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.

Government of Pakistan owns 85.02% (2008: 85.02%) of the ordinary shares of the Company as of 30 June 2009.

1.1 MERGER OF WHOLLY OWNED SUBSIDIARY

On 28 January 2009, the Honorable Islamabad High Court approved the scheme of merger of Pirkoh Gas Company (Private) Limited (PGCL) wholly owned subsidiary, with the Company effective from 01 January 2009. Consequently, PGCL has been merged with the Company and these financial statements have been prepared in accordance with the said merger scheme.

As a result of the merger of PGCL with the Company on the above mentioned effective date, the results of both entities have been combined for the purpose of preparation of these financial statements. Since the merger is between two companies under common control, International Financial Reporting Standard IFRS 3 – Business Combinations is not applicable. The financial statement items of the Company and PGCL for all periods presented are included in these financial statements as if they had been combined from the beginning of the earliest period presented. Accordingly, comparatives are restated and have been extracted from Company's audited consolidated financial statements for the year ended 30 June 2008.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such IFRS issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, shall prevail.

2.2 BASIS OF MEASUREMENT

These financial statements have been prepared on the historical cost basis except for the following;

- obligation under certain employee benefits, long term receivables and provision for decommissioning cost have been measured at present value; and
- investments at fair value through profit or loss and investments available for sale have been measured at fair market value.

The methods used to measure fair values are discussed further in their respective policy notes.

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Pakistan Rupee (PKR) which is the Company’s functional currency. All financial information presented has been rounded off to the nearest thousand of PKR, unless otherwise stated.

2.4 SIGNIFICANT ESTIMATES

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

2.4.1 Property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

2.4.2 Estimation of oil and natural gas reserves

Oil and gas reserves are an important element in impairment testing for development and production assets of the Company. Estimates of oil and natural gas reserves are inherently imprecise, require the application of judgment and are subject to future revision. Proved reserves are estimated with reference to available reservoir and well information, including production and pressure trends for producing reservoirs and, in some cases, subject to definitional limits, to similar data from other producing reservoirs. All proved reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans.

Changes to the estimates of proved reserves, particularly proved developed reserves, also affect the amount of depreciation, depletion and amortization recorded in the financial statements for fixed assets related to hydrocarbon production activities.

2.4.3 Provision for decommissioning cost

Provision is recognized for the future decommissioning and restoration of oil and gas wells, production facilities and pipelines at the end of their economic lives. The timing of recognition requires the application of judgment to existing facts and circumstances, which can be subject to change. Estimates of the amount of provision recognized are based on current legal and constructive requirements, technology and price levels. Provision is based on the best estimates, however, the actual outflows can differ from estimated cash outflows due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amount of provision is reviewed and adjusted to take account of such changes.

During the year, the Company revised its estimates of outflows of resources to settle decommissioning liability based on future projected cost adjusted to present value. This has been treated as change in accounting estimates, applied prospectively, in accordance with IFRIC Interpretation 1 - Changes in Existing Decommissioning, Restoration and Similar Liabilities.

Following line items would have been affected had there been no change in estimates:

	Rupees in million
Provision for decommissioning cost would have been lower by	2,663
Property, plant and equipment would have been lower by	191
Development and production assets would have been lower by	1,974
Amortization charge would have been lower by	495
Unappropriated profit would have been higher by	229

2.4.4 Employee benefits

Defined benefits plans are provided for permanent employees of the Company. The plans are structured as separate legal entities managed by trustees except post retirement medical benefits and accumulating compensated absences plan for which deferred liability is recognized in the Company's financial statements. These calculations require assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and pension benefit levels, medical benefit rate, the expected long term return on plan assets and the discount rate used to convert future cash flows to current values. The assumptions used vary for the different plans as they are determined by independent actuaries annually.

The amount of the expected return on plan assets is calculated using the expected rate of return for the year and the market related value at the beginning of the year. Pension or service cost primarily represents the increase in actuarial present value of the obligation for benefits earned on employees service during the year and the interest on the obligation in respect of employee's service in previous years, net of the expected return on plan assets. Calculations are sensitive to changes in the underlying assumptions.

2.4.5 Taxation

The Company takes into account the current income tax laws and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

2.5 ADOPTION OF APPROVED ACCOUNTING STANDARD

During current year, the Company adopted IFRS 7 - Financial Instruments which is applicable for annual periods beginning on or after 01 July 2008. IFRS 7 requires extensive disclosures about the significance of financial instruments for the Company's financial position and performance, and quantitative and qualitative disclosures on the nature and extent of risks. These requirements include many disclosures previously required by International Accounting Standard IAS 32 - Financial Instruments : Presentation. The Company has adopted this standard from the financial year beginning 01 July 2008 and its initial application has led to extensive disclosures in the Company's financial statements.

2.6 NEW ACCOUNTING STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, interpretations and amendments to approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increase in disclosures in certain cases.

Revised IAS 1 - Presentation of Financial Statements (effective for annual periods beginning on or after 01 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

Revised IAS 23 - Borrowing Costs (effective for annual periods beginning on or after 01 January 2009) removes the option to expense borrowing costs and requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. .

Amendments to IAS 32 - Financial instruments: Presentation and IAS 1 - Presentation of Financial Statements (effective for annual periods beginning on or after 01 January 2009) – Puttable financial instruments and obligations arising on liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met.

Amendment to IFRS 2 - Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 01 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations.

Revised IFRS 3- Business Combinations (applicable for annual periods beginning on or after 01 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.

Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss.

IFRS 8 - Operating Segments (effective for annual periods beginning on or after 01 January 2009) introduces the “management approach” to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company’s “chief operating decision maker” in order to assess each segment’s performance and to allocate resources to them.

IFRIC 15 - Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 01 January 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete.

IFRIC 16 - Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 01 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity’s functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss.

The interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used.

IFRIC 17 - Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 01 July 2009) states that when a Company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement.

IFRIC 18 - Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).

Amendments to IAS 39 - Financial Instruments: Recognition and Measurement – Eligible hedged Items (effective for annual periods beginning on or after 01 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship.

IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor.

IFRS 4 - Insurance Contracts (effective for annual periods beginning on or after 01 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts.

Amendment to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 01 January 2009). These amendments have been made to bring the disclosure requirements of IFRS 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements.

Amendments to IAS 39 and IFRIC 9 - Embedded Derivatives (effective for annual periods beginning on or after 01 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value.

Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 01 January 2010). Currently effective IFRSs requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 EMPLOYEE BENEFITS

Salaries, wages and benefits are accrued in the period in which the associated services are rendered by employees of the Company. The accounting policy for pension, post retirement medical benefits and accumulating compensated absences is described below:

3.1.1 Pension, post retirement medical benefits and accumulating compensated absences

The Company operates an approved funded pension scheme under an independent trust for its permanent employees as a defined benefit plan.

The Company also provides post retirement medical benefits to its permanent employees and their families as a defined benefit plan.

The Company also has a policy whereby all its permanent employees are eligible to encash accumulated leave balance at the time of retirement or during the service.

The Company makes contributions to the above defined benefit plans on the basis of actuarial valuations, carried out annually by independent actuaries. The latest actuarial valuations were carried as of 30 June 2009. The calculations of actuaries are based on the Projected Unit Credit Method, net of the assets guaranteeing the plan, if any, with the obligation increasing from year to year, in a manner that it is proportional to the length of service of the employees.

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year.

The expected return on plan assets, if any, is based on an assessment made at the beginning of the year of long term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. Contributions to defined contribution plans are recognized in the profit and loss account in the period in which they become payable, fair value of the benefit plans is based on market price information and while actuarial gains/losses in excess of corridor limit (10% of the higher of fair value of plan assets and present value of obligation) are recognized over the average expected remaining working lives of the employees.

3.2 TAXATION

Taxation for the year comprises current and deferred tax. Taxation is recognized in the profit and loss account except to the extent that it relates to items recognized directly in equity, if any, in which case the tax amounts are recognized in equity.

3.2.1 Current

Provision for current taxation is based on taxable income at applicable tax rates adjusted for payments to the GoP on account of royalty, and any adjustment to tax payable in respect of previous years.

3.2.2 Deferred

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences arising from differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used for taxation purposes. Deferred tax is measured at the tax rates that are expected to apply to temporary differences when they reverse, based on the tax rates that have been enacted or substantively enacted by the reporting date, adjusted for payments to GoP on account of royalty. Deferred tax liabilities are recognized for all major taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

3.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any except for freehold land, capital work in progress, which are stated at cost less impairment loss, if any. Cost in relation to property, plant and equipment comprises acquisition and other directly attributable costs and decommissioning cost as referred in the note 3.4.4 to the financial statements. Software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Depreciation is provided on straight line method at rates specified in note 12 to the financial statements so as to write off the cost of property, plant and equipment over their estimated useful life. Depreciation on additions to property, plant and equipment is charged from the month in which property, plant and equipment is acquired or capitalized while no depreciation is charged for the month in which property, plant and equipment is disposed off.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within “other income” in profit or loss.

Capital work in progress is stated at cost less accumulated impairment losses, if any, and are transferred to the respective item of property, plant and equipment when available for intended use.

Impairment tests for property, plant and equipment are performed when there is an indication of impairment. At each year end, an assessment is made to determine whether there are any indications of impairment. If any, indication of impairment exists an estimate of the asset's recoverable amount is made. The recoverable amount is determined as the higher of the fair value of the asset less cost to sell and the asset's value in use.

If the carrying amount of the asset exceeds its recoverable amount, the property, plant and equipment is impaired and an impairment loss is charged to the profit and loss account so as to reduce the carrying amount of the property, plant and equipment to its recoverable amount.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the property, plant and equipment in its present form and its eventual disposal. Value in use is determined by applying assumptions specific to the Company's continued use and does not take into account future development.

