exploring new avenues...

ANNUAL REPORT 2005

OIL & GAS DEVELOPMENT COMPANY LIMITED

OGDCL House
Plot No. 3, F-6/G-6, Blue Area
Jinnah Avenue Islamabad
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OIL & GAS DEVELOPMENT COMPANY LIMITED

Annual Report 2005

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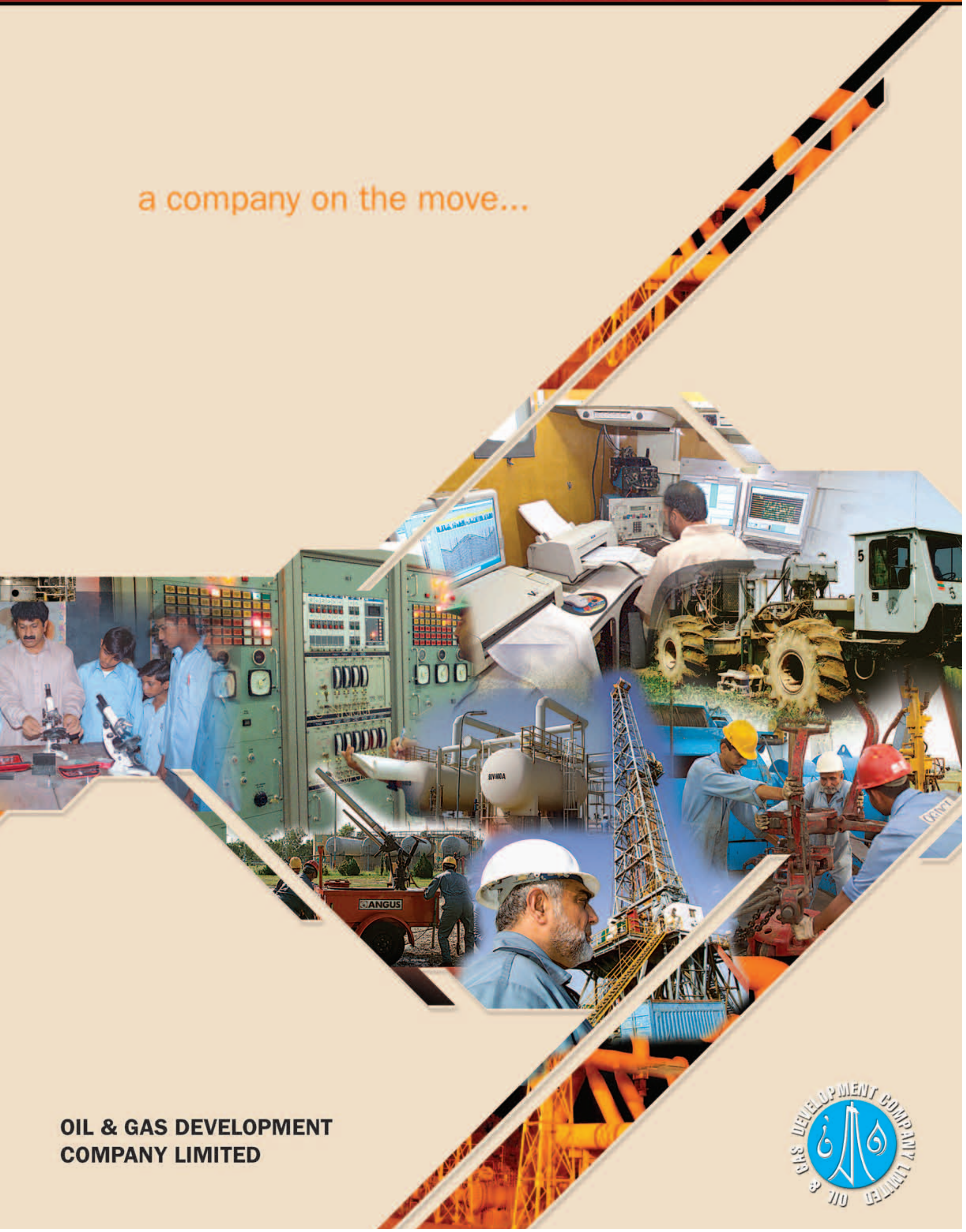
a company on the move...



OIL & GAS DEVELOPMENT COMPANY LIMITED

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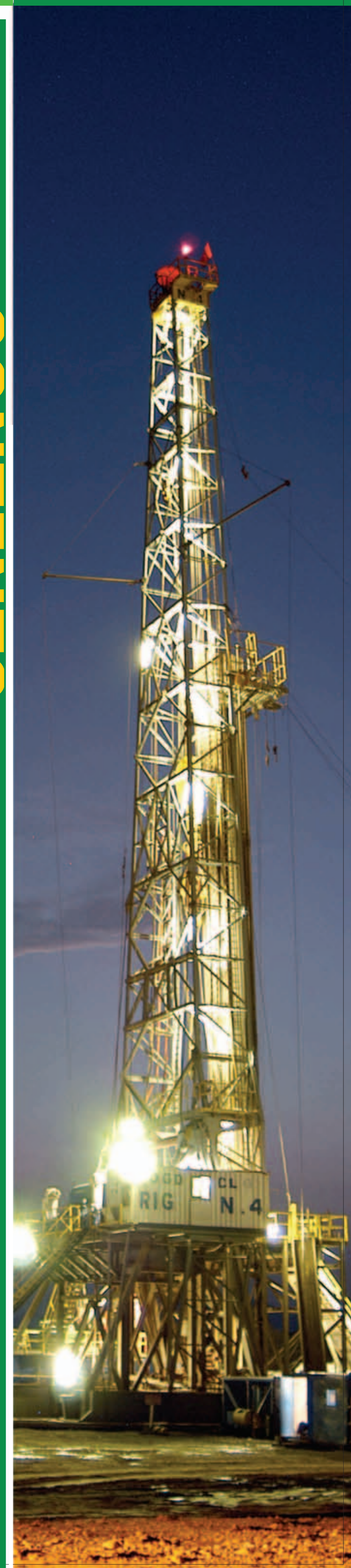
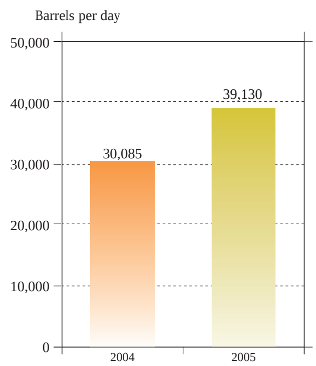
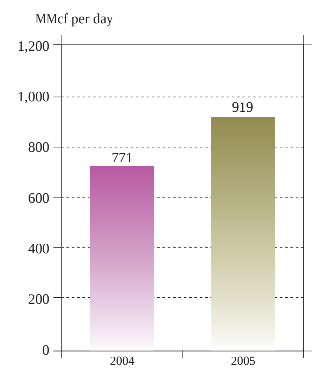


Highlights of the Year

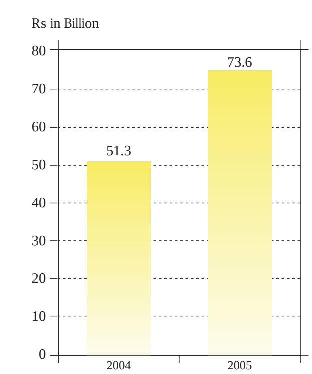
Crude Oil Production



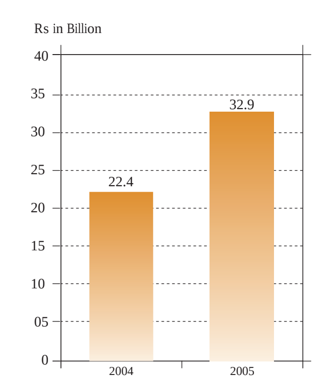
Gas Production



Sales Revenue



Profit After Taxation



Operational Highlights

- Crude oil production including share from operated and non-operated joint venture fields increased to 39,130 barrels per day (2004: 30,085 barrels per day): 30 % increase
- Gas production including share from operated and non-operated joint venture fields increased to 919 million cubic feet (MMcf) per day (2004: 771 MMcf per day): 19 % increase
- LPG production including share from non-operated joint venture fields increased to 334 tons per day (2004: 281 tons per day): 19 % increase
- Completion of 1,891 L. Kms of 2D and 262 Sq. Kms of 3D seismic survey
- 18 new exploratory / appraisal and development wells. 62,920 meters drilled in total
- Work-Over on 17 wells
- Acquisition of seven new exploratory licensess covering an area of 15,488 Sq. Kms
- 3 oil and gas / condensate discoveries

Financial Highlights

- Sales revenue increased to Rs 73.6 billion (2004: Rs 51.3 billion) : 44% increase
- Profit before taxation increased to Rs 49.0 billion (2004: Rs 30.5 billion) : 61% increase
- Highest ever profit after taxation touching Rs 32.9 billion (2004: Rs 22.4 billion) : 47% increase
- Earnings per share increased to Rs 7.67 (2004: Rs 5.21): 47% increase
- Dividend increased to Rs 7.50 per share (2004: Rs 4.00 per share) : 88% increase
- Balance sheet footing has crossed Rs 100 billion mark and surged to Rs 115 billion as on June 30, 2005
- Cash, bank balances and deposits of the Company increased by 49% to a total of Rs 37.8 billion as on June 30, 2005
- Contribution to National Exchequer increased to Rs 61 billion. (2004: Rs 39 billion): 56% increase

Notice of Annual General Meeting

Notice is hereby given that the 8th Annual General Meeting being Seventeenth meeting of the members of Oil and Gas Development Company Limited will Insha-Allah be held at registered office of the Company, OGDCL House, Plot No: 3, F-6/G-6, Blue Area, Jinnah Avenue, Islamabad on Wednesday, October 26, 2005 at 10:00 a.m. to transact the following business:

ORDINARY BUSINESS

1) To confirm the minutes of the 8th Extra Ordinary General Meeting held on May 20, 2005.

2) To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2005 together with the Directors' and Auditors' Reports thereon.

3) To approve the final cash dividend @ 27.5% i.e. Rs 2.75 per share for the year ended June 30, 2005 as recommended by the Board of Directors. This is in addition of three interim cash dividends totalling to 47.50 % i.e. Rs 4.75 per share already paid during the year.

