condensed Interim Financial Information [unaudited] For Nine Months Ended 31 March 2011

### 6.2 Commitments

**6.2.1** Commitments outstanding at period end amounted to Rs 12,289.641 million (30 June 2010: Rs 11,164.797 million). These included amounts aggregating to Rs 6,804.524 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 1,877.821 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 31 December 2010 (2009: 31 December 2009) are as follows;

	<b>31 March 2011</b>	<b>31 March 2010</b>
	(Rupees '000)	
Capital expenditure:		
Share in joint ventures	<b>607,112</b>	743,584
Others	<b>51,766</b>	95,472
	<b>658,878</b>	839,056
Operating lease rentals due:		
Less than one year	<b>3,224</b>	3,925
More than one year but less than five years	<b>5,110</b>	8,540
	<b>8,334</b>	12,465
	<b>667,212</b>	851,521

	<b>Note</b>	<b>Nine months ended 31 March</b>	
		<b>2011</b>	<b>2010</b>
		(Rupees '000)	
<b>7 PROPERTY, PLANT AND EQUIPMENT</b>			
Carrying amount at beginning of the period		<b>34,998,898</b>	28,482,194
Additions during the period	7.1	<b>5,692,914</b>	7,930,776
Book value of disposals		<b>(2,773)</b>	(3,102)
Depreciation charge for the period		<b>(3,203,194)</b>	(2,914,325)
Carrying amount at end of the period		<b>37,485,845</b>	33,495,543

## Notes to the Condensed Interim Financial Information [unaudited] For Nine Months Ended 31 March 2011

	Nine months ended 31 March	
	2011	2010
	(Rupees '000)	
<b>7.1 Additions during the period</b>		
Freehold land	47,554	3,224
Leasehold land	-	2,289
Buildings, offices and roads on freehold land	83,015	6,300
Buildings, offices and roads on leasehold land	48,639	537
Plant and machinery	2,222,802	2,165,145
Rigs	170,212	132,579
Pipelines	205,738	6,522
Office and domestic equipment	18,097	18,171
Office and technical data computers	17,898	9,641
Furniture and fixture	2,229	26,230
Vehicles	144,083	467,334
Decommissioning cost	11,479	10,391
Capital work in progress (net)	2,768,286	4,273,377
Stores held for capital expenditure (net)	(47,118)	809,036
	<u>5,692,914</u>	<u>7,930,776</u>

7.2 During the period ended 31 March 2011, property, plant and equipment with a carrying amount of Rs 2.773 million (31 March 2010: Rs 3.102 million) were disposed off, resulting in gain on disposal of Rs 14.473 million (31 March 2010: Rs 57.453 million).

	Nine months ended 31 March	
	2011	2010
	(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	8,498,136	10,314,046
Amortization charge for the period	(5,534,682)	(4,067,776)
Carrying amount at end of the period	<u>61,594,311</u>	<u>55,304,036</u>
<b>9 EXPLORATION AND EVALUATION ASSETS</b>		
Balance at beginning of the period	4,899,241	4,942,575
Additions during the period	3,699,229	5,873,622
	8,598,470	10,816,197
Cost of dry and abandoned wells during the period	(2,504,729)	(3,978,217)
Cost of wells transferred to development and production assets during the period	(189,739)	(2,667,440)
	(2,694,468)	(6,645,657)
	5,904,002	4,170,540
Stores held for exploration and evaluation activities	3,948,863	4,927,458
Balance at end of the period	<u>9,852,865</u>	<u>9,097,998</u>

## Notes to the Condensed Interim Financial Information [unaudited] For Nine Months Ended 31 March 2011

	Unaudited 31 March 2011	Audited 30 June 2010
	(Rupees '000)	
<b>10 TRADE DEBTS</b>		
Un-secured, considered good	127,302,513	82,992,291
Un-secured, considered doubtful	138,440	196,117
	<u>127,440,953</u>	<u>83,188,408</u>
Provision for doubtful debts	(138,440)	(196,117)
	<u>127,302,513</u>	<u>82,992,291</u>

10.1 Trade debts include overdue amount of Rs 93,266 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 March 2011	Audited 30 June 2010
		(Rupees '000)	
<b>11 OTHER FINANCIAL ASSETS</b>			
Investments:	Note		
At fair value through profit or loss - NIT units		143,473	127,900
Held to maturity	11.1	15,321,644	10,992,923
		<u>15,465,117</u>	<u>11,120,823</u>

11.1 31 March 2011 balance represents foreign currency TDRs amounting to USD 169.841 million, carrying interest rate of 2.50% to 3.50% per annum and local currency TDRs amounting to Rs 1,055 million, carrying interest rate of 13.65%, 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 March		Nine months ended 31 March	
	2011	2010	2011	2010
	(Rupees '000)			
<b>12 SALES - net</b>				
<b>Gross sales</b>				
Crude oil	20,014,108	17,572,000	57,041,969	51,612,976
Gas	23,683,901	19,999,928	73,361,974	62,841,513
Gasoline	-	-	-	4,304
Kerosene oil	-	22,461	47,045	87,381
High speed diesel oil	-	-	1,823	-
Naphtha	20,436	92,168	151,162	287,454
Liquefied petroleum gas	1,522,413	1,360,824	3,950,399	3,448,223
Sulphur	203,862	115,214	668,202	226,332
Other operating revenue	15,422	10,197	36,829	30,808
	<u>45,460,142</u>	<u>39,172,792</u>	<u>135,259,403</u>	<u>118,538,991</u>
<b>Government levies</b>				
Excise duty	(747,338)	(368,666)	(2,199,916)	(1,098,388)
Development surcharge	-	(5,891)	(7,330)	(18,852)
General sales tax	(3,537,190)	(2,838,749)	(10,695,839)	(8,828,863)
Discount on crude oil price	-	-	(90,209)	-
	<u>(4,284,528)</u>	<u>(3,213,306)</u>	<u>(12,993,294)</u>	<u>(9,946,103)</u>
	<u>41,175,614</u>	<u>35,959,486</u>	<u>122,266,109</u>	<u>108,592,888</u>