In testing for indications of impairment and performing impairment calculations, assets are considered as collective groups, referred to as cash generating units. Cash generating units are the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.4 OIL AND GAS ASSETS

The Company applies the “Successful efforts” method of accounting for Exploration and Evaluation (E&E) costs.

3.4.1 Pre license costs

Costs incurred prior to having obtained the legal rights to explore an area are charged directly to the profit and loss account as they are incurred.

3.4.2 Exploration and evaluation assets

Under the Successful efforts method of accounting, all property acquisitions, exploratory/evaluation drilling costs are initially capitalized as intangible E&E assets in well, field or specific exploration cost centers as appropriate, pending determination.

Costs directly associated with an exploratory well are capitalized as an intangible asset until the drilling of the well is completed and results have been evaluated. Major costs include employee benefits, material, chemical, fuel, well services and rig costs. All other exploration costs including cost of technical studies, seismic acquisition and data processing, geological and geophysical activities are charged currently against income as exploration and prospecting expenditure.

Tangible assets used in E&E activities other than stores held, include the Company’s vehicles, drilling rigs, seismic equipment and other property, plant and equipment used by the Company’s exploration function and are classified as property, plant and equipment. However, to the extent that such a tangible asset is consumed in developing an intangible E&E asset, the amount reflecting that consumption is recorded as part of the cost of the intangible asset. Such intangible costs include directly attributable overheads, including the depreciation of property, plant and equipment utilized in E&E activities, together with the cost of other materials consumed during the exploration and evaluation phases.

Intangible E&E assets relating to each exploration license/field are carried forward, until the existence or otherwise of commercial reserves have been determined subject to certain limitations including review for indications of impairment. If commercial reserves have been discovered, the carrying value after any impairment loss of the relevant E&E assets is then reclassified as development and production assets and if commercial reserves have not been found, the capitalized costs are written off as dry and abandoned wells.

E&E assets are not amortized prior to the conclusion of appraisal activities.

3.4.3 Development and production assets - intangible

Development and production assets are accumulated generally on a field by field basis and represent the cost of developing the discovered commercial reserves and bringing them into production, together with the capitalized E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets as outlined in accounting policy 3.4.2 above. The cost of development and production assets also includes the cost of acquisitions of such assets, directly attributable overheads, and the cost of recognizing provisions for future site restoration and decommissioning.

Expenditure carried within each field is amortized from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the year to the estimated quantities of commercial reserves at the end of the year plus the production during the year, on a field by field basis. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

3.4.4 Decommissioning cost

The activities of the Company normally give rise to obligations for site restoration. Restoration activities may include facility decommissioning and dismantling, removal or treatment of waste materials, land rehabilitation, and site restoration.

The Company makes provision in full for the decommissioning cost on the declaration of commercial discovery of the reserves, to fulfill the obligation of site restoration and rehabilitation. The amount recognized is the estimated cost of decommissioning, discounted to its net present value and is reassessed every three years. The latest estimates were made as at 30 June 2009 and the expected outflow of economic resources to settle this obligation is up to next twenty five years. Decommissioning cost, as appropriate, relating to producing/shut-in fields and production facilities is capitalized to the cost of development and production assets and property, plant and equipment as the case may be. The recognized amount of decommissioning cost is subsequently amortized/depreciated as part of the capital cost of the development and production assets and property, plant and equipment.

While the provision is based on the best estimate of future costs and the economic life of the facilities and property, plant and equipment there is uncertainty regarding both the amount and timing of incurring these costs. Any change in the present value of the estimated expenditure is dealt with prospectively and reflected as an adjustment to the provision and a corresponding adjustment to property, plant and equipment and development and production assets. The unwinding of the discount on the decommissioning provision is recognized as finance cost.

3.4.5 Impairment of oil and gas assets

E&E assets are assessed for impairment when facts and circumstances indicate that carrying amount may exceed the recoverable amount of E&E assets. Such indicators include, the point at which a determination is made that as to whether or not commercial reserves exist, the period for which the Company has right to explore has expired or will expire in the near future and is not expected to be renewed, substantive expenditure on further exploration and evaluation activities is not planned or budgeted and any other event that may give rise to indication that E&E assets are impaired.

Impairment test of development and production assets is also performed whenever events and circumstances arising during the development and production phase indicate that carrying amount of the development and production assets may exceed its recoverable amount. Such circumstances depend on the interaction of a number of variables, such as the recoverable quantities of hydrocarbons, the production profile of the hydrocarbons, the cost of the development of the infrastructure necessary to recover the hydrocarbons, the production costs, the contractual duration of the production field and the net selling price of the hydrocarbons produced.

The carrying value is compared against expected recoverable amount of the oil and gas assets, generally by reference to the present value of the future net cash flows expected to be derived from such assets. The cash generating unit applied for impairment test purpose is generally field by field basis, except that a number of fields may be grouped as a single cash generating unit where the cash flows of each field are inter dependent.

Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the profit and loss account, net of any depreciation that would have been charged since the impairment.

3.5 INVESTMENTS

All purchases and sale of investments are recognized using settlement date accounting. Settlement date is the date on which investments are delivered to or by the Company. All investments are derecognized when the right to receive economic benefits from the investments has expired or has been transferred and the Company has transferred substantially all the risks and rewards of ownership.

3.5.1 Investments in associate

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associate have been incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the balance sheet at cost as adjusted for post acquisition changes in the Company's share of net assets of the associate, less any impairment in the value of investment. Losses of an associate in excess of the Company's interest in that associate (which includes any long term interest that, in substance, form part of the Company's net investment in the associate) are recognised only to the extent that the Company has incurred legal or constructive obligation or made payment on behalf of the associate.

3.5.2 Investments held to maturity

Investments with fixed or determinable payments and fixed maturity and where the Company has positive intent and ability to hold investments to maturity are classified as investments held to maturity. These are initially recognized at cost inclusive of transaction costs and are subsequently carried at amortized cost using the effective interest rate method, less any impairment losses.

3.5.3 Investments available for sale

All investments classified as available for sale are initially recognized at cost being fair value of consideration given. At subsequent dates these investments are measured at fair value. Unrealized gains or losses from changes in fair values are recognized in equity. Realized gains and losses are taken to profit and loss account.

3.5.4 Investments at fair value through profit or loss

An investment is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s investment strategy. All investments classified as investments at fair value through profit or loss are initially measured at cost being fair value of consideration given. At subsequent dates these investments are measured at fair value, determined on the basis of prevailing market prices, with any resulting gain or loss recognized directly in the profit and loss account.

3.6 STORES, SPARE PARTS AND LOOSE TOOLS

Stores, spare parts and loose tools are valued at the lower of cost and net realizable value less allowance for slow moving and obsolete items. Cost is determined on the weighted average basis and comprises cost of purchases and other costs incurred in bringing the inventories to their present location and condition. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

Materials in transit are stated at cost comprising invoice value and other charges paid thereon.

The Company reviews the carrying amount of stores and spare parts on a regular basis and provision is made for obsolescence.

3.7 STOCK IN TRADE

Stock in trade is valued at the lower of production cost and net realizable value. Net realizable value signifies the estimated selling price in the ordinary course of business less net estimated cost of production and selling expenses.

3.8 INTANGIBLES

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company and that the cost of such asset can also be measured reliably. Intangible assets having definite useful life are stated at cost less accumulated amortization and are amortized based on the pattern in which the assets' economic benefits are consumed. Intangible assets which have indefinite useful life are not amortized and tested for impairment, if any.

3.9 REVENUE RECOGNITION

Revenue from sale of goods is recognized when significant risks and rewards of ownership are transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of government levies. Effect of adjustments, if any, arising from revision in sale prices is reflected as and when the prices are finalized with the customers and/or approved by the GoP.

Revenue from services is recognized on rendering of services to customers and is measured at the fair value of the consideration received or receivable.

3.10 FINANCE INCOME AND EXPENSE

Finance income comprises interest income on funds invested, delayed payments from customers, dividend income, exchange gain and changes in the fair value of financial assets at fair value through profit or loss. Income on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return. Income on investments is recognized on time proportion basis taking into account the effective yield of such securities. The Company recognizes interest if any, on delayed payments from customers on receipt basis. Dividend income on equity investments is recognized when the right to receive the payment is established. Foreign currency gains and losses are reported on a net basis.

Finance cost comprise interest expense on borrowings, if any, unwinding of the discount on provisions and bank charges. Mark up, interest and other charges on borrowings are charged to income in the period in which they are incurred.

3.11 JOINT VENTURE OPERATIONS

The Company has certain contractual arrangements with other participants to engage in joint activities where all significant matters of operating and financial policies are determined by the participants such that the operation itself has no significant independence to pursue its own commercial strategy. These contractual arrangements do not create a joint venture entity due to the fact that financial and operational policies of such joint venture are those of participants. The financial statements of the Company include its share of assets, revenues and expenses in such joint venture operations which is pro rata to Company's interest in the joint venture operations.

The Company's share of assets, revenues and expenses in joint venture operations are accounted for on the basis of latest available audited financial statements of the joint venture operations and where applicable, the cost statements received from the operator of the joint venture, for the intervening period up to the balance sheet date.

3.12 FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated into PKR at the rate of exchange ruling on the balance sheet date and exchange differences, if any, are charged to income for the year.

3.13 PROVISIONS

Provisions are recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.14 FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. These are derecognized when the Company ceases to be a party to the contractual provisions of the instrument.

Financial assets mainly comprise investments, loans, advances, deposits, trade debts, other receivables and cash and bank balances. Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities are creditors, accrued and other payables.

All financial assets and liabilities are initially measured at fair value. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be.

3.15 OFFSETTING

Financial assets and liabilities and tax assets and liabilities are set off in the balance sheet, only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3.16 TRADE DEBTS AND OTHER RECEIVABLES

Trade debts and other receivables are stated at original invoice amount as reduced by appropriate provision for impairment. Bad debts are written off when identified while debts considered doubtful of recovery are fully provided for. Provision for doubtful debts is charged to profit and loss account currently.