4) To appoint Auditors for the year 2005-06 and fix their remuneration.

5) To transact any other business with the permission of the Chair.

By order of the Board

Islamabad
September 23, 2005

(Basharat A. Mirza)
Company Secretary

NOTES:

1. Participation in the Annual General Meeting
A member entitled to attend and vote at this meeting is entitled to appoint another person as his / her proxy to attend and vote. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the meeting.

2. CDC Account holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan:

   a. For attending the meeting

      In case of individuals, the account holder or sub-account holder shall authenticate his / her identity by showing his / her original National Identity Card (NIC) or original passport at the time of attending the meeting.

      In the case of corporate entities, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

   b. For appointing proxies

      i) In case of individuals, the account holder or sub-account holder shall submit the proxy form as per the above requirement.

      ii) The proxy form shall be witnessed by two persons whose names, addresses and NIC number shall be mentioned on the form.

      iii) Attested copies for NIC or the passport of the beneficial owners and of the proxy shall be furnished with the proxy form.

      iv) The proxy shall produce his / her original NIC or original passport at the time of the meeting.

      v) In the case of corporate entities, the Board of Directors' resolution / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

3. Closure of Share Transfer Books
The share transfer books of the company will remain closed and no transfer of shares will be accepted for registration from October 19, 2005 to October 26, 2005 (both days inclusive). Transfers received in order at the Share Registrar's office by the close of business on Tuesday, October 18, 2005 will be treated in time for the purpose of payment of final cash dividend, if approved by the shareholders.

4. Change in Address
Members are requested to promptly notify any change in their address.

Vision

To be a leading, regional Pakistani E & P Company, recognized for its people, partnerships and performance.

Mission

Our mission is to become a competitive, dynamic and growing E & P company, rapidly enhancing our reserves through world class work force, best management practices and technology and maximizing returns to all stakeholders by capturing high value business opportunities within the country and abroad, while being a responsible corporate citizen.

Core Values

- Merit
- Integrity
- Team Work
- Safety
- Dedication
- Innovation

Goals

Financial

- To reduce cost and time over runs to improve financial results
- To maximize profits by investing surplus funds in profitable avenues
- To make investment decisions by ranking projects on the basis of best economic indicators
- Growth and superior return to all stakeholders
- Double the value of the company in next five years

Learning and growth

- Motivate and train our work force, revitalize our equipment base and attain full autonomy in financial and decision making matters
- To enhance the technical and commercial skills through modern HR management practices
- Continuously develop technical and managerial skills at all levels and stay abreast of latest technological developments in the industry
- Utilization of best blend of latest technologies and high performing human resources

Customer

- Improve the quality of service to make it faster and more transparent
- Quality, dependability, responsible corporate citizen
- Reliable and efficient company
- To provide most reliable supplies to the customers through cost effective means

Internal Processes

- To set up task forces with representation from all relevant departments to improve internal business decision making and strategic planning
- Excel in exploration, development and commercialization
- Availability of updated information to the shareholders and customers
- To use most effective business practices and formulate a framework of synergic organization with the change in culture

Statement of Ethics and Business Practices (SE&BP)

Oil & Gas Development Company Limited conducts its operations in accordance with highest business ethical consideration complying with all statutory regulations and best accepted standards of good corporate citizen. This policy applies to all directors and employees of the Company. The Company's core values are Merit, Integrity, Team Work, Safety, Dedication and Innovation. It is towards the end of fostering these core values in the corporate culture of OGDCL that the Company has adopted this Code of Ethics and Business Practices (the Code).

The Code implies as follows:

1. The directors and employees of the Company seek to protect the Company's assets. The Company's assets and services are used solely for legitimate business purposes of the Company. The use of Company's funds for political contributions to any organization or to any candidate for public office is prohibited.
2. The directors and employees adhere in letter and spirit to all laws and conform to the accepted standards of good corporate governance and avoid conflict of interest. The conflict of interest, if any must be notified to Company in writing immediately.
3. The Company respects the interests of all the stakeholders and enters into transparent and fairly negotiated contracts.
4. The Company is an equal opportunity employer.
5. The directors and employees reject corruption in all forms:- direct, indirect, public or private and do not directly or indirectly engage in bribery, kick-backs, pay-offs, or any other corrupt business practices.
6. Oil and Gas Development Company Limited respects the privacy of data relating to individual persons (whether employees or third parties) which it may hold or handle as part of its information processing activities or otherwise. Employees maintain confidentiality of the Company's and its customers' confidential information which is disclosed to them.
7. The directors and employees shall not place themselves in a position where their loyalty to the Company becomes divided for any reason including their direct or indirect financial interest in a competitor, supplier, consultant or customer.
8. The directors and employees may not take advantage of the Company's information or property, or their position with the Company, to develop inappropriate personal gains or opportunities. They may, however, receive gifts of token value or accept invitations only if such gifts or invitations have no influence on their decision making and are as per Company policy.

9. Employees may offer tips, gratuity or hospitality of a customary amount or value for routine services or courtesies received as per Company policy.

All directors and employees of Oil & Gas Development Company Limited and its subsidiary are responsible for the continuing enforcement of and compliance with this policy, including necessary distribution to ensure-employee knowledge and compliance. Noncompliance with this policy will result in disciplinary action.

developing a world class work force
in line with OGDCL's mission...

Corporate Information

Board of Directors

Mr. Arshad Nasar	Chairman
Mr. M. Raziuddin	Managing Director
Mr. M. Naeem Malik	Director
Mr. M. Iqbal Awan	Director
Mr. Sikandar Hayat Jamali	Director
Mr. Pervaiz Kausar	Director
Mr. Azam Faruque	Director
Mr. Khalid Rafi	Director
Mr. Asad Umar	Director
Mr. Alman Aslam	Director
Mr. Aslam Khaliq	Director
Al-Syed Abdul Qadir Jamaluddin Al-Gillani	Director

Company Secretary

Mr. Basharat A. Mirza

Auditors

M/s Taseer Hadi Khalid & Co., Chartered Accountants

M/s M. Yousuf Adil Saleem & Co., Chartered Accountants

Legal Advisors

M/s Khokhar Law Chambers

Tax Advisors

M/s Khalid Majid Rahman Sarfraz Rahim Iqbal Rafiq Chartered Accountants

Bankers

National Bank of Pakistan
Habib Bank Limited
United Bank Limited
Askari Commercial Bank Limited
Allied Bank Limited
Citi Bank
Bank Al-Falah Limited
Faysal Bank Limited
Metropolitan Bank Limited
Bank of Punjab
Bank Al-Habib Limited
Standard Chartered Bank
Soneri Bank Limited
Union Bank Limited
PICIC Commercial Bank Limited
Prime Commercial Bank Limited
Muslim Commercial Bank Limited

Registered Office

OGDCL House
Plot No.3, F-6 / G-6, Blue Area,
Jinnah Avenue, Islamabad
Tel: (PABX) (051) 9209811-8
Fax: (051) 9209804-6, 9209708
Email: info@ogdcl.com, razi@ogdcl.com
Website: www.ogdcl.com

Registrar

Noble Computer Services (Pvt) Limited
2nd Floor, Sohni Centre, BS 5 & 6,
Main Karimabad,
Block - 4, Federal B. Area,
Karachi – 75950
Tel: (021) 6801880 – 82 (3 Lines)
Fax: (021) 6801129

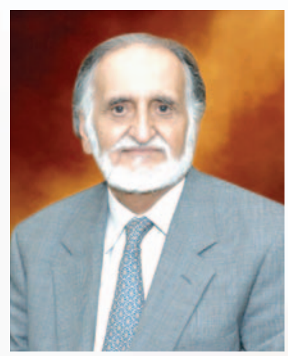
Board of Directors

Arshad Nasar
Chairman

M. Raziuddin
Managing Director

M. Naeem Malik

M. Iqbal Awan



Sikandar Hayat Jamali

Pervaiz Kausar

Azam Faruque

Khalid Rafi

Asad Umar

Alman Aslam

Aslam Khaliq

Al-Syed Abdul Qadir Jamaluddin Al-Gillani

Committees of the Board

AUDIT COMMITTEE

Mr. Khalid Rafi, Director	Chairman
Mr. M. Iqbal Awan, Director	Member
Mr. Aslam Khaliq, Director	Member
Mr. Pervaiz Kausar, Director	Member
Head of Internal Audit	Secretary

FINANCE COMMITTEE

Mr. Azam Faruque, Director	Chairman
Mr. M. Iqbal Awan, Director	Member
Mr. Alman Aslam, Director	Member
Mr. Sikandar Hayat Jamali, Director	Member
Al-Syed Abdul Qadir Jamaluddin Al-Gillani, Director	Member
Managing Director	Member
Company Secretary	Secretary

HUMAN RESOURCES COMMITTEE

Mr. Arshad Nasar, Chairman	Chairman
Mr. Asad Umar, Director	Member
Mr. Pervaiz Kausar, Director	Member
Al-Syed Abdul Qadir Jamaluddin Al-Gillani, Director	Member
Managing Director	Member
Company Secretary	Secretary

TECHNICAL COMMITTEE

Mr. Aslam Khaliq, Director	Chairman
Mr. Alman Aslam, Director	Member
Mr. Asad Umar, Director	Member
Mr. Azam Faruque, Director	Member
Mr. Sikandar Hayat Jamali, Director	Member
Managing Director	Member
Company Secretary	Secretary

Company Profile

Establishment

- The Company was originally established as Oil and Gas Development Corporation under an ordinance in 1961 to undertake comprehensive exploratory program and promote Pakistan's oil and gas prospects.

- The Government, in 1989 off-loaded the Corporation from Federal Budget and allowed it to manage its activities with self generated funds.