12.1 Qadirpur gas price is linked with High Sulphur Fuel Oil (HSFO) prices in the international market. Qadirpur Gas Pricing Agreement contained discount levels defined upto HSFO price of US\$ 200/M.Ton. It also states that in case HSFO price exceeds said level, the parties will negotiate the discount for higher HSFO prices. During price notification period of July-

## Notes to the Condensed Interim Financial Information [unaudited] For Nine Months Ended 31 March 2011

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. Qadirpur wellhead gas prices are being notified by OGRA on the basis of provisional discount table from July 2006 onwards. Adjustment and revenue from July 2005 to March 2011 may be required upon approval of discount table by the Government and formal wellhead gas prices notification of by OGRA.

	Three months ended 31 March		Nine months ended 31 March	
	2011	2010	2011	2010
	(Rupees '000)			
<b>13 EARNINGS PER SHARE - BASIC AND DILUTED</b>				
Profit for the period (Rupees '000)	<u>17,586,379</u>	<u>14,115,921</u>	<u>49,184,826</u>	<u>42,609,379</u>
Average number of shares outstanding during the period ('000)	<u>4,300,928</u>	<u>4,300,928</u>	<u>4,300,928</u>	<u>4,300,928</u>
Earnings per share - basic (Rupees)	<u>4.09</u>	<u>3.28</u>	<u>11.44</u>	<u>9.91</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:

	Nine months ended 31 March	
	2011	2010
	(Rupees '000)	
<b>Associated company</b>		
Share of profit in associate - net of taxation	60,224	46,978
<b>Major shareholder</b>		
<b>Government of Pakistan</b>		
Dividend paid	9,653,744	16,615,940
<b>Related parties by virtue of common directorship and GoP holdings</b>		
<b>Attock Refinery Limited</b>		
Sale of crude oil	36,883,420	31,227,007
Desalting charges paid	-	7,464
Receivable as at 31 March	36,600,555	21,231,805
Payable as at 31 March	85,197	-
<b>Pakistan Refinery Limited</b>		
Sale of crude oil	7,582,258	5,712,357
Receivable as at 31 March	9,494,488	7,254,820
<b>Government Holdings (Private) Limited (GHPL)</b>		
GHPL share (various fields)	45,917	52,959
Payable as at 31 March	1,059	-
<b>Pak Arab Refinery Company Limited</b>		
Sale of crude oil	5,512,594	4,098,794
Receivable as at 31 March	6,698,074	2,708,494
<b>Sui Northern Gas Pipelines Limited</b>		
Sale of natural gas	37,672,149	39,097,912
Purchase of high BTU value gas	1,744,435	1,664,585
Receivable as at 31 March	17,796,195	20,116,998

## Notes to the Condensed Interim Financial Information [unaudited] For Nine Months Ended 31 March 2011

	Nine months ended 31 March	
	2011	2010
(Rupees '000)		
<b>RELATED PARTY TRANSACTIONS- Continued</b>		
<b>Sui Southern Gas Company Limited</b>		
Sale of natural gas	27,495,735	15,675,872
Pipeline rental charges	26,100	29,448
Receivable as at 31 March	32,625,692	18,311,356
<b>Pakistan State Oil Company Limited</b>		
Sale of refined petroleum products	48,868	87,381
Sale of liquefied petroleum gas	-	25,424
Purchase of petroleum, oil and lubricants	2,088,058	1,984,026
Receivable as at 31 March	49,020	35,626
<b>Packages Limited</b>		
Sale of sulphur	-	2,808
<b>National Insurance Company Limited</b>		
Insurance premium paid	493,589	545,857
<b>National Logistic Cell</b>		
Crude transportation charges paid	1,096,644	915,945
Payable as at 31 March	345,115	-
<b>Heavy Mechanical Complex</b>		
Purchase of stores and spares	60,214	26,325
<b>Water and Power Development Authority</b>		
Sale of natural gas	10,655	34,348
Receivable as at 31 March	3,331	26,095
<b>Enar Petrotech Services Limited</b>		
Consultancy services	330,798	89,122
Sale of crude oil	1,272,602	1,247,271
Receivable as at 31 March	74,547	80,568
Payable as at 31 March	30,345	-
<b>Other related parties</b>		
Contribution to staff benefit funds	2,077,630	1,334,632
Remuneration including benefits and perquisites of key management personnel and executives	2,447,509	2,484,204

- 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

The Board of Directors approved interim dividend at the rate of Rs1.50 per share in its meeting held on 27 April 2011.

### 17 DATE OF AUTHORIZATION FOR ISSUE

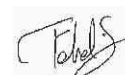
This condensed interim financial information was authorized for issue on 27 April 2011 by the Board of Directors of the Company.

### 18 GENERAL

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



Chief Executive



Director



**Oil & Gas Development Company Limited**

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