3.17 TRADE AND OTHER PAYABLES

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

3.18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and at bank and includes short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash and cash equivalents are carried in the balance sheet at cost.

3.19 DIVIDEND

Dividend is recognized as a liability in the period in which it is declared.

3.20 SELF INSURANCE SCHEME

The Company is following a policy to set aside reserve for self insurance of rigs, wells, plants, pipelines, vehicles, workmen compensation, losses of petroleum products in transit and is keeping such reserve invested in specified investments.

3.21 IMPAIRMENT

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss.If any such indication exists, recoverable amount is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In the absence of any information about the fair value of a cash generating unit, the recoverable amount is deemed to be the value in use. Impairment losses are recognized as expense in the profit and loss account.

Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the profit and loss account. Reversal of impairment loss is restricted to the original cost of asset.

4 SHARE CAPITAL

Issued, subscribed and paid up capital

2009	2008		2009	2008
Numbers			(Rupees '000)	
1,075,232,100	1,075,232,100	Ordinary shares of Rs 10 each issued for consideration other than cash (note 4.1)	10,752,321	10,752,321
3,225,696,300	3,225,696,300	Ordinary shares of Rs 10 each issued as fully paid bonus shares	32,256,963	32,256,963
4,300,928,400	**4,300,928,400**		**43,009,284**	**43,009,284**

4.1 In consideration for all the properties, rights, assets, obligations and liabilities of Oil and Gas Development Corporation (OGDC) vested in the Company, 1,075,232,100 ordinary fully paid shares of Rs 10 each were issued to GoP on 23 October 1997. Currently, the GoP holds 85.02% (2008: 85.02%) paid up capital of the Company.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Authorised share capital

This represents 5,000,000,000 (2008: 5,000,000,000) ordinary shares of Rs 10 each.

5 CAPITAL RESERVES

	Note	2009	2008
		(Rupees '000)	
Bonus shares reserve	5.1	836,000	836,000
Self insurance reserve	5.2	2,822,318	2,667,064
		3,658,318	**3,503,064**

5.1 This represents bonus shares issued by former wholly owned subsidiary (PGCL) prior to merger.

5.2 The Company has set aside a specific capital reserve for self insurance of rigs, wells, plants, pipelines, workmen compensation, vehicle repair and losses for petroleum products in transit. Refer note 15.2 for investments against this reserve. Accordingly, the reserve is not available for distribution.

6 DEFERRED TAXATION

The balance of deferred tax is in respect of following temporary differences:

	2009	2008
	(Rupees '000)	
Accelerated depreciation on property, plant and equipment	4,726,835	3,489,838
Expenditure of exploration and evaluation, development and production assets	16,726,496	12,235,583
Provision for decommissioning cost	(3,329,751)	(1,878,957)
Long term receivables	(12,620)	(27,191)
Long term investment in associate	42,322	-
Provision for doubtful debts and advances	(95,738)	(1,414,219)
Provision for slow moving and obsolete stores	(347,047)	(273,122)
	17,710,497	**12,131,932**

Deferred tax liability has been calculated at the current effective tax rate of 30.91% (2008: 31.01%) after taking into account depletion allowance and set offs, where available, in respect of royalty payments to the GoP.

		Note	2009	2008
			(Rupees '000)	
7	**DEFERRED EMPLOYEE BENEFITS**			
	Post retirement medical benefits	7.1	1,187,744	841,975
	Accumulating compensated absences	7.2	820,755	686,469
			2,008,499	**1,528,444**
7.1	**Post retirement medical benefits**			
	The amount recognized in the balance sheet is as follows:			
	Present value of defined benefit obligation		2,186,605	1,901,688
	Unrecognized actuarial loss		(998,861)	(1,059,713)
	Net liability at end of the year		**1,187,744**	**841,975**
	Movement in the present value of defined benefit obligation is as follows:			
	Present value of defined benefit obligation at beginning of the year		1,901,688	608,371
	Current service cost		96,061	65,124
	Interest cost		228,203	60,837
	Benefits paid		(102,716)	(71,629)
	Actuarial loss		63,369	1,238,985
	Present value of defined benefit obligation at end of the year		**2,186,605**	**1,901,688**
	Expense recognized in profit and loss account:			
	Current service cost		96,061	65,124
	Interest cost		228,203	60,837
	Net actuarial loss/(gain) recognized		124,221	(19,739)
			448,485	**106,222**
	The expense is recognized in the following line items in profit and loss account:			
	Operating expenses		224,428	52,437
	General and administration expenses		66,151	16,731
	Technical services		157,906	37,054
			448,485	**106,222**
	Principal actuarial assumptions used were as follows:			
	Discount rate per annum		13%	12%
	Medical cost trend rate per annum		8%	7%
	Exposure inflation rate per annum		3%	3%
	Mortality rate		61-66 years	61-66 years

Assumed medical cost trend rates have a significant effect on the amounts recognized in the profit and loss account. A one percent change in assumed medical cost trend rates would have the following effects:

	2009 (Rupees '000)	
	1% decrease	**1% increase**
Present value of medical obligation	1,897,840	2,542,331
Current service cost and interest cost	312,920	428,642

7.2 Accumulating compensated absences

	2009 (Rupees '000)	2008 (Rupees '000)
Present value of defined benefit obligation	686,469	615,750
Charge for the year	134,286	70,719
Net liability at end of the year	**820,755**	**686,469**

The rates of discount and salary increase were assumed at 13% (2008: 12%) each per annum.

8 PROVISION FOR DECOMMISSIONING COST

	Note	2009 (Rupees '000)	2008 (Rupees '000)
Balance at beginning of the year		6,795,141	6,049,620
Provision made during the year		3,107,682	392,210
		9,902,823	**6,441,830**
Reversal of decommissioning cost of development and production assets due to revision in estimates		-	(174,384)
Unwinding of discount on provision for decommissioning cost	29	911,683	527,695
Balance at end of the year		**10,814,506**	**6,795,141**

8.1 The above provision for decommissioning cost is analyzed as follows:

	2009	2008
Wells	7,919,805	5,069,185
Production facilities	928,533	671,471
Unwinding of discount on provision for decommissioning cost		
Wells	1,748,452	916,925
Production facilities	217,716	137,560
	1,966,168	**1,054,485**
	10,814,506	**6,795,141**

Significant assumptions used were as follows:

	2009	2008
Discount rate per annum	11.99%	10.20%
Inflation rate per annum	9.46%	7.63%

		Note	2009 (Rupees '000)	2008 (Rupees '000)
9	**TRADE AND OTHER PAYABLES**			
	Creditors		814,714	345,588
	Accrued liabilities		6,952,534	5,451,929
	Royalty		4,309,910	6,664,330
	Excise duty		114,614	105,357
	General sales tax		805,044	584,886
	Payable to joint venture partners		3,152,520	1,369,547
	Retention money		266,371	278,088
	Trade deposits		134,481	99,262
	Employees' pension trust	9.1	-	-
	Workers' profit participation fund	21.1	-	174,827
	Un-paid dividend		1,816,304	1,450,691
	Un-claimed dividend		114,592	102,788
	Advances from customers		184,559	174,341
	Other payables		81,685	413,921
			18,747,328	**17,215,555**
9.1	**Employees' pension trust**			
	The amount recognized in the balance sheet is as follows:			
	Present value of defined benefit obligation		12,293,631	11,262,067
	Fair value of plan assets		(11,512,672)	(10,024,651)
	Deficit of the fund		**780,959**	**1,237,416**
	Unrecognized actuarial gain		(780,959)	(1,237,416)
	Net liability at end of the year		**-**	**-**
	The movement in the present value of defined benefit obligation is as follows:			
	Present value of defined benefit obligation at beginning of the year		11,262,067	9,320,649
	Current service cost		682,418	505,591
	Interest cost		1,351,448	932,065
	Benefits paid		(410,732)	(348,184)
	Actuarial (gain)/loss		(591,570)	851,946
	Present value of defined benefit obligation at end of the year		**12,293,631**	**11,262,067**
	The movement in the fair value of plan assets is as follows:			
	Fair value of plan assets at beginning of the year		10,024,651	9,179,845
	Expected return on plan assets		1,202,958	917,985
	Contributions		843,265	519,671
	Benefits paid		(410,732)	(348,184)
	Actuarial loss		(147,470)	(244,666)
	Fair value of plan assets at end of the year		**11,512,672**	**10,024,651**

	2009	2008
	(Rupees '000)	
Expense recognized in profit and loss account:		
Current service cost	682,418	505,591
Interest cost	1,351,448	932,065
Expected return on plan assets	(1,202,958)	(917,985)
Actuarial loss recognized	12,357	-
	843,265	**519,671**
Plan assets comprise:		
Bonds	7,206,662	9,088,876
Equity	507,410	906,236
Cash and bank balances	3,798,601	29,539
	11,512,673	**10,024,651**
The expense is recognized in the following line items in profit and loss account:		
Operating expenses	374,044	229,614
General and administration expenses	164,730	101,119
Technical services	304,491	188,938
	843,265	**519,671**
Actual return on plan assets	**1,055,488**	**673,319**

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The management's assessment of the expected returns is based exclusively on historical returns, without adjustments.