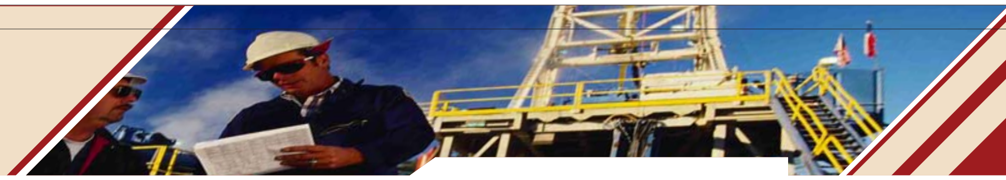
- In October 1997, the Corporation was converted into a Public Limited Company as Oil and Gas Development Company Limited. On conversion all the properties, rights, assets, obligations and liabilities of the Corporation were vested in the Company for 1,075,232,100 fully paid ordinary shares of Rs 10 each against cash investments made by the Government of Pakistan. Later 300% bonus shares were issued by capitalizing the accumulated earnings of the Company in September 2003.

- In October 2003, Government of Pakistan disinvested 5% of its shareholdings in the Company through an Initial Public Offering (IPO).

- The Company is listed on all the three Stock Exchanges in Pakistan with Market Capitalization of around Rs 483 billion (US $ 8.05 billion).

Projects under implementation:

- Chanda Development Project
- Dakhni Expansion Project
- Dhodak Plant Enhancement Project
- Qadirpur Compression Project
- Uch-II Development Project
- Tando Allah Yar Development Project
- Sinjhoro Development Project



Exploration, Development, Reserves and Production

Being largest E & P Company in Pakistan:

- OGDCL holds 115 million barrels of oil and 10.5 trillion cubic feet (TCF) of gas as remaining recoverable reserves. These constitute 37% of total oil and 32% of total gas reserves of the Country.

- OGDCL is the largest oil and gas producing Company in Pakistan and it produced Country's 47% of crude oil and 23% of Gas in 2004-05.

- Daily production of the Company including share in operated and non-operated joint ventures is 39,130 barrels of oil, 919 MMcf of Gas and 334 Tons of LPG on average.

- OGDCL's current concession portfolio comprises of 25 concessions and a reconnaissance permit covering a total of 59,968.6 Sq. kms which constitute 30% of total exploration area granted to various E&P companies in Pakistan. The Company also holds working interest in another three exploration concessions which are operated by other JV partners.

- OGDCL has 39 Development and Production / Mining Leases which are operated by it besides working interest ownership in 29 non-operated leases.

- OGDCL's major oil and gas fields are located at Kunnar, Pasakhi, Bobi, Tando Alam, Thora, Lashari, Sono, Fimkassar, Kal, Sadqal, Rajian, Missakesswal, Dhodak, Dakhni, Chanda, Chak Naurang, Qadirpur, Uch, Pirkoh, Loti, Nandpur / Punjpir and Hundi / Sari.

- OGDCL so far has drilled 198 exploratory and 246 development wells.

- OGDCL has so far completed major development projects like Dhodak Development Project, Dakhni Development Project, Qadirpur Development Project, Pirkoh Development Project, Nandpur / Punjpir Development Project, Sadqal Gas Compression Project, Uch Development Project and Bobi Development Project.

Company Profile

Equipment and Operational Base

- The Company has developed a sound equipment and operational base which includes 7 drilling rigs, 2 work over rigs, a geological field party, 4 seismic parties, 4 engineering field parties, a gas gathering and pipeline construction party, seismic data processing centre, geological analysis laboratory, wireline logging unit, cementing units and data logging unit.

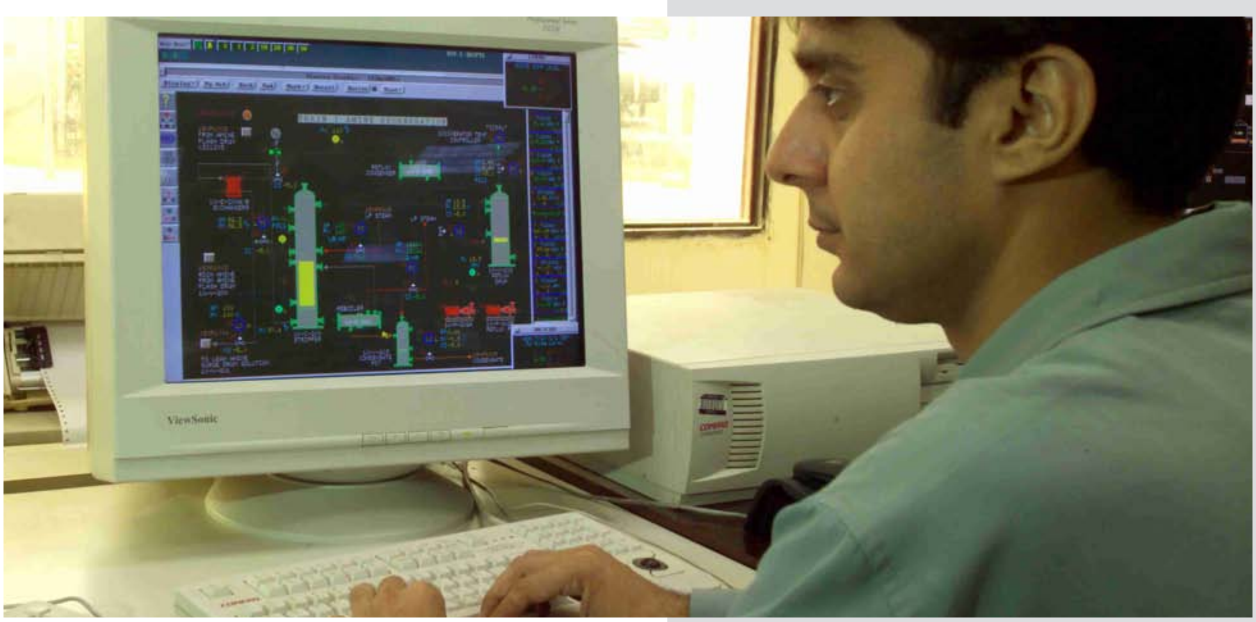
Human Resource Base

- The Company possesses the largest professional and technical human resource base in the Country's oil and gas industry who can undertake and supervise almost all phases of oil and gas exploration, development and production starting from preliminary geological surveys and culminating in the operation of oil and gas processing plants.

- The Company has its own training Institute namely Petroleum Research and Training Institute (PRTI) previously Oil & Gas Training Institute (OGTI). The Institute offers training program of long and short duration in petroleum related disciplines including exploration, drilling, well services, production and computing etc. Recently the function of research has also been included in the domain of the Institute.

Financial Performance

- The Company's profitability and liquidity position is exceptionally strong and has strong cash growth from its existing production assets to carry out its exploratory program and development activities.

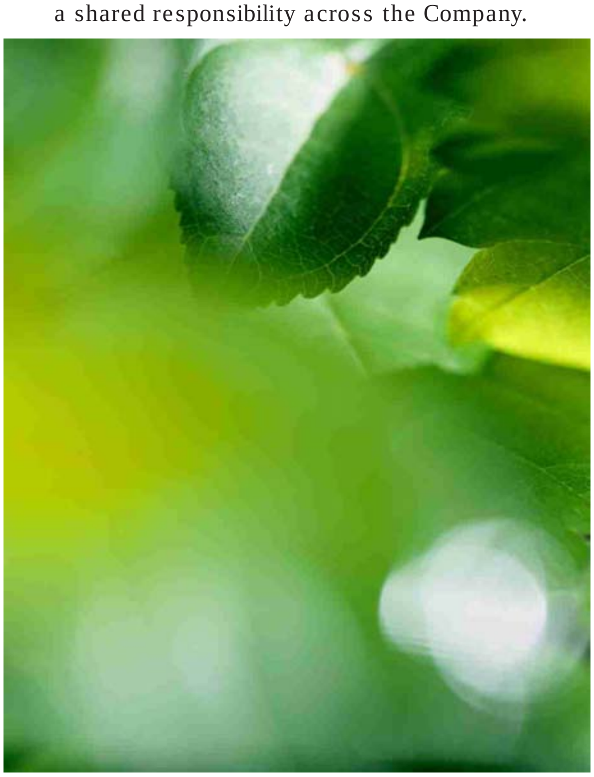


Corporate Social Responsibility

- The Company perceives community development as its ethical, moral and social responsibility and as a responsible corporate citizen believes that it must invest in the communities with which it interacts. Abiding by that principle, the Company contributes to the development of the communities, in which it operates by ways of developing infrastructures, providing healthcare and water supply and at the same time improving educational facilities and grant of scholarships for local students.

Health, Safety and Environment

- The Policy of ODGCL in carrying out all its activities is to provide a safe and healthy work place and to minimize the impact to the environment in compliance with federal and local legislation and applicable international rules and standards. OGDCL believes that good health, safety and environment contributes to business success and that maintaining good health, safety and protecting environment is a shared responsibility across the Company.



Senior Management

•	Mr. M. Raziuddin	Managing Director
•	Mr. Mobassher Ahmed Zafar	Executive Director *(Administration)*
•	Mr. Mukhtar H. Jaffery	Executive Director *(Finance)*
•	Mr. Najam K. Hyder	Executive Director *(Corporate Affairs)*
•	Mr. Afzal Chaudhry	General Manager *(Petroleum Research & Training Institute)*
•	Mr. Sajjad Ahmed	General Manager *(Civil & Engineering Support Services)*
•	Mr. Khalid Jamil Khan	General Manager *(Accounts / System)*
•	Mr. Aftab Ahmad	General Manager *(Joint Venture / Corporate Affairs / PGCL)*
•	Syed Khalid Hussain	General Manager *(Drilling Operations)*
•	Mr. Sajid Bashir Khawaja	General Manager *(Supply Chain Management)*
•	Mr. Muhammad Rafi	Acting General Manager *(Finance)*
•	Mr. Muhammad Anas Qureshi	Acting General Manager *(Production)*
•	Mr. M. Zafar Chaudhry	Acting General Manager *(Projects)*
•	Mr. Muhammad Riaz Khan	Acting General Manager *(Plant & Process)*
•	Mr. Tariq Jaswal	Acting General Manager *(Exploration)*
•	Mr. Shaji Alam	Project Director *(Basin Studies)*

Directors' Report

The Directors are pleased to present the Annual Report and the audited accounts of Oil and Gas Development Company Limited (OGDCL) for the year ended June 30, 2005 together with Auditors' Report thereon.

The positive trend in the Company's performance established over the past several years has continued in 2004-05, with results adding further strength to the Company's financial position. Company's production volume, revenues, profitability and cash flow increased significantly during the year ended June 30, 2005. This improved performance is the combined result of the Company's concerted efforts to optimize production of crude oil and gas, carry out its business activities under strict financial control and high crude oil prices in the International Market.

Main achievement of the year under review was commencement of oil and gas production from Chanda Field located in District Kohat of North West Frontier Province (NWFP) of the Country. The field was put on production from July 17, 2004 and is presently producing 2,700 barrels per day of oil and 9.50 MMcf per day of gas.

On completion of Qadirpur Capacity Enhancement Project Phase-III, Qadirpur plant started operating at full capacity with effect from November 12, 2004 and the field is supplying 500 MMcf per day of gas to SNGPL.

During the year 2004-05, three more discoveries have been made by the Company. A gas discovery at Jhal Magsi in Kotra Concession in December 2004, an oil and gas discovery at Dakhni-8 in January 2005 and another oil and gas discovery at Pasakhi Deep-1 in February 2005. These discoveries are expected to increase the production of the Company by about 1,000 barrels per day of oil and 37 MMcf per day of gas once these fields are fully developed.

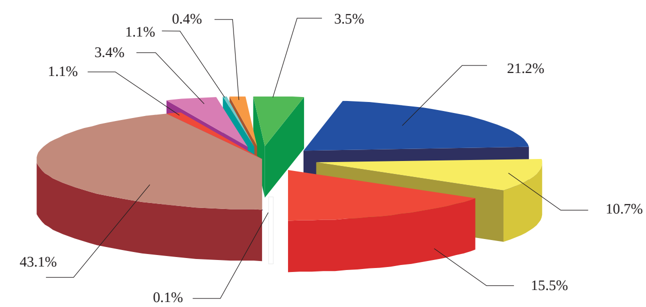
FINANCIAL RESULTS

Increased production of crude oil, gas and LPG, and high crude oil prices during the year under review resulted in record financial results compared with 2003-04. Sales revenue during the year increased to Rs 73.6 billion which is 44% higher than that achieved during 2003-04. Because of rising price trend, average realized net price of crude oil during the year was US$ 36.5 per barrel after allowing applicable discount and adjustment on account of other factors in the international basket prices under import parity formula as against US$ 26.8 per barrel during 2003-04. Other operating income of the Company also increased on rendering more geophysical and cementation services to outside parties and due to increase in rates of return on Company's short term investments.

There is a profit before taxation of Rs 49.0 billion, which is Rs 18.5 billion or 61% higher than that earned during 2003-04. Profit after taxation for the period under review was Rs 32.9 billion which is Rs 10.5 billion or 47% higher than that earned during last year resulting in an improvement of earnings per share from Rs 5.21 to Rs 7.67. Net cash flow of the Company increased by 49 % to a total of Rs 37.8 billion as at June 30, 2005.

Financial results are summarized as follows:			(Rs in Billion)
Profit before taxation			49.020
Provision for taxation			(16.052)
Profit after taxation			32.968
Un-appropriated profit brought forward			31.378
Profit available for appropriations			64.346
Appropriations:			
Transfer to Contingency Reserve		0.336	
Distribution through Dividends:			
Final Dividend 2003-04 @ Rs 1.25 per share (12.50%)	5.376		
First Interim Dividend (2004-05) @ Rs 1.50 per share (15%)	6.451		
Second Interim Dividend (2004-05) @ Rs 1.50 per share (15%)	6.451		
Third Interim Dividend (2004-05) @ Rs 1.75 per share (17.50%)	7.527	25.805	26.141
Un-appropriated profit carried forward			38.205

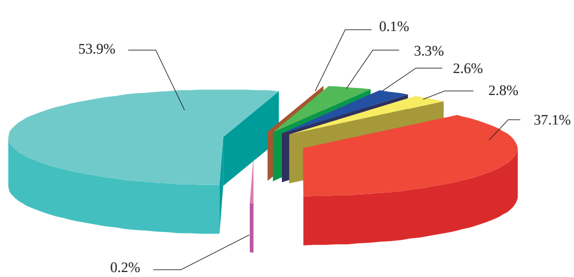
Utilization of Income
2004-05



Total Rs. 75.7 billion

- Operating Expenses
- Finance Cost
- Retained Profit
- G & A Expenses
- WPPF
- Finance Cost
- Contingency Reserve
- Transportation Charges
- Exploration Expenses
- Corporate Tax
- Royalty

Sources of Income
2004-05



Total Rs. 75.7 billion

- Gas
- Sulphur
- Crude Oil
- LPG
- Other Income
- White Petroleum Prod.
- Other Operating Revenue

DIVIDEND

The Board of Directors is pleased to recommend a final cash dividend at 27.50% (Rs 2.75 per share) in addition to 47.50% (Rs 4.75 per share) interim cash dividends declared earlier during the year on the basis of interim results. This makes a total of 75% (Rs 7.50 per share) for the year ended June 30, 2005. The dividend declared is subject to the approval by the shareholders in Annual General Meeting.

CONTRIBUTION TO NATIONAL EXCHEQUER

Company's contribution to the national exchequer at Rs 61.0 billion during 2004-05 (2003-04: Rs 39.0 billion) was the highest ever in the form of corporate tax, sales tax, excise duty, royalty, development surcharge and dividend. This constitutes almost 69% of total value addition during the year. This is in addition to considerable savings in foreign exchange through import substitution on production of oil, gas and LPG during the year.

EXPLORATION AND DEVELOPMENT ACTIVITIES

OGDCL is following an ambitious exploratory program by exploring new frontiers, acquiring more acreage, making off-shore ventures and searching opportunities outside Pakistan. During the year under review, OGDCL continued to pursue its strategy to have growth through extensive exploration activities with the objective of securing more and more reserves and enhance its production by timely completion of development works and improving the operational efficiency. In pursuance of its aggressive exploration strategy, the Company during the year under review has enhanced its exploration portfolio by acquiring seven new exploration licences namely, Indus Delta-A, Shahana, Bagh, Multan North, Multan South, Kalchas and Kohlu covering an area of 15,487.7 Sq. Kms. Two more Exploration Concessions namely Dhok Sultan and Samandar covering an area of 3,198.5 Sq. Kms were also acquired by OGDCL in July 2005.

OGDCL's current concession portfolio comprises of 25 exploration licences and reconnaissance permit covering an area 59,968.6 Sq. Kms which constitute 30% of total exploration area granted to all E&P companies operating in Pakistan. The company also holds non-operated working interest in three exploration concessions.

During the year under review, Company carried out Seismic Survey of 1,891 linear kms of 2D and 262 Sq. Kms of 3D and the processing of data was carried out within the Company with its own seismic data processing system apart from outsourcing some of the data processing jobs to outside parties.

Total of 18 new exploratory, appraisal and development wells were drilled during the year including eight exploratory wells in Sinjhoro, Rajian, Rachna, Nashpa and Tando Allah Yar concessions and three appraisal wells in Sinjhoro Concession. Out of seven development wells drilled during the year under review five are located at Qadirpur and one each at Dakhni and Chanda. In addition, work over operations at seventeen wells was also carried out during the year under review.

OIL AND GAS RESERVES

Crude oil and gas reserves were reviewed during the year by carrying out an independent reserves evaluation study conducted by internationally renowned experts M/s DeGolyer and MacNaughton Canada which has provided an independent certification of its oil and gas reserves.

As per study, Company now holds 115 million barrels of crude oil and 10.5 trillion cubic feet (TCF) of gas as remaining recoverable reserves in its own and operated joint venture fields. These constitute 37% of the total crude oil and 32% of total gas reserves of the Country.

PRODUCTION

The Company has maintained its status as leading national oil and gas producing Company in the Country and produced 47% of total crude oil and 23% of total gas. In addition to start of production from Chanda Field on July 17, 2004 and completion of Qadirpur Capacity Enhancement Project (Phase III) in November 2004, operational efficiencies also resulted in increase of production from all major oil and gas fields including Dhodak, Dakhni, Kunnar, Tando Alam, Thora, Pasakhi, Sono, Rajian, Uch and Qadirpur. OGDCL's average daily production including share in Operated and Non-operated JVs during the year was as follows:

Products		Own Fields & operated JVs	Share from non-operated JVs	Total
Crude Oil	Barrels/day	30,669	8,461	39,130
Gas	MMcf/day	700	219	919
LPG	M. Tons/day	267	67	334
Sulphur	M. Tons/day	57	–	57

- Daily production has been worked out at 360 days per year.
- Excludes gas production from Pirkoh Gas Company (Private) Limited

ONGOING AND FUTURE DEVELOPMENT PROJECTS

Dhakni Expansion Project

Dakhni Gas Processing Plant started operations in 1989-90 with design capacity of 30 MMcfd. Over the years the composition of H_2S contents of raw gas has increased considerably, resulting processing limitations on the existing plant. Due to this change the existing plant is currently processing 20 MMcfd feed gas. OGDCL management decided to enhance the production from 20 to 40 MMcfd of feed by installing of additional Sulphur Recovery Unit and alteration and modification in the existing facilities. Estimated cost of the project is US $ 18 million and it is expected to be completed by March, 2007. On completion, it is likely to enhance supply of gas from 17 to 35 MMcfd, condensate from 650 to 1,370 barrels per day, Sulphur from 60 to 140 M. Tons per day and LPG from 8 to 29 M.Tons per day.

Dhodak Expansion Project

The Company has planned to enhance the production for maximum recovery of liquids from the Dhodak reservoir and draw 80-90 MMcfd well fluids. Presently installed facilities shall be modified / added to accommodate additional well fluids. Compression facilities are to be installed at Dhodak field and Dhodak plant is to cater for the decline of reservoir pressure and increase sale gas delivery pressure respectively. The expansion will enhance the sale gas from 40 to 75 MMcfd, condensate from 2,800 to 4,300 barrels per day and LPG from 200 to 320 M.Tons per day. Estimated cost of the project is US $ 28 million and the project is scheduled to be completed by June, 2007.