Comparison of present value of defined benefit obligation, fair value of plan assets and surplus or deficit of pension fund for five years is as follows:

	2009	2008	2007	2006	2005
			(Rupees '000)		
Present value of defined benefit obligation	12,293,631	11,262,067	9,320,649	7,622,259	7,543,651
Fair value of plan assets	(11,512,672)	(10,024,651)	(9,179,845)	(8,340,395)	(7,543,484)
Deficit/(surplus)	**780,959**	**1,237,416**	**140,804**	**(718,136)**	**167**
Experience adjustments on obligation	591,570	(851,946)	(790,131)	704,756	(595,374)
Experience adjustments on plan assets	(147,470)	(244,666)	(68,809)	(35,493)	(455,275)

Principal actuarial assumptions used were as follows:

	2009	2008
Discount rate per annum	13%	12%
Salary increase rate per annum	13%	12%
Expected rate of return on plan assets per annum	13%	12%
Future pension increase rate per annum	6%	5%

The Company expects to make a contribution of Rs 598.859 million to the employees' pension trust during the next financial year.

	Note	2009 (Rupees '000)	2008
10 PROVISION FOR TAXATION			
Tax payable / (advance tax) at beginning of the year		4,223,048	(5,700,810)
Income tax paid during the year		(21,492,595)	(22,992,422)
Provision for current taxation - for the year	30	16,799,082	21,039,758
Provision for taxation - prior years	30	3,010,635	11,876,522
Tax payable at end of the year		**2,540,170**	**4,223,048**

11 CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

11.1.1 Claims against the Company not acknowledged as debts amounted to Rs 210.553 million at year end (2008: Rs 229.420 million).

11.1.2 Certain banks have issued guarantees on behalf of the Company in ordinay course of business aggregating Rs 106.133 million (2008 : Rs 444.844 million), refer note 23.1 to the financial statements.

11.1.3 The Company's share of associate contingencies based on the financial information of associate for nine months period ended 31 March 2009 (2008: 31 March 2008) are as follows:

- Indemnity bonds given to Collector of Customs against duty concessions on import of equipment and materials amounted to Rs 11 million (2008: Rs 139 million).

11.2 Commitments

11.2.1 Commitments outstanding at year end amounted to Rs 7,263.576 million (2008: Rs 18,909.109 million). These included amounts aggregating to Rs 3,337.170 million (2008: Rs 967.227 million) representing the Company's share in the minimum work commitments related to operated/non-operated concessions.

11.2.2 Letters of credit issued by various banks on behalf of the Company in ordinary course of the business, outstanding at the year end amounted to Rs 5,342.996 million (2008: Rs 6,504.968 million).

11.2.3 The Company's share of associate commitments based on the financial information of associate for nine months period ended 31 March 2009 (2008: 31 March 2008) are as follows:

	2009 (Rupees '000)	2008
Capital expenditure:		
Share in joint ventures	186,216	358,544
Others	139,243	140,763
	325,459	**499,307**
Operating lease rentals due:		
Less than one year	3,370	1,995
More than one year but less than five years	8,007	3,825
	11,377	**5,820**
	336,836	**505,127**

12 PROPERTY, PLANT AND EQUIPMENT

(Rupees '000)

Description	Freehold land	Leasehold land	Buildings, offices and roads on freehold land	Buildings, offices and roads on leasehold land	Plant and machinery	Rigs	Pipelines	Office and domestic equipment	Office and technical data computers	Furniture and fixtures	Aircraft	Vehicles	Decom-missioning cost	Capital works in progress (Note 12.3)	Stores held for capital expenditure	Total
Cost																
Balance as at 01 July 2007	155,091	376,519	1,938,347	818,810	35,092,725	1,020,685	8,408,957	488,875	555,071	58,770	19,855	3,013,153	647,110	1,806,483	1,004,784	55,405,235
Additions	2,039	90,775	283,157	62,897	2,798,050	162,515	435,820	48,717	31,827	10,130	-	254,150	24,361	749,222	592,746	5,546,406
Disposals / transfers	-	-	(11,990)	(63,372)	(264,151)	(68,521)	(11,137)	(22,353)	(145,763)	(22,280)	-	(143,826)	-	(190,036)	(301,639)	(1,245,068)
Balance as at 30 June 2008	157,130	467,294	2,209,514	818,335	37,626,624	1,114,679	8,833,640	515,239	441,135	46,620	19,855	3,123,477	671,471	2,365,669	1,295,891	59,706,573
Balance as at 01 July 2008	157,130	467,294	2,209,514	818,335	37,626,624	1,114,679	8,833,640	515,239	441,135	46,620	19,855	3,123,477	671,471	2,365,669	1,295,891	59,706,573
Additions	6,780	1,935	70,633	10,998	5,646,337	129,184	138,878	84,295	69,364	9,487	-	966,145	257,062	1,681,383	518,194	9,590,675
Disposals / transfers	-	-	-	-	(73,258)	(1,799)	-	(4,881)	(11,247)	-	(19,855)	(73,741)	-	(48,048)	(426,787)	(659,616)
Balance as at 30 June 2009	163,910	469,229	2,280,147	829,333	43,199,703	1,242,064	8,972,518	594,653	499,252	56,107	-	4,015,881	928,533	3,999,004	1,387,298	68,637,632
Depreciation																
Balance as at 01 July 2007	-	136,180	550,961	445,608	24,654,999	639,840	3,859,612	344,327	446,141	29,244	17,869	2,018,721	208,975	-	139,954	33,492,431
Charge for the year	-	10,976	99,722	72,975	1,942,943	67,682	762,692	35,242	54,039	5,657	-	291,487	85,997	-	134,088	3,563,500
On disposals / transfers	-	-	(4,498)	(40,155)	(215,778)	(68,321)	(11,131)	(21,278)	(145,067)	(9,615)	-	(141,010)	-	-	(24,058)	(680,911)
Balance as at 30 June 2008	-	147,156	646,185	478,428	26,382,164	639,201	4,611,173	358,291	355,113	25,286	17,869	2,169,198	294,972	-	249,984	36,375,020
Balance as at 01 July 2008	-	147,156	646,185	478,428	26,382,164	639,201	4,611,173	358,291	355,113	25,286	17,869	2,169,198	294,972	-	249,984	36,375,020
Charge for the year	-	20,038	125,869	68,703	2,169,612	69,620	622,463	43,234	61,551	6,599	-	422,133	89,570	-	108,506	3,807,898
On disposals / transfers	-	-	-	-	(31,854)	(1,793)	-	(4,636)	(11,116)	-	(17,869)	(62,134)	-	-	-	(129,402)
Balance as at 30 June 2009	-	167,194	772,054	547,131	28,519,922	707,028	5,233,636	396,889	405,548	31,885	-	2,529,197	384,542	-	358,490	40,053,516
Impairment																
Balance as at 01 July 2007	-	-	3,393	-	97,071	51	1,407	-	-	-	-	-	-	-	-	101,922
Charge for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2008	-	-	3,393	-	97,071	51	1,407	-	-	-	-	-	-	-	-	101,922
Balance as at 01 July 2008	-	-	3,393	-	97,071	51	1,407	-	-	-	-	-	-	-	-	101,922
Charge for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2009	-	-	3,393	-	97,071	51	1,407	-	-	-	-	-	-	-	-	101,922
Carrying amount - 2008	157,130	320,138	1,559,936	339,907	11,147,389	475,427	4,221,060	156,948	86,022	21,334	1,986	954,279	376,499	2,365,669	1,045,907	23,229,631
Carrying amount - 2009	163,910	302,035	1,504,700	282,202	14,582,710	534,985	3,737,475	197,764	93,704	24,222	-	1,486,684	543,991	3,999,004	1,028,808	28,482,194
Rates of depreciation (%)	-	1 ~ 3.3	2.5 ~ 8	2.5 ~ 8	4 ~ 20	10	10	15	30	15	10	20	1 ~ 10	-	2.5 ~ 25	

12.1 Cost and accumulated depreciation as at 30 June 2009 include Rs 19,652.335 million (2008: Rs 15,223.150 million) and Rs 9,783.874 million (2008: Rs 8,274.394 million) respectively being the Company's share in property, plant and equipment relating to joint ventures operated by other working interest owners. The Company's share in gain on disposal of property, plant and equipment relating to joint ventures operated by working interest owners amounted to Rs 137 million (2008: Rs 82 million).

	Note	2009	2008
		(Rupees '000)	
12.2 The depreciation charge has been allocated to:			
Operating expenses	25	3,186,189	3,012,128
General and administration expenses	28	120,218	117,754
Technical services		501,491	433,618
		3,807,898	**3,563,500**
12.3 Capital works in progress			
Production facilities and other civil works in progress:			
Wholly owned		1,165,302	1,019,518
Joint ventures		2,741,709	1,274,218
		3,907,011	**2,293,736**
Construction cost of field offices and various bases/offices owned by the Company		91,993	71,933
		3,999,004	**2,365,669**

12.4 Details of property, plant and equipment sold:

	Cost	Book value	Sale proceeds
		(Rupees)	
Vehicles sold to following retiring employees as per Company's policy:			
Mr. Ishaq Rashed Rumi	969,000	442,832	442,832
Mr. M. Ahsan Siddiqui	969,000	485,265	485,265
Mr. Muhammad Arshad Khan Rana	555,000	1,000	1,000
Mr. Muhammad Khalid	969,000	470,414	470,414
Mr. Muhammad Naeem	969,000	469,883	469,883
Mr. Amin Saeed	969,000	460,866	460,866
Mr. Abdul Qayyum	969,000	469,883	469,883
Mr. Mian Tariq Mehmood	555,000	1,000	1,000
Mr. Abdul Wahab	555,000	1,000	1,000
Mr. Hamid Khurshid Janjua	969,000	530,881	530,881
Mr. Jaffar Ali Tahir	969,000	586,043	586,043
Mr. Mansoor Alam	555,000	1,000	1,000
Mr. S. Qamar Hussain	939,000	86,565	86,565
Mr. Zahoor-ul-Haq	559,244	448,762	448,762
Mr. Mussadaq Hussain Kiyani	559,244	405,383	405,383
Mr. Waheed-ur-Rehman	555,000	1,000	1,000
Mr. Shahid Latif	939,000	1,000	1,000
	13,523,488	**4,862,777**	**4,862,777**
Aggregate of other items of property, plant and equipment with individual book value not exceeding Rs 50,000 sold through public auction.	64,072,331	346,400	23,670,000
2009	**77,595,819**	**5,209,177**	**28,532,777**
2008	**124,717,397**	**5,392,617**	**46,788,788**