Chanda Development Project

The first ever discovery in the NWFP is located in District Kohat. It is a joint venture between OGDCL (72%), M/s Zaver Petroleum (10.5%) and Government Holding (Pvt) Ltd (17.5%). The Field has been brought on production with effect from July 17, 2004 and is producing around 2,700 barrels per day of oil and 9.5 MMcfd of gas from two wells. Oil is being transported to Attock Refinery Limited (ARL) whereas the gas is being supplied through 10 inch pipeline to Daudkhel by SNGPL. Upon completion of the next phase, OGDCL would be able to produce 25-40 M. Tons LPG per day by March, 2006. Third well at Chanda is also under drilling and is expected to be completed by March 2006.

UCH- II Development Project

Uch Gas Field is located about 67 Kms south-east of Dera Bugti in Baluchistan province. The field was discovered in 1955 by Pakistan Petroleum Ltd (PPL) and was abandoned because of its low Btu content gas. OGDCL reactivated the Uch Gas Field development in 1980's. OGDCL has drilled about 15 wells and is supplying 106,000 million Btu gas per day to the first ever mega low heating value gas fired 586 MW Power Plant of Uch Power Limited.

After carrying out detailed study of Uch Gas Field, it is envisaged that OGDCL is in a position to commit 200-220 MMcfd for 14 to 16 years to a new power producer.

After the completion of the project the sale gas from Uch will be enhanced from 250 to 450 MMcfd. The project is scheduled to be completed in June 2008. Estimated cost of the project is US$ 250 million.

Qadirpur Gas Compression Project

At Qadirpur Gas Field 650 MMcfd raw gas plateau will start depleting by end 2008 and in order to maintain the plateau a gas compression project is being undertaken at Qadirpur. On completion of Qadirpur Gas Compression Project, the field will be expected to maintain the production plateau of 650 MMcfd of raw gas up to 2012 and gas supply will be maintained up to 2017. OGDCL has called bids for hiring the services for Front End Engineering Design (FEED) and EPCC supervision Consultant, which are presently under technical / financial evaluation. The total estimated cost of the project is US $ 160 million and is expected to be completed by February, 2008.

Tando Allah Yar Development Project

Tando Allah Yar is newly discovered field and is located in Tando Allah Yar, Hyderabad District of Sindh Province. So far six wells have been drilled in Tando Allah Yar. OGDCL is planning to install all the surface facilities including 50 Kms gas transmission trunk line to handle the processing of 16 MMcfd gas sales, 1,500 barrels per day of Oil and 15 M. Tons per day of LPG. Total estimated cost of the project is US $ 52 million and it is expected to be completed by January 2007.

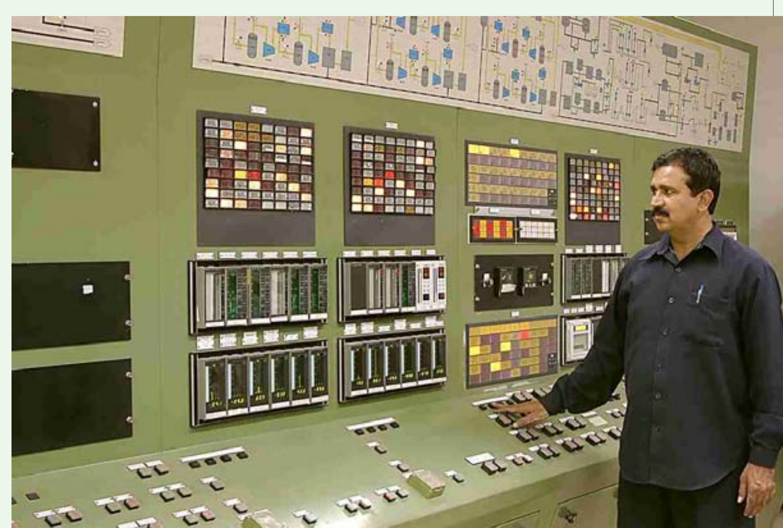
Sinjhoro Development Project

The Sinjhoro Field is located at District Sanghar, Sindh. The scope of work of the Sinjhoro Development Project is being worked out. The estimated cost of project expected to be US $ 110 million. On completion the project will enhance OGDCL production capacity by 3,500 barrels per day of Oil, 30 MMcfd of gas and 125 M. Tons per day of LPG. This project is expected to be completed by January 2007.

SUBSIDIARY COMPANY

Pirkoh Gas Company (Pvt.) Limited (PGCL) is a private limited company incorporated in 1982. The Company is engaged in exploration and development of natural gas resources, including production and sale of natural gas with related activities. The Company is wholly owned subsidiary of OGDCL.

The subsidiary company during the year under review earned a profit after tax of Rs 208.3 million (2003-04: Rs 435.1 million) with sales revenue amounting to



Directors' Report

Rs 1,158.9 million (2003-04: Rs 1,312.9 million). Gas production and sales revenue of the Company decreased due to natural depletion of the field. Sharp decrease in the profitability of the Company is due to amortization charge of Rs 378.4 million during the year 2004-05 (2003-04: Rs 45.9 million). The amortization of exploration and development expenditure stands increased as a result of decrease in proven reserves of Pirkoh Gas Field from 1.997 TCF to 1.060 TCF. The proven gas reserves have been revised on the basis of independent reserve evaluation study conducted during the year by M/s DeGolyer and MacNaughton Canada.

In order to enhance productivity of the field, the Company has worked out a strategy and in the first phase, the Company plans to carry out rig less jobs through Wire-line Logging on the wells which are producing less than two MMcfd of gas and high water cut to maintain current level of production and to attain incremental production. Company also plans to drill a deep exploratory well during the year 2005-06 in addition to injection of four low pressure wells into the system. There is also a plan under consideration for merging the Subsidiary Company into the Holding Company in order to save costs and gain operational efficiencies.

BOARD OF DIRECTORS

The Board comprises twelve Directors including the Managing Director. The present Board was elected in the extra ordinary general meeting held on May 20, 2005 for a term of three years.

The Board of Directors would like to express their appreciation for the valuable contributions made and services rendered by all the outgoing Directors for the progress of the Company. The existing directors are:

Mr. Arshad Nasar	Chairman
Mr. M. Raziuddin	Managing Director
Mr. M. Naeem Malik	Director
Mr. M. Iqbal Awan	Director
Mr. Sikander Hyat Jamali	Director
Mr. Pervaiz Kausar	Director
Mr. Azam Faruque	Director
Mr. Khalid Rafi	Director
Mr. Asad Umar	Director
Mr. Alman Aslam	Director
Mr. Aslam Khaliq	Director
Al-Syed Abdul Qadir Jamaluddin Al-Gillani	Director

MEETINGS OF THE BOARD

During the financial year 2004-05 eleven meetings of the Board of Directors were held. The attendance of the Directors was as under:

Name of Director	Total Number of Meetings (*)	Meetings Attended
Mr. M. Afzal Khan (Past Chairman)	9	9
Mr. Najam K. Hyder	6	6
Mr. G.A. Sabri	11	8
Mr. M. Iqbal Awan	11	7
Mr. Sikander Hyat Jamali	11	11
Mr. Pervaiz Kausar	11	9
Mr. Azam Faruque	11	7
Mr. Muhammad Bilal	9	9
Mr. Maudood Ahmed Lodhi	9	7
Mr. M. Younas Khan	9	9
Mr. Pervez Hanif	9	6
Mr. Laeeq Ahmed	9	7
Mr. M. Raziuddin, Managing Director	5	5
Mr. Arshad Nasar, Chairman	2	2
Mr. Alman Aslam	2	2
Mr. Asad Umar	2	2
Mr. Aslam Khaliq	2	2
Mr. Khalid Rafi	2	1
Al-Syed Abdul Qadir Jamaluddin Al-Gillani	2	2

* *Meetings held during the period concerned directors were on the Board.*

REPORTING

The Board places a high priority on completeness, true and fair presentation and timely issuing of its periodic financial statements and other financial and non-financial information to the regulatory authorities, the shareholders and other stakeholders of the Company.

Accordingly, periodic financial statements were circulated to the Directors duly endorsed by the Chief Executive Officer and the Chief Financial Officer for approval before publication. Quarterly un-audited financial statements along with Directors' Review were published within one month while half yearly financial statements reviewed by the auditors were circulated within two months of the end of the period. Annual financial statements including consolidated financial statements alongwith auditors' report and other statutory statements and information are being circulated within three months from the close of the financial year in compliance with the listing regulations.

All material information relating to the business and other affairs of the Company including announcements of interim and final results, as specified in the listing regulations which may affect the shares market price were immediately circulated to the Stock Exchanges.

Company's quarterly, half yearly and annual reports are also available on the Company's website www.ogdcl.com. Subsequent to a change in requirements of publishing quarterly financial statements, the Company resolved through annual general meeting of its shareholders on October 30, 2004 to transmit its quarterly financial statements through its website from first quarter 2004-05 onwards.

COMMITTEES OF THE BOARD

Audit Committee

The Board of Directors has constituted an Audit Committee comprising four non-executive Directors of the Company as required under the Code of Corporate Governance. The Committee meets at least once every quarter of the year prior to approval of interim results of the Company by the Board of Directors. Additional meetings are held to review and discuss other matters as required under terms of reference or as assigned by the Board.

The Terms of Reference of the Audit Committee have been approved by the Board in compliance with the requirements of the Code of Corporate Governance contained in the listing regulations of the stock exchanges and include matters relating to safeguarding assets, monitoring internal audit function, appointment and remuneration of external auditors, It also monitors compliance with applicable accounting and reporting standards / listing rules etc.

During the year, the Committee held eight meetings which were also attended by the Chief Financial Officer, the Head of Internal Audit and the external auditors at which issues relating to accounts and audit were discussed. During these meetings, the Committee held separate discussions with the internal and external auditors without the Management of the Company being present. The attendance by its members was as follows:

Name of Director	Total No. of Meetings (*)	Meetings Attended
Mr. Younus Khan (Chairman)	8	8
Mr. M. Iqbal Awan	8	5
Mr. Muhammad Bilal	8	8
Mr. Maudood Ahmed Lodhi	8	4
Mr. Azam Faruque	4	2
Mr. Pervez Hanif	4	2

* *Meetings held during the period concerned Directors were on the Committee.*

Finance Committee

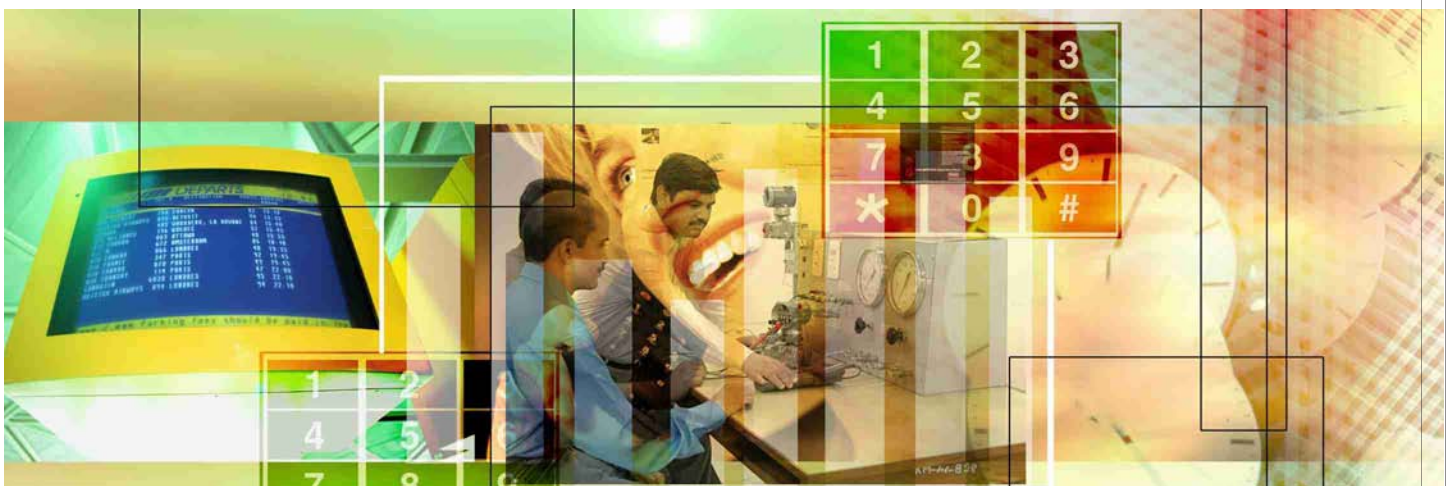
Finance Committee of the Board consists of six Directors including the Managing Director. The role of Finance Committee is to review and recommend the financial targets, annual and quarterly budgets, approval of expenditure for amounts exceeding the powers delegated to Managing Director, investment of surplus funds of the Company, and financial policies and controls including the policies required under the Code of Corporate Governance. During the year, the Committee held three meetings.

Human Resources Committee

Human Resources Committee of the Board consists of five Directors including the Chairman and the Managing Director. The Human Resources Committee is responsible for approval of appointments / promotions to Executive Group, recommendations for appointment / promotions at senior level providing guidance for CBA agreements, restructuring of the organization, review of compensation package, review of HR policies including the policies required under the Code of Corporate Governance and consider any other issue or matter as may be assigned by the Board of Directors. During the year, the Human Resource Committee held six meetings.

Technical Committee

Technical Committee of the Board comprises of six Directors including the Managing Director. The Technical Committee is responsible for approval of exploration licenses and related work programs with in budgetary provisions, recommendations for farm-in and farm-out in



concessions, recommendations for participation in off-shore and overseas opportunities, review of physical targets and formulation of technical policies required under the Code of Corporate Governance. During the year, the Technical Committee held three meetings.

AUDITORS

The auditors M/s Taseer Hadi Khalid & Co., Chartered Accountants and M/s M. Yousuf Adil Saleem & Co., Chartered Accountants have completed their assignment for financial year ended June 30, 2005 and shall retire on the conclusion of Eighth Annual General Meeting. Being eligible for re-appointment under the listing regulations, they have offered their services as auditors of the Company for the financial year 2005-06 and based on Audit Committee's proposal, the Board recommends re-appointment of M/s Taseer Hadi Khalid & Co., Chartered Accountants and M/s M. Yousuf Adil Saleem & Co., Chartered Accountants as joint statutory auditors for the year 2005-06.

CORPORATE GOVERNANCE

The Company is committed to high standards of corporate governance and the Board of Directors is accountable to the shareholders for good corporate governance. Management is continuing to comply with the provisions of Best Practices set out in the Code of Corporate Governance particularly with regard to independence of non-executive directors. The Company remains committed to conduct its business in line with listing regulations of the stock exchange, which clearly defines the role and responsibilities of Board of Directors and Management. The Board has already approved the Vision, Mission, Core Values and Code of Ethics and Business Conduct while other policies already prepared are under review of the Board of Directors.

The following specific statements are being given to comply with the requirements of the Code of Corporate Governance:

- The financial statements, prepared by the management, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements. Accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored and is being further improved.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data of the last 10 years in summarized form is annexed.
- Value of investments, including bank deposits, of various funds as at June 30, 2004, based on their respective audited accounts, is as under:

Pension and Gratuity Fund	Rs	4,873.984 million
General Provident Fund	Rs	740.856 million

- All major Government levies in the normal course of business, payable as at June 30, 2005, have been cleared subsequent to the year-end.

PATTERN OF SHAREHOLDINDS

The pattern of shareholdings as on June 30, 2005 is annexed.

Directors' Report

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements of the Company and its 100% owned subsidiary namely Pirkoh Gas Company (Private) Limited are annexed.

FUNDS MANAGEMENT

The Company has been maintaining strong liquidity position over the years. Surplus funds are placed with banks having required criteria fixed by the Board of Directors. These funds are invested on competitive terms by the Management Investment Committee as per the criteria approved by the Board of Directors.

INTERNAL AUDIT AND CONTROL

Internal audit is an independent in house function headed by a full time employee of the Company. The Board is responsible for effective implementation of a sound internal control system including compliance with control procedures, safeguarding of assets and risk management which is being implemented at all levels within the Company. The performance of the Internal Audit Department is monitored through an Audit Committee. The scope of the Department has been defined by the Board as recommended by the Audit Committee and the Department Head has access to the Chairman of the Audit Committee. The Internal Audit Department is being further strengthened by inducting more qualified employees. Internal audit reports are regularly furnished to the Audit Committee and also provided to the External Auditors for their review.

INSURABLE RISKS ASSESSMENT

The Board and Management of the Company are fully cognizant of importance and presence of an efficient Risk Management. For this purpose the Company has engaged independent insurance consultants Marsh Limited of United Kingdom to undertake analysis of insurable risks relating to the assets of OGDCL including operated joint ventures. The representatives of consulting firm have already carried out survey of Company's different fields and plants. They have planned to carry out extensive exercise on risk tolerance, risk engineering, insurance policy review and insurance risk modeling & optimization. The assignment is likely to be completed by February 2006. Other business risks including credit risks, interest rate risks and liquidity risks are also being addressed at the appropriate levels.

HUMAN RESOURCE DEVELOPMENT

Human Resource Development at OGDCL is being reorganized to manage people and develop their skills for meeting Company's requirements. Being the largest E&P Company, OGDCL endeavors to be an attractive company for talented and motivated people in which high levels of personal and company performance are recognized and rewarded. Company's reward structures consider all aspects of salary, incentives and benefits as a total package with the intension of providing competitive levels of remuneration and enhanced earning opportunities in recognition of business success.

OGDCL is committed to create a work environment of mutual trust and respect in which diversity and inclusion are valued and where employees work for the Company and know what is expected of them in their job, have open and constructive conversation about their performance.

As on June 30, 2005 Company's strength comprise a total of 11,708 employees. During the year under review, human resource function has been addressed and in order to ensure development of world class workforce as per OGDCL's mission statement target based working and performance based reward system has been evolved. Opportunities have been provided to the staff for conversion from non-technical to technical cadres to improve their career prospects and achieve the Company's goals of developing world class work force. The Company is focusing on the human resource development as it aims to motivate its employees through proper placement, employee recognition, effective appraisals, empowerment, communication and promoting employees skill development programs. Various human resource polices are being reviewed and rationalized by taking into account the industry norms to bring about an effective change in order to meet the challenges of highly competitive business environment.

OGDCL's Officers compensation package has been re-structured and their salaries and benefits have been enhanced to bring them in line with other E&P companies in the country.

Management's relations with the Collective Bargaining Agent (CBA) continued to be friendly and industrial peace prevailed at all locations during the year under review. The management successfully concluded an agreement with the CBA for a period of two years ending February 06, 2007 reflecting the excellent and conducive relationship between the workers and the management.

TRAINING AND DEVELOPMENT

In order to improve the knowledge of its personnel, broaden their vision, create awareness amongst them about the fast changing technological developments and expose them to modern management concepts, OGDCL conducts various in-house structured programs. Company's personnel are also regularly nominated on technical and management courses, seminars, workshops and exhibitions both within country and overseas.

The Oil and Gas Training Institute (OGTI) now Petroleum Research and Training Institute (PRTI) was established mainly to provide a wide range of upstream training programs to meet the training needs of OGDCL and other E & P Companies working in Pakistan.

PRTI is committed to meet the training and educational needs of all domestic and foreign companies operating in Pakistan in the upstream, midstream and downstream sectors of the petroleum and allied industries. Programs upto the management level are offered in various disciplines including exploration, reservoir engineering, drilling, production and mechanical engineering, processing / refining, petroleum management, HSE and information technology.

In pursuance of its mission, PRTI identifies diverse training needs of the industry, evolves progressive and dynamic training program in coordination / collaboration with the entire industry as well as concerned universities, while also offering valuable advice.

Petroleum Research Training Institute comprises the main four storey building, workshop and the hostel and is equipped with latest teaching tools, library and training laboratories. Recently the function of research has also been included in the domain of the Institute.

During the year PRTI conducted one year regular training program for 186 fresh trainee engineers and technicians in 19 different disciplines. It also conducted 178 refresher courses for working professionals in all three streams of petroleum industry including management courses. These courses were attended by 2,546 professionals

from OGDCL and 162 from other E & P companies. PRTI also arranged 14 courses related to Drilling and Allied Services in collaboration with OGCI (USA) which were attended by 207 professionals from within OGDCL.

Series of nine one day seminars / workshops on Mines Act and on other topics were also conducted which were attended by 121 professionals.