13 DEVELOPMENT AND PRODUCTION ASSETS - Intangible

(Rupees '000)

Description	Producing fields Wholly owned	Producing fields Joint ventures	Shut-in fields Wholly owned	Shut-in fields Joint ventures	Wells in progress (Note 13.1)	Sub total	Decom-missioning cost	Total
Cost								
Balance as at 01 July 2007	21,644,477	20,241,349	1,679,485	4,500,300	2,099,673	50,165,284	4,875,720	55,041,004
Additions	5,262,159	2,579,280	982,961	798,874	9,505,098	19,128,372	193,465	19,321,837
Transfers	-	-	-	-	(6,544,938)	(6,544,938)	-	(6,544,938)
Balance as at 30 June 2008	**26,906,636**	**22,820,629**	**2,662,446**	**5,299,174**	**5,059,833**	**62,748,718**	**5,069,185**	**67,817,903**
Balance as at 01 July 2008	26,906,636	22,820,629	2,662,446	5,299,174	5,059,833	62,748,718	5,069,185	67,817,903
Additions	4,011,245	6,900,958	1,900,157	2,032,957	13,569,303	28,414,620	2,850,620	31,265,240
Transfers	-	-	-	-	(12,807,112)	(12,807,112)	-	(12,807,112)
Balance as at 30 June 2009	**30,917,881**	**29,721,587**	**4,562,603**	**7,332,131**	**5,822,024**	**78,356,226**	**7,919,805**	**86,276,031**
Amortization								
Balance as at 01 July 2007	12,824,608	9,014,525	372,441	141,233	-	22,352,807	3,103,549	25,456,356
Charge for the year	2,517,668	2,151,644	298	59	-	4,669,669	291,476	4,961,145
Balance as at 30 June 2008	**15,342,276**	**11,166,169**	**372,739**	**141,292**	**-**	**27,022,476**	**3,395,025**	**30,417,501**
Balance as at 01 July 2008	15,342,276	11,166,169	372,739	141,292	-	27,022,476	3,395,025	30,417,501
Charge for the year	2,352,167	3,178,831	4,864	702	-	5,536,564	671,839	6,208,403
Balance as at 30 June 2009	**17,694,443**	**14,345,000**	**377,603**	**141,994**	**-**	**32,559,040**	**4,066,864**	**36,625,904**
Impairment loss								
Balance as at 01 July 2007	273,078	-	-	-	-	273,078	-	273,078
Charge for the year	319,283	-	-	-	-	319,283	-	319,283
Balance as at 30 June 2008	**592,361**	-	-	-	-	**592,361**	-	**592,361**
Balance as at 01 July 2008	592,361	-	-	-	-	592,361	-	592,361
Charge for the year	-	-	-	-	-	-	-	-
Balance as at 30 June 2009	**592,361**	**-**	**-**	**-**	**-**	**592,361**	**-**	**592,361**
Carrying amount - 2008	**10,971,999**	**11,654,460**	**2,289,707**	**5,157,882**	**5,059,833**	**35,133,881**	**1,674,160**	**36,808,041**
Carrying amount - 2009	**12,631,077**	**15,376,587**	**4,185,000**	**7,190,137**	**5,822,024**	**45,204,825**	**3,852,941**	**49,057,766**

13.1 Wells in progress

	2009 (Rupees '000)	2008 (Rupees '000)
Wholly owned	2,361,021	2,546,595
Joint ventures	3,461,003	2,513,238
	5,822,024	**5,059,833**

		Note	2009 (Rupees '000)	2008 (Rupees '000)
14	**EXPLORATION AND EVALUATION ASSETS**			
	Balance at beginning of the year		2,823,295	1,875,370
	Additions		8,496,785	8,135,406
			11,320,080	**10,010,776**
	Cost of dry and abandoned wells	27	(4,339,300)	(4,109,145)
	Cost of wells transferred to development and production assets		(2,038,205)	(3,078,336)
			(6,377,505)	**(7,187,481)**
			4,942,575	2,823,295
	Stores held for exploration and evaluation activities	14.1	3,837,124	4,849,149
	Balance at end of the year		**8,779,699**	**7,672,444**
14.1	**Stores held for exploration and evaluation activities**			
	Balance at beginning of the year		4,849,149	4,490,336
	Additions		291,175	1,958,077
	Issuances		(1,303,200)	(1,599,264)
	Balance at end of the year		**3,837,124**	**4,849,149**

14.2 Liabilities, other assets and expenditure incurred on exploration and evaluation activities are as follows:

	Note	2009 (Rupees '000)	2008 (Rupees '000)
Liabilities related to exploration and evaluation		**1,151,081**	**489,757**
Other assets related to exploration and evaluation		**138,211**	**243,696**
Exploration and prospecting expenditure	27	**7,459,560**	**6,612,836**

		Note	2009	2008
15	**LONG TERM INVESTMENTS**			
	Investment in associate - quoted	15.1	210,436	176,578
	Investments held to maturity	15.2	2,692,697	2,683,554
			2,903,133	**2,860,132**
15.1	**Investment in associate - quoted**			
	Mari Gas Company Limited (MGCL)			
	Cost of investment (7,350,000 (2008: 7,350,000) fully paid ordinary shares of Rs 10 each)		73,500	73,500
	Post acquisition profits brought forward		103,078	82,329
			176,578	**155,829**
	Share of profit for the year		57,503	44,680
	Dividend received		(23,645)	(23,931)
			33,858	**20,749**
			210,436	**176,578**

	2009	2008
	(Rupees '000)	

Summarised financial information in respect of the MGCL is set out below:

	2009	2008
Total assets	**20,184,741**	**12,590,901**
Total liabilities	**12,089,713**	**6,391,871**
Total revenue for the period/ year	**3,739,425**	**6,697,201**
Total distributable profit for the period/ year	**205,948**	**236,320**

The reporting date of the MGCL is 30 June. For the purpose of applying equity method of accounting, the assets, liabilities and results are based on the financial information of MGCL for the nine months period ended 31 March 2009 (2008: 30 June 2008) were used as the financial statements of MGCL for the year ended 30 June 2009 were not issued till the date of authorization of financial statements of the Company.

The Company has 20% (2008: 20%) holding in the associate. The fair value of the investment in associate as of the year end was Rs 1,094 million (2008: Rs 1,981 million).

15.2 Investments held to maturity

	Note	2009 (Rupees '000)	2008 (Rupees '000)
Defence Saving Certificates (DSCs)	15.2.1	6,167	174,918
Term Deposit Receipts (TDRs)	15.2.2	2,686,530	2,508,636
		2,692,697	**2,683,554**

15.2.1 Face value of investments in DSCs is Rs 1.5 million (2008: Rs 34.847 million). These carry effective interest rate of 16% (2008: 16% to 18%) per annum. These have maturity of ten years and are due to mature in periods ranging between 2009 to 2010.

15.2.2 These carry effective interest rates of 2.5% to 4.2% (2008: 10.25% to 10.70%) per annum.

15.2.3 These investments are due to mature within next 12 months, however, these have not been classified as current assets based on the management's intention to reinvest them in the like investments for a longer term. These investments are identified against capital reserve as explained in note 5 to the financial statements.

16 LONG TERM LOANS AND RECEIVABLE

	Note	2009 (Rupees '000)	2008 (Rupees '000)
Long term loans - secured	16.1	1,610,411	1,324,059
Long term receivable - unsecured	16.2	239,296	482,561
		1,849,707	**1,806,620**

16.1 Long term loans - secured

	Note	2009	2008
Considered good:			
Executives		497,573	309,647
Other employees		1,393,510	1,239,745
		1,891,083	**1,549,392**
Current portion shown under loans and advances	19	(280,672)	(225,333)
		1,610,411	**1,324,059**

16.1.1 Movement of carrying amount of loans to executives and other employees:

	Balance as at 01 July 2008	Disbursement during the year	Adjustments during the year	Repayments during the year	Balance as at 30 June 2009
			(Rupees '000)		
Due from:					
Executives	309,647	185,664	69,947	67,685	497,573
Other employees	1,239,745	379,033	(70,734)	154,534	1,393,510
	1,549,392	**564,697**	**(787)**	**222,219**	**1,891,083**

16.1.2 The loans are granted to the employees of the Company in accordance with the Company's service rules. House building and conveyance loans are for maximum period of 15 and 5 years respectively. These loans are secured against the underlying assets. Included in these are loans of Rs 1,516.367 million (2008: Rs 1,246.567 million) which carry no interest. The balance amount carries an effective interest rate of 9.96% (2008: 10.21%) per annum. Interest free loans to employees have not been discounted as required by IAS - 39 Financial Instruments: Recognition and Measurement as the amount involved is deemed immaterial.

The maximum amount due from executives at the end of any month during the year was Rs 565.259 million (2008: Rs 309.647 million).

16.2 Long term receivable - unsecured

	Note	2009 (Rupees '000)	2008 (Rupees '000)
Considered good		606,937	747,000
Effect of fair value adjustment		(40,828)	(77,689)
		566,109	**669,311**
Current portion shown under other receivables	21	(326,813)	(186,750)
		239,296	**482,561**

The total receivables comprise Rs 606.937 million (2008: Rs 747.000 million) receivable from Karachi Electric Supply Company Limited (KESC), as a result of inter corporate debt adjustment approved by the Government of Pakistan in February, 1999, pursuant to the Economic Coordination Committee of Cabinet (ECC) decision in February, 1999.

The amount from KESC is receivable in 32 equal quarterly installments of Rs 46.688 million commencing from February 2004.

These receivables carry no interest and are repayable in five years with one year grace period. In accordance with IAS 39 - Financial Instruments: Recognition and Measurement, this loss has been stated at present value using the discount rate of 7.5% per annum and the difference between the carrying amount and present value of expected future cash flows has been included in profit and loss account.

17 STORES, SPARE PARTS AND LOOSE TOOLS

	2009 (Rupees '000)	2008 (Rupees '000)
Stores, spare parts and loose tools	16,743,719	14,345,907
Stores and spare parts in transit	1,843,530	3,140,218
	18,587,249	**17,486,125**
Provision for slow moving and obsolete stores	(1,122,898)	(871,030)
	17,464,351	**16,615,095**

18 TRADE DEBTS

	2009 (Rupees '000)	2008 (Rupees '000)
Un-secured, considered good	56,140,092	40,706,744
Un-secured, considered doubtful	4,328,255	4,325,082
	60,468,347	**45,031,826**
Provision for doubtful debts	(113,309)	(4,325,082)
Trade debts written off against provision	(4,214,946)	(1,445)
	56,140,092	**40,705,299**

18.1 Trade debts include an amount of Rs 112.883 million (2008: Rs 4,436 million) withheld by Uch Power (Private) Limited (UPL) against claims for damages related to minimum supply of gas. During the year provision amounting to Rs 4,215 million has been adjusted as approved by the management in accordance with the settlement agreement between the Company and UPL approved by the GoP.

18.2 Trade debts also include an amount of Rs 4,636 million (2008: Rs 3,649 million) which has been withheld by the refineries under the previous directive of Ministry of Petroleum and Natural Resources and represents revenue on crude oil in excess of USD 50 per barrel. On 04 December 2007, Ministry of Petroleum and Natural Resources issued another directive whereby discount on crude oil and condensate in excess of USD 50 per barrel was settled. According to the said directive, in case the net prices exceed the present ceiling limits mentioned in the respective agreements, the excess will be equally shared between the Government and Exploration and Production (E&P) Companies both for crude oil and condensate. The effect of this has been incorporated in these financial statements. Further, the matter has been taken up with oil refineries for release of withheld amounts. Management considers this amount to be fully recoverable. Therefore, no provision has been made in these financial statements.

18.3 Also included in trade debts is an amount of Rs 823 million (2008: Rs 3,954 million) withheld by refineries on the direction of Directorate General of Petroleum Concessions (DGPC) pending finalization of crude oil sale agreements. On 02 April 2009, Directorate General (Oil), Ministry of Petroleum and Natural Resources GoP, has advised refineries to release 100% of the withheld amount. Management considers this amount to be fully recoverable. Therefore, no provision has been made in these financial statements.

18.4 Trade debts also include an overdue amount of Rs 28,183 million (2008: nil) withheld by refineries and gas companies due to inter-corporate debts. A committee, under the chairmanship of Secretary Finance GoP, has been formed to review and settle inter-corporate debts. In the first phase on inter-corporate debt settlement the Company received Rs 17,000 million in last week of June 2009. In the meeting held on 18 July 2009 at Ministry of Finance GoP, all the companies have been directed to open their bank accounts at the main branch of National Bank of Pakistan, Karachi for next tranche of inter-corporate debt settlement. Accordingly the Company has opened a bank account and management considers the overdue amount to be fully recoverable, hence, no provision has been made for these debts in these financial statements.

19 LOANS AND ADVANCES

	Note	2009 (Rupees '000)	2008 (Rupees '000)
Advances considered good:			
Suppliers and contractors		1,744,154	1,173,703
Joint venture partners		601,318	918,616
Others		7,821	21,385
		2,353,293	**2,113,704**
Current portion of long term loans - secured	16.1	280,672	225,333
		2,633,965	**2,339,037**
Advances considered doubtful		196,422	253,758
		2,830,387	**2,592,795**
Provision for doubtful advances		(196,422)	(253,758)
		2,633,965	**2,339,037**

		Note	2009	2008
			(Rupees '000)	
20	**DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Security deposits		10,371	9,345
	Short term prepayments		409,250	669,820
			419,621	**679,165**
21	**OTHER RECEIVABLES**			
	Development surcharge		80,357	80,357
	Current portion of long term receivables - unsecured	16.2	326,813	186,750
	Claims receivable		19,625	16,420
	Workers' profit participation fund	21.1	468,801	-
	Others		83,723	355,394
			979,319	**638,921**
21.1	**Workers' profit participation fund**			
	(Payable)/receivable at beginning of the year		(174,827)	302,467
	Paid to the fund during the year		4,902,992	4,200,000
			4,728,165	**4,502,467**
	Received during the year		-	(289,883)
	Charge for the year		(4,259,364)	(4,387,411)
	Receivable/(payable) at end of the year	9	**468,801**	**(174,827)**
22	**OTHER FINANCIAL ASSETS**			
	Investments:			
	At fair value through profit or loss - NIT units		121,907	237,684
	Available for sale	22.1	4,966,010	9,969,832
			5,087,917	**10,207,516**

22.1 30 June 2009 balance represents foreign currency TDRs amounting to USD 61 million and carry interest rate of 2% to 4.28% per annum, while balance as of 30 June 2008 represents TDRs which include USD 73 million foreign currency TDRs that carried interest rate of 5.25% to 5.72% per annum. PKR TDRs carried interest rate of 10.25% to 10.7% per annum.

		Note	2009	2008
			(Rupees '000)	
23	**CASH AND BANK BALANCES**			
	Cash at bank:			
	Deposit accounts	23.1	3,870,525	7,567,517
	Current accounts		81,763	721,586
			3,952,288	**8,289,103**
	Cash in hand		21,262	17,445
	Cash in transit		268	-
			3,973,818	**8,306,548**

23.1 These deposit accounts carry interest rate of 0.10% to 12.50% (2008: 1.30% to 9.50%) per annum and include foreign currency deposits amounting to USD 31.656 million (2008: USD 27.097 million). Deposits amounting to Rs 106.133 million (2008: Rs 444.844 million) with banks were under lien to secure bank guarantees issued on behalf of the Company.

		Note	2009	2008
			(Rupees '000)	
24	**SALES - net**			
	Gross sales			
	Crude oil		63,196,489	70,629,371
	Gas		75,042,555	59,523,653
	Gasoline		244,672	4,740
	Kerosene oil		144,394	335,063
	High speed diesel oil		3,804	246,587
	Solvent oil		3,761	21,866
	Naphtha		535,049	2,696,374
	Liquefied petroleum gas		3,398,476	5,288,697
	Sulphur		308,435	820,131
	Other operating revenue	24.1	35,668	59,813
			142,913,303	**139,626,295**
	Government levies			
	Excise duty		(1,504,895)	(1,510,975)
	Development surcharge		(44,642)	(60,626)
	General sales tax		(10,534,187)	(12,146,390)
			(12,083,724)	**(13,717,991)**
			130,829,579	**125,908,304**
24.1	**Other operating revenue**			
	Gas processing		35,668	26,553
	Mud engineering services		-	33,260
			35,668	**59,813**

24.2 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 this level then the parties will negotiate discount levels for higher HSFO prices. During July-December 2005 price notification period the HSFO prices exceeded this level. The matter was taken up with the Government in August 2005. Meanwhile, the Government issued a provisional discount table for HSFO prices upto US$ 320/M.Ton. 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. The Company on behalf of JV partners conveyed the acceptance of this discount table to the Government vide letter dated 27 March 2009. Formal notification of extension in discount table by the Government is awaited. As the inflow of economic benefit associated with the final gas pricing is probable but not virtually certain, the Company has not recognized the revenue.

25 OPERATING EXPENSES

	Note	2009 (Rupees '000)	2008 (Rupees '000)
Salaries, wages and benefits	25.1	4,099,644	3,584,014
Traveling and transportation		453,856	363,729
Repairs and maintenance		942,930	907,583
Stores and supplies consumed		828,852	867,068
Rent, fee and taxes		63,824	397,599
Insurance		263,349	239,902
Communication		25,773	34,148
Utilities		39,091	44,200
Land and crops compensation		326,746	199,967
Contract services		858,140	710,267
Joint venture expenses		2,548,307	1,757,827
Desalting, decanting and naphtha storage charges		71,433	185,133
Charges related to minimum supply of gas - liquidated damages		4,228	85,866
Adjustment on discount on trade debts		-	252,953
Welfare of locals at fields		189,773	258,989
Provision for slow moving and obsolete inventory		251,868	-
Provision for doubtful trade debts		3,173	-
Stores inventory written off		298,930	-
Workover charges		840,373	743,675
Depreciation	12.2	3,186,189	3,012,128
Amortization of development and production assets	13	6,208,403	4,961,145
Transfer from general and administration expenses	28	1,120,797	1,062,139
Miscellaneous		4,733	3,007
		22,630,412	**19,671,339**
Stock of crude oil and other products:			
Balance at beginning of the year		151,782	93,788
Balance at end of the year		(108,301)	(151,782)
		22,673,893	**19,613,345**

25.1 These include amount in respect of employee retirement benefits of Rs 598.472 million (2008: Rs 282.051 million).

	Note	2009	2008
		(Rupees '000)	
26 OTHER INCOME			
Income from financial assets			
Interest income on:			
Investments and bank deposits		1,775,671	2,653,859
Delayed payments from customers		140,703	70,851
		1,916,374	**2,724,710**
Dividend income from NIT units		29,512	28,150
Un-realized loss on investments at fair value through profit or loss		(115,778)	(42,225)
Effect of fair value adjustment of long term receivable		36,861	54,789
Reversal of provision for doubtful loans and advances		2,416	-
Exchange gain - net		669,170	735,021
		2,538,555	**3,500,445**
Income from non financial assets			
Insurance claim received		163,560	-
Gain on disposal of property, plant and equipment		160,737	114,615
Gain on disposal of stores, spare parts and loose tools		51,151	11,753
Benevolent fund		-	(41,108)
Penalty imposed on customer		101,400	-
Others		355,420	279,831
		832,268	**365,091**
		3,370,823	**3,865,536**
27 EXPLORATION AND PROSPECTING EXPENDITURE			
Cost of dry and abandoned wells	14	4,339,300	4,109,145
Prospecting expenditure		3,120,260	2,503,691
		7,459,560	**6,612,836**