HEALTH, SAFETY AND ENVIRONMENT

OGDCL believes that good health, safety and environment performance contribute to the business success and that health, safety and environment protection is a shared responsibility and its policy in carrying out all its activities is to provide safe and healthy work place and to minimize the impact to environment in compliance with the federal and local legislation and the applicable international rules and standards.

During the year under review the Company conducted Initial Environmental Examination (IEE) study for Fateh Jang Block and Dhodak expansion project and obtained NOC from Punjab Environmental Protection Department (PEPD). Preparation work of Initial Environmental Examination (IEE) reports is in progress for study being conducted for Jhal Magsi (Kotra Block), Jhal Magsi North-01, Amir Wali-01, Bitrisim Well X-1, Multan North and South Blocks, Neshpa, Dhudial and Bitrisim Blocks.

INFORMATION TECHONOLOGY

The Company is actively pursuing its commitment towards modernization of its Information Technology and Communication infrastructure and facilities. The Management realizing the crucial role that Information Technology plays in todays business, constituted a high level IT Steering Committee headed by Managing Director and represented by Executive Directors and all GMs. The Committee acts as a focal point for approving all corporate requirements related to IT infrastructure and Services. The committee meets frequently to ensure prompt decision-making relating to IT issues and also to continuously monitor progress on implementation of approved projects.

During the year, many steps were taken to enhance current IT Systems and introduce new technologies in terms of Hardware, Software and Networks. To efficiently manage production operations, the management decided

to acquire an Industry Standard Production Data Management System from M/s Schlumberger which consists of multiple modules to be deployed at the Head Office and fields through a phased program which provide on-line access for every aspect of production and engineering data to the users.

Existing Oracle Enterprise Resource Planning System, covering Financials, Purchasing and Inventory modules was upgraded to the latest versions and on-line System access was extended to additional remote locations through VSAT and Digital Radio Communications. Other steps taken relating to IT facilities included deployment of DSL based faster Internet Connectivity within the head office, acquisition of new Central Network Servers and standardizing on Linux Operating System for Servers.

Apart from the above, another major initiative has been taken to engage International IT consultants to undertake a complete review of the existing Information Technology resources and requirements within the Company and prepare a strategic plan for establishing a complete IT environment based on modern lines. The ultimate objective is to implement complete automation across all business areas of the Company. Together with this exercise a separate project of complete Review and Re-engineering of business processes is also being undertaken with a view to achieve corporate excellence. This project will also be carried out through hiring of international business consultants.

RE-STRUCTURING AND BUSINESS RE-ENGINEERING

OGDCL's business and corporate re-structuring strategies are focused to bring its working in line with international E&P sector companies.

As part of Company's reorganization and restructuring exercise, the management of the Company has identified the need and decided to undertake an extensive exercise to review and re-engineer all its business processes. This will include review of all present policies, procedures and processes and their re-engineering in line with international practices.

Corporate Social Responsibility

... lending a helping hand, showing we care, providing hope for a better way of life - that's what Corporate Social Responsibility means to us at OGDCL

MISSION

To help local communities in the fulfilment of their basic needs through sustainable, participatory Community Development.

OBJECTIVES

- To promote an enabling environment between local communities and the OGDCL.
- To fulfil the aspirations and expectations of the communities in its operational areas – by providing access to basic amenities, thus improving the quality of their lives.
- To promote social investment in the area of Education, Health, Water Supply and Sanitation in collaboration with local relevant departments / Nazims.
- To undertake poverty alleviation efforts among marginalized communities.
- Transferring project responsibility to the communities for security, sustainability and empowerment.

OGDCL A UNIQUE NATIONAL MODEL

While fulfilling its responsibility under the provisions of the Petroleum Concession Agreements (PCAs), OGDCL has taken the lead in Community Development in all four provinces of Pakistan, in over sixty locations nationwide. These include twenty eight producing fields, four seismic party sites, three base workshop locations, four engineering field party sites, five regional offices and more than nine drilling locations.

Corporate Social Responsibility

It not only paves the way for progress of the communities affected by its work and presence but while doing so, it also creates awareness and respects and observes traditional and ethnic practices out of mutual respect for social and cultural differences.

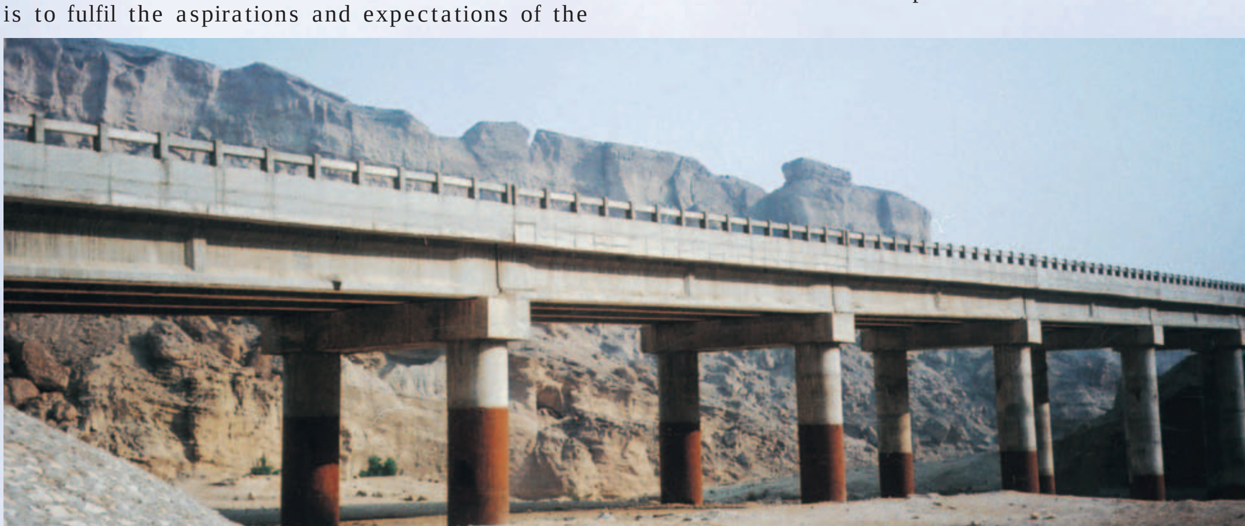
OGDCL- A RESPONSIBLE CORPORATE CITIZEN

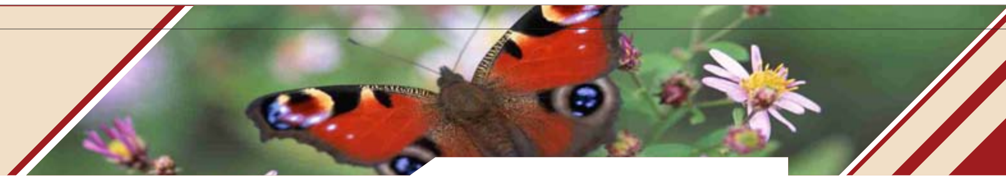
At OGDCL, a deep and continuous commitment to Community Development is integral to the way the Company conducts its business. Wherever the Company operates, be it in the remotest corners of a particular province in the Country, it acts as a catalyst, an agent of change, for a better way of life.

It develops, implements, and in many cases, maintains systems for health, infrastructure, education and water supply. The Company perceives community development, as it's ethical, moral and social responsibility. The main purpose of OGDCL's Community Development Schemes is to fulfil the aspirations and expectations of the communities in its operational areas - by providing access to basic amenities, thus improving the quality of their lives. OGDCL's commitment to the community does not end with the production capacity of a field. The schemes that it undertakes as part of it's social duty as a responsible member of the E&P Community, continue to persist long even after it's operations in the area have ceased.

Being a socially responsible corporate citizen it proactively promotes and provides, on a continuous basis a number of social welfare facilities. Out of the activities specified in the Petroleum Concession Agreements, OGDCL focuses on the following areas:

- Construction of roads
- Provision of drinking water
- Health care
- Improvement of educational facilities
- Promotion of sports
- Grant of scholarships for local students





OGDCL's field operations and Community Development Projects are coordinated in consultation with representatives of the local administration and local communities as well as tribal and notables of the area. In addition District / Provincial authorities are also kept in the loop. All activities carried out under provisions of the PCAs are implemented with the consultation of Directorate General Petroleum Concessions.

AREAS OF FOCUS

Health Care

Access to basic healthcare is a human right. OGDCL provides this right to the communities it interacts with. As a standard policy, the company provides free health care to the inhabitants of its operational areas in all four provinces.

Patients ranging from 15,000 to 20,000 in number are attended to and medicines worth of approximately Rs 1.5 million per month are provided free of cost in Public Dispensaries especially constructed around OGDCL's operational areas for local communities.
In addition to OGDCL's medical staff, services of doctors and para-medical staff are also hired especially for the locals. Ambulance services are also provided at most of the Dispensaries.

Education

OGDCL also contributes towards the national agenda for poverty alleviation by improving the literacy level around its operational areas. It offers scholarships, builds schools and classrooms and donates furniture and equipment to schools. These facilities are provided at most of our permanent locations.

Water Supply

Access to clean drinking water is another basic human right, availability of which, along with education and health care, determines a nation's ranking in the World Human Development Index. OGDCL supplies water to the inhabitants of its operational areas through hand pumps, water lines, water bowzers, water tanks and tractor trolleys.

Infrastructure Development

Under Infrastructure Development OGDCL undertakes construction of hospitals, dispensaries, schools, and provision of electricity and drinking water facilities. OGDCL also undertakes large scale construction, upgradation and repair of roads in all its operational areas in the country, thus providing reach and accessibility to people of remote areas. The Company invariably exceeds expenditure commitments under PCAs in carrying out welfare and infrastructure schemes under various programs.

Corporate Social Responsibility

Major Community Development Activities are:

Health

- OGDCL is operating four dispensaries in Sindh at Tando Alam Complex, Kunnar, Bobi Oil fields and Qadirpur Gas field, where local communities are being provided free health services.

- The Company is running a public dispensary at Tando Alam Oil Complex, Sindh which treats on the average, 200 patients daily. The dispensary also provides treatment for tuberculosis and has 300 registered tuberculosis patients. Recurring expenditures of Rs 1.344 million per year are incurred on medicines and doctors. Extensive repair of the dispensary has been carried out at a cost of Rs 1.350 million.