		Note	2009	2008
			(Rupees '000)	
28	**GENERAL AND ADMINISTRATION EXPENSES**			
	Salaries, wages and benefits	28.1	1,667,874	1,478,060
	Traveling and transportation		193,568	176,871
	Repairs and maintenance		83,168	62,006
	Stores and supplies consumed		39,025	69,203
	Rent, fee and taxes		51,713	41,038
	Communication		47,711	47,425
	Utilities		41,337	38,564
	Training and scholarships		13,826	11,396
	Legal services		23,544	7,961
	Contract services		77,812	74,116
	Auditors' remuneration	28.2	12,290	9,654
	Advertising		36,876	33,248
	Joint venture expenses		469,004	444,859
	Insurance		759	726
	Donations	28.3	10,025	56,900
	Aircraft expenses		941	4,382
	Unallocated expenses of rigs		173,747	142,844
	Depreciation	12.2	120,218	117,754
	Trade debts written off		-	1,445
	Fixed assets reconciliation adjustment		-	59,094
	Miscellaneous		11,785	5,021
			3,075,223	**2,882,567**
	Allocation of expenses to:			
	Operations	25	(1,120,797)	(1,062,139)
	Technical services		(621,444)	(571,788)
			(1,742,241)	**(1,633,927)**
			1,332,982	**1,248,640**

28.1 These include amount in respect of employee retirement benefits of Rs 230.881 million (2008: Rs 117.850 million).

	2009	2008
	(Rupees '000)	
28.2 Auditors' remuneration		
M/s KPMG Taseer Hadi & Co., Chartered Accountants		
Annual audit fee	1,350	1,100
Subsidiary annual audit fee	-	110
Half yearly review	350	300
Out of pocket expenses	240	189
Audit of consolidated financial statements	-	250
Concession audit fee	2,915	2,530
Half yearly audit of PGCL	120	-
Verification of CDC record	50	50
Professional fee for PGCL merger	1,235	240
	6,260	**4,769**
M/s M. Yousuf Adil Saleem & Co., Chartered Accountants		
Annual audit fee	1,350	1,100
Half yearly review	350	300
Out of pocket expenses	200	175
Audit of consolidated financial statements	-	250
Verification of CDC record	50	50
Monitoring fee for CDC compliance	110	-
Concession audit fee	2,790	2,530
Certification of fee payable to OGRA	180	180
Dividend certification	300	300
Audit of workers' profit participation fund	700	-
	6,030	**4,885**
	12,290	**9,654**

28.3 Donations do not include any amount paid to any person or organization in which a director or his spouse had any interest.

	Note	2009	2008
		(Rupees '000)	
29 FINANCE COST			
Unwinding of discount on provision for decommissioning cost	8	911,683	527,695
Others		14,344	9,104
		926,027	**536,799**

		Note	2009	2008
			(Rupees '000)	
30	**TAXATION**			
	Provision for taxation:			
	- for the year	10	16,799,082	21,039,758
	- prior years	10	3,010,635	11,876,522
			19,809,717	**32,916,280**
	Deferred		5,578,565	1,053,013
		30.1	**25,388,282**	**33,969,293**
30.1	Reconciliation of tax charge for the year :			
	Accounting profit		80,927,923	78,307,404
	Tax rate		51.99%	55.73%
	Tax on accounting profit at applicable rate		42,075,398	43,643,484
	Tax effect of royalty allowed for tax purposes		(7,004,926)	(7,667,035)
	Tax effect of depletion allowance allowed for tax purposes		(10,320,224)	(10,606,284)
	Tax effect of amount not admissible for tax purposes		60,194	-
	Tax effect of exempt income		(4,490)	(13,662)
	Tax effect of income chargeable to tax at reduced corporate rate		(311,315)	(447,482)
	Tax effect of amounts that are admissible for tax purposes		(2,191,401)	-
	Tax effect of litigious taxation issues		3,277,768	-
	Tax effect of prior years		3,010,635	11,876,522
	Tax impact of deferred tax charged at reduced effective tax rate		(3,203,357)	(2,816,250)
			25,388,282	**33,969,293**

30.2 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.

		2009	2008
31	**EARNINGS PER SHARE - BASIC AND DILUTED**		
	Profit for the year - (Rupees '000)	**55,539,641**	**44,338,111**
	Average number of shares outstanding during the year ('000)	**4,300,928**	**4,300,928**
	Earnings per share - basic (Rupees)	**12.91**	**10.31**

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

32 FINANCIAL INSTRUMENTS

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

32.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk, the Company maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

The Company is exposed to credit risk from its operating and certain investing activities and the Company's credit risk exposures are categorised under the following headings:

32.1.1 Counterparties

The Company conducts transactions with the following major types of counterparties:

Trade debts

Trade debts are essentially due from oil refining companies, oil and gas marketing companies and power generation companies and the Company does not expect these companies to fail to meet their obligations. Majority of sales to the Company's customers are made on open terms.

Sale of crude oil is at a price determined in accordance with the agreed pricing formula as approved by GoP under respective agreements. Sale of natural gas, liquefied petroleum gas and refined petroleum products is made at prices notified by OGRA.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade debts. This allowance is based on the management's assessment of a specific loss component that relates to individually significant exposures.

Bank and investments

The Company limits its exposure to credit risk by investing in liquid securities and maintaining bank accounts only with counterparties that have a credit rating of at least A1 and A. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

32.1.2 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2009	2008
	(Rupees '000)	
Long term investments	2,692,697	2,683,554
Trade debts	56,140,092	40,705,299
Loans and advances	609,139	940,001
Deposits	10,371	9,345
Other receivables	898,962	1,021,687
Interest accrued	27,156	158,863
Other financial assets	5,087,917	10,207,516
Bank balances	3,952,288	8,306,548
	69,418,622	**64,032,813**

The maximum exposure to credit risk for financial assets at the reporting date by type of customer was:

	2009	2008
	(Rupees '000)	
Oil refining companies	31,052,949	25,660,296
Oil and gas marketing companies	22,159,759	12,138,136
Power generation companies	2,786,239	2,699,393
Banks and financial institutions	9,067,361	18,672,927
Others	4,352,314	4,862,061
	69,418,622	**64,032,813**

The Company's most significant customer, an oil refining company, accounts for Rs 16,357 million of the trade debts carrying amount at 30 June 2009 (2008: Rs 16,413 million).

The maximum exposure to credit risk for trade debts at the reporting date by type of product was:

	2009	2008
	(Rupees '000)	
Crude oil	31,001,451	25,393,251
Gas	24,885,330	14,836,133
Gasoline	40,180	-
Kerosene oil	40,521	13,143
High speed diesel oil	1,680	8,421
Naphtha	51,498	267,045
Liquefied petroleum gas	96,535	161,192
Other operating revenue	22,897	26,114
	56,140,092	**40,705,299**

32.1.3 Impairment losses

The aging of trade debts at the reporting date was:

	2009		2008	
	Gross debts	Impaired	Gross debts	Impaired
	(Rupees '000)		(Rupees '000)	
Not past due	21,414,512	-	25,520,388	-
Past due 0-30 days	8,093,736	-	4,466,630	-
Past due 30-60 days	6,913,169	-	2,384,940	-
Past due 60-90 days	6,301,000	-	851,933	-
Over 90 days	13,530,984	(113,309)	11,806,490	(4,325,082)
	56,253,401	**(113,309)**	**45,030,381**	**(4,325,082)**

The movement in the allowance for impairment in respect of trade debts during the year was as follows:

	2009	2008
	(Rupees '000)	
Balance at beginning of the year	4,325,082	4,326,527
Provision made during the year	3,173	-
Provision used to cover write off	(4,214,946)	(1,445)
Balance at end of the year	**113,309**	**4,325,082**

As explained in note 18 to the financial statements, the Company believes that no impairment allowance is necessary in respect of trade debts past due other than the amount provided. Trade debts are essentially due from oil refining companies, oil and gas marketing companies and power generation companies, the Company is actively pursuing for recovery of debts and the Company does not expect these companies to fail to meet their obligations.

The movement in the allowance for impairment in respect of loans and advances during the year was as follows:

	2009	2008
	(Rupees '000)	
Balance at beginning of the year	253,758	263,622
Provision used to cover write off	(54,920)	-
Reversal of provision during the year	(2,416)	(9,864)
Balance at end of the year	**196,422**	**253,758**

The allowance accounts in respect of trade receivables, loans and advances are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible, at that point the amount considered irrecoverable is written off against the financial asset directly.

32.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The maturity profile of the Company's financial liabilities based on the contractual amounts is as follows:

Trade and other payables	2009 Carrying amount	2009 Contractual cash flows	2008 Carrying amount	2008 Contractual cash flows
	(Rupees '000)		(Rupees '000)	
All the trade and other payables have maturity upto one year	**13,066,830**	**13,066,830**	**9,233,726**	**9,233,726**

32.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, equity price and crude oil price will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

32.3.1 Foreign currency risk management

PKR is the functional currency of the Company and as a result currency exposure arise from transactions and balances in currencies other than PKR. The Company's potential currency exposure comprise:

- Transactional exposure in respect of non functional currency monetary items.

- Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below:

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure is incurred by the Company in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as a part of overall risk management strategy. The Company does not enter into forward exchange contracts.

Exposure to foreign currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts:

	2009	2008
	(USD '000)	
Trade debts	339,504	375,238
Investments held to maturity	33,000	-
Available for sale investments	61,000	73,000
Cash and bank balances	31,656	26,938
Trade and other payables	(3,004)	(3,114)
	462,156	**472,062**

Commitments outstanding at year end amounted to Rs 7,263.576 million (2008: Rs 18,909.109 million). These included amounts aggregating to Rs 3,337.170 million (2008 : Rs 967.227 million) representing the Company's share in the minimum work commitments related to operated/non-operated concessions.

The following significant exchange rates applied during the year:

	Average rate		Reporting date mid spot rate	
	2009	2008	2009	2008
	(Rupees)			
USD 1	78.82	62.61	81.41	68.08

Foreign currency sensitivity analysis

A 10 percent strengthening of the PKR against the USD at 30 June would have decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	2009	2008
	(Rupees '000)	
Profit and loss account	3,762,327	3,213,730

A 10 percent weakening of the PKR against the USD at 30 June would have had the equal but opposite effect on USD to the amounts shown above, on the basis that all other variables remain constant.

32.3.2 Interest rate risk management

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period. The Company adopts a policy to ensure that interest rate risk is minimized by investing in fixed rate investments like DSCs and TDRs while the Company has no borrowings.

- Profile

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	2009	2008	2009	2008
	%		(Rupees '000)	
Fixed rate instruments				
Financial assets				
Long term investments	2.5% to 16%	10.25% to 18%	2,692,697	2,683,554
Long term loans	9.96%	10.21%	312,787	302,825
Other financial assets	2% to 4.28%	5.25% to 10.7%	4,966,010	9,969,832
Cash and bank balances	0.10% to 12.50%	1.30% to 9.50%	3,870,525	7,567,517
			11,842,019	20,523,728
Financial liabilities			-	-
			11,842,019	20,523,728

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not have derivatives as hedging instruments recognized under fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

A change of 100 basis points in interest rates would have increased or decreased unappropriated profit by Rs 115.231 million (2008: Rs 175 million).

32.3.3 Other market price risk

The Company is following a policy to set aside reserve for self insurance of rigs, wells, plants, pipelines, vehicles, workmen compensation, losses of petroleum products in transit and is keeping such reserve invested in specified investments. The primary goal of the Company's investment strategy is to maximise investment returns on surplus funds. The Company's price risk arises from investments in NIT units which are designated at fair value through profit or loss, however, in accordance with the investment strategy the performance of NIT units is actively monitored and they are managed on a fair value basis.

Sensitivity analysis of price risk

A change of Rs 5 in the value of investments at fair value through profit and loss would have increased or decreased profit and loss by Rs 22.701 million (2008: Rs 22.701 million).

Sensitivity analysis of crude oil price risk

A change of USD 5 in average price of crude oil would increase or decrease profit by Rs 5,877 million (2008: Rs 5,119 million) on the basis that all other variables remain constant.

32.4 Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and/or issue new shares. There were no changes to Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirement.

32.5 Fair value of financial instruments

The carrying value of financial assets and liabilities approximate their fair values.

		Note	2009	2008
			(Rupees '000)	
33	**CASH AND CASH EQUIVALENTS**			
	Cash and bank balances	23	3,973,818	8,306,548
	Short term highly liquid investments	22	4,966,010	9,969,832
			8,939,828	**18,276,380**

		2009	2008
		Number	
34	**NUMBER OF EMPLOYEES**		
	Total number of employees at the end of the year was as follows:		
	Regular	10,238	10,539
	Contractual	393	422
		10,631	**10,961**

35 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 year end, except for transactions with few state -controlled entities which are not material, hence not disclosed in these financial statements, are as follows:

	2009	2008
	(Rupees '000)	
Associated company		
Share of profit in associate - net of taxation	57,503	44,680
Major shareholder		
Government of Pakistan		
Dividend paid	33,298,737	35,552,215
Related parties by virtue of common directorship and GoP holdings		
Attock Refinery Limited		
Sale of crude oil	37,686,356	-
Desalting charges paid	36,370	-
Receivable as at 30 June	16,356,943	-
National Refinery Limited		
Sale of crude oil	-	12,114,785
Sale of naphtha	-	2,692,063
Naphtha handling and storage charges	-	79,094
Receivable as at 30 June	-	4,900,153
Pakistan Refinery Limited		
Sale of crude oil	6,988,942	6,601,372
Receivable as at 30 June	3,719,967	2,883,206
Government Holdings (Private) Limited		
Payable as at 30 June	147,539	33,852

	Note	2009	2008
		(Rupees '000)	
RELATED PARTY TRANSACTIONS - Continued			
Pak Arab Refinery Company Limited			
Sale of crude oil		3,357,200	4,550,009
Receivable as at 30 June		10,029	1,291,614
Sui Northern Gas Pipelines Limited			
Sale of natural gas		34,505,653	33,259,820
Purchase of high BTU value gas		2,340,451	2,339,544
Receivable as at 30 June		9,046,421	4,781,929
Sui Southern Gas Company Limited			
Sale of natural gas		30,336,728	18,600,281
Pipeline rental charges		39,264	12,235
Receivable as at 30 June		13,030,959	7,364,325
Pakistan State Oil Company Limited			
Sale of refined petroleum products		103,095	382,398
Sale of liquefied petroleum gas		26,312	15,372
Purchase of petroleum, oil and lubricants		2,989,486	2,014,085
Receivable as at 30 June		30,832	8,651
Packages Limited			
Sale of sulphur		20,859	-
National Insurance Company Limited			
Insurance premium paid		815,758	569,732
National Logistic Cell			
Crude transportation charges paid		1,488,412	1,142,134
Heavy Mechanical Complex			
Purchase of stores and spares		32,512	13,568
Water and Power Development Authority			
Sale of natural gas		71,087	141,453
Receipts against long term loan		-	673,463
Receivable as at 30 June		23,513	31,322
Enar Petrotech Services Limited			
Consultancy services		32,816	39,332
Sale of crude oil		1,817,078	1,634,809
Receivable as at 30 June		83,964	173,592
Other related parties			
Contribution to staff benefit funds		843,265	519,671
Remuneration including benefits and perquisites of key management personnel	35.1	108,455	75,020

35.1 Key management personnel

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

	2009	2008
	(Rupees '000)	
Managerial remuneration	42,869	39,227
Housing and utilities	24,360	19,350
Other allowances and benefits	31,401	11,963
Medical benefits	889	145
Contribution to pension fund	8,936	4,335
	108,455	**75,020**
Number of persons	**23**	**15**

36 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these financial statements for the remuneration of the chief executive and executives was as follows:

	2009		2008	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees '000)			
Managerial remuneration	13,663	757,289	7,080	556,541
Housing and utilities	4,043	537,358	1,200	394,551
Other allowances and benefits	3,225	893,141	3,090	394,322
Medical benefits	302	114,435	59	45,997
Contribution to pension fund	-	157,862	-	75,051
Leave encashment recovery	-	-	-	(2,504)
	21,233	**2,460,085**	**11,429**	**1,463,958**
Number of persons including those who worked part of the year	**2**	**951**	**1**	**751**

- Executive means any employee whose basic salary exceeds Rs 500,000 (2008: Rs 500,000) per year.

- The above were provided with medical facilities and are eligible for employee benefits for which contributions are made based on actuarial valuations. The Chief executive and certain executives were provided with free use of Company's cars in accordance with their entitlement.

- The aggregate amount charged in these financial statements in respect of fee to 9 directors (2008: 10) was Rs 2,232,131 (2008: Rs 365,000) while directors are not paid any remuneration.

37 APPLICABILITY OF IFRIC 4 - DETERMINING WHETHER AN ARRANGEMENT CONTAINS A LEASE

International Accounting Standards Board (IASB) has issued IFRIC 4 - Determining whether an Arrangement contains a Lease, which is effective for financial periods beginning on or after 01 January 2006. According to the said interpretation an arrangement conveys the right to use the asset, if the arrangement conveys to the purchaser (lessee) the right to control the use of the underlying asset. The right to control the use of the underlying asset is conveyed when the purchaser has the ability or right to operate the asset or direct others to operate the asset in a manner it determines while obtaining or controlling more than an insignificant amount of the output or other utility of the asset. Such arrangements are to be accounted for as a lease in accordance with the requirements of IAS 17- Leases.

The Company's production facilities at Uch field's control, due to purchase of total output by Uch Power Limited (UPL) an Independent Power Producer (IPP), appears to fall in the definition of leases. However, Securities and Exchange Commission of Pakistan (SECP) vide its circular No. 21 of 2009 has decided to defer implementation of IFRIC 4 to all companies till 30 June 2010. All companies who have executed implementation agreements with the Government/Authority or entity, this relaxation would be available till the conclusion of their agreements, entered on or before 30 June 2010.

Had this interpretation been applied, following adjustments to profit and loss account and balance sheet would have been made:

	2009	2008
	(Rupees '000)	
Profit for the year	55,539,641	44,338,111
Depreciation reversed	-	891,537
Amortization reversed	20,355	20,717
Finance income recognized	2,876,412	2,582,590
Sales revenue reversed	(3,334,476)	(3,116,330)
Tax impact at estimated effective rate	135,296	(117,226)
	55,237,228	**44,599,399**
Adjusted unappropriated profit brought forward	67,618,725	64,106,983
Adjusted profit for the year	55,237,228	44,599,399
	122,855,953	**108,706,382**
Transfer to capital reserve	(155,254)	(228,836)
Dividends	(39,783,588)	(40,858,821)
Adjusted Unappropriated profit	**82,917,111**	**67,618,725**
Unappropriated profit	**79,503,794**	**63,902,995**

38 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors proposed final dividend at the rate of Rs 2.50 per share in its meeting held on 13 August 2009.

39 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company in its meeting held on 13 August 2009.

Chief Executive **Chairman**