- Two mobile dispensaries for locals are being operated in Nim Block near Tando Alam Oil Complex and Sinjhoro Block near Bobi Oil Complex with an operating cost of Rs 2.0 million per annum. Free medicines worth of Rs 1.0 million per month are being provided to these dispensaries.

- The Company is constructing a Truma Centre at district hospital Ghotki at an estimated cost of Rs 16.5 million, to support the President of Pakistan's Social uplift programme for district Ghotki

- Free health care services are being provided to locals at UCH, Pirkoh and Loti Gas fields and an amount of Rs 1.260 million is being provided annually for free medicines for locals. The Company provided furniture and equipment worth Rs 0.250 million to the Public Dispensary at Uch.

- In order to improve / upgrade [illegible] care facilities, the Company provided medical equipment at a cost of Rs 0.665 million to the Taluka Head quarters Hospital at Jand and has upgraded / repaired Public Dispensary at Dhodak, Fimkassar and Nandpur at a cost of Rs 0.650 million.

- The Company is providing medical facilities to locals near Chanda oil field. Rs 0.384 million has also been provided to District Hospital, Kohat for purchase of medicines. The Company also provides ambulance services at the Hospital.

Women's Vocational Training Centre

- A Women's Vocational Training Centre has been established near Tando Alam Oil Complex. The Centre provides skill development training to the local women for sewing, embroidery and knitting. An amount of Rs 0.500 million has been allocated for the project.

Water Supply

- The Company has installed 400 hand pumps for locals near Kunnar and Tando Alam oil fields at a cost of Rs 0.400 million and is supplying drinking water to the locals in the vicinity of Hundi / Sari field at a cost of Rs 0.420 million per annum.

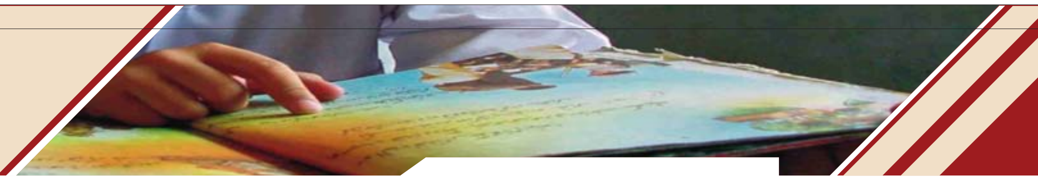
- The Company is providing drinking water by hired water tankers to Dera Bugti area and the locals near Uch, Pirkoh and Loti fields at a cost of Rs 1.500 million annually.

- OGDCL completed a water supply scheme for locals at Shakardarra at a cost of Rs 5.000 million. The Company also provides drinking water through water tankers to the surrounding areas of Shakardarra at a cost of 0.600 million annually.

Education

- A regular scholarship scheme has been introduced for students of Government High School, Pirkoh in addition to provision of pick and drop service to the students at a cost of Rs 0.480 million per year. The Company has also carried out repair and up-gradation of the High School and constructed two class rooms for Middle School, Haft Wali, near Loti field.

- OGDCL has contributed extra space in girls and boys primary schools near Dakhni field by building additional class rooms in the Schools. The Company has also upgraded the Girls Primary School at Jinnah Abadi, Missakesswal.



- In order to ensure continuous support to deserving students to continue their studies, OGDCL has introduced a Scholarship Scheme in NWFP and Baluchistan which will also be extended to Punjab and Sindh.

Infrastructure

- To provide easy access to the local population the Company has constructed a road from Kasanna Mori to Kunnar oil field at a cost of Rs 15.500 million. Another road from Qadirpur plant to dispensary has also been constructed at a cost of Rs 4.500 million.

- In collaboration with the Government of Baluchistan, OGDCL has provided funding for construction of roads – the Dera Bugti Pirkoh road, Zero Point to Loti road and the Pesh-Bogi Bridge at cost of Rs186.890 million, which are near completion. An amount of Rs 148.929 million has been released to date to C&W Department, Government of Baluchistan.

- Construction of a road from Pat Feeder Canal to Uch Gas Field at a cost of Rs 19.7 million was completed last year. Extensive repair of Dera Allah Yar to Sohbat road at an estimated cost of Rs 66.000 million is underway.

- The Company funded construction of the drainage system of Missakesswal Bazaar at a cost of Rs 0.800 million. OGDCL has constructed a veterinary Hospital at a cost of Rs 0.450 million at Niraty Tehsil Gujar Khan. The Company has also constructed a road from Jand to Chowk Shaheedan at a cost of Rs 9.776 million and also repaired the road from Mehra More to Shahbazpur More.

- The Company has undertaken extensive infrastructure development projects in Shakardarra. It constructed a road from Shakardarra to Bohri Saghree at a cost of Rs 4.700 million. It also repaired a road from Shakardarra to Karpa and High School Shakardarra at a cost of Rs 7.000 million.

- A 25 KV Transformer at a cost of Rs 0.476 million has been provided by the Company to provide electricity to the locals in Shakardarra and surrounding areas.

Health, Safety and Environment

HSE commitments are the foundations on which we build and conduct our business

Oil and Gas Development Company Limited (OGDCL) is a public sector entity engaged in exploration and development of oil and gas resources including production and sale of oil and gas and related activities.

Protection of people and the environment in oil and gas operations is no longer an option for government operators and contractors in today's business. It is a mandate imposed on us by society as well as Government regulatory agencies.

The exploration, drilling and production of hydrocarbon is an industrial activity of major economic significance. Health, Safety and Environment are now an integral part of the operations of any petroleum company. These are measures to judge successful performance in discharging responsibilities to the employees in particular and society in general. It is a necessary function of the total activities of the Company to achieve the desired goals of no accidents, no harm to people and no damage to the environment.

OBJECTIVES

- Management commitment and leadership in Health, Safety and Environment.
- Defining accountability, responsibility and resources for Health, Safety and Environment.
- Abide by Environmental, Health and Safety Laws, Regulations, Codes, Standards and Guidelines set by Government of Pakistan.
- Training and developing competent people to work safely and follow good HSE practices.
- Developing safer system of work.
- Identifying hazards and reducing risks to as low level as reasonably practicable in our operations.
- Third party audit and inspections to determine compliance of HSE and identify improvements.
- Preference in selection of contractors whose Health, Safety and Environmental Management System will be in compatible with the Company's policy.
- Emergency Response Preparedness to handle potential emergencies.
- Understand fully the impact of our operations on the environment and continue to improve our environmental performance.
- Providing and monitoring medical and welfare facilities to employees.
- Co-operate with local communities on all HSE issues.

OGDCL covers extensive areas of land, water as well as landscape of onshore production. Therefore, care is taken to enhance the health of the employees, the safety of operations and to control impact on the environment.

Government of Pakistan requires a demonstrated high HSE performance from operators and contractors. Potential hazards are established. Legislation and regulations concerning Health, Safety and Environment Protection are becoming very strict and extensive in response to public concerns. In certain instances, financial liability for accidents or damage to the environment can be so expensive as to threaten the very financial viability of the companies. OGDCL is committed to the protection of its resources, including employees against human distress and financial loss resulting from accidental occurrences. In fulfilling this commitment, which is essential to and equally important as a production objectives, OGDCL provides and maintains a safe and healthy work environment and takes all possible measures to protect the public against foreseeable hazards resulting from our operations.

During the year 2004-05, the Company conducted Initial Environmental Examination (IEE) study for Fateh Jang Block and Dhodak Expansion Project and obtained NOC from Punjab Environmental Protection Department (PEPD). Preparation work of Initial Environmental Examination (IEE) Reports is also in progress for study being conducted for Jhal Magsi (Kotra Block), Jhal Magsi North - 01, Amir Wali - 01, Multan North Block, Multan South Block, Mela Neshpa Block, Dhudial Block, Bitrisim Block and Bitrisim Well X-1. Tree plantations on different oil field locations are carried out for a better and healthy environment.

It is the policy of OGDCL to conduct its activities in such a way as to take foremost account of the health and safety of its employees and communities and places emphasis on conservation of the environment. OGDCL keeps pursuing a policy of continuous improvement in the measures taken to protect the health, safety and environment of those who may be affected by its activities and presence.

The Health, Safety, Environment and Quality Control Department has been strengthened and will now be headed by a General Manager. OGDCL also plans to obtain ISO 14001 and 18001 certifications for its plants / facilities in the near future.

Exploration Licensess

A- OGDCL 100% Owned Concessions

S.#	Name of Concessions	Area (Sq. Kms)	District / Province	Date of Grant / Renewal
1	Indus Delta – A Block 2367-4	2,499.01	Indus Offshore Area.	23-11-2004
2	Fateh Jang Block 3372-14	2,136.46	Islamabad, Rawalpindi and Attock, Capital and Punjab.	05-11-2002
3	Jandran	408.00	Loralai, Kohlu Agency and Barkhan, Baluchistan.	20-09-1989
4	Dhudial Block 3372-17	313.53	Chakwal and Rawalpindi, Punjab.	08-11-2003
5	Rachna Block 3071-2	2,436.47	Lieah, Jhang, Tobatek Singh, Khanewal and Muzaffer Garh, Punjab.	08-11-2003
6	Saruna Block 3071-2	2,431.62	Khuzdar and Lasbella, Baluchistan.	17-02-2004
7	Shahana Block 2763-2	2,445.06	Kharan and Punjgur, Baluchistan.	29-12-2004
8	Bagh Block 3072	1,036.51	Jhang and Toba Tek Singh, Punjab.	29-12-2004
9	Multan North Block 3071-3	2,498.97	Leiah, Jhang, Khanewal, Multan and Muzafargarh, Punjab.	11-02-2005
10	Multan South Block 2971-2	2,480.78	Khanewal, Vihari, Lodhran and Multan, Punjab.	11-02-2005
11	Indus – G	7,466.02	Indus Offshore.	01-01-2005
12	Dhok Sultan	703.23	Attock, Rawalpindi, Mianwali and Kohat, Punjab and NWFP.	06-07-2005
13	Samandar	2,495.33	Awaran and Uthal, Baluchistan.	06-07-2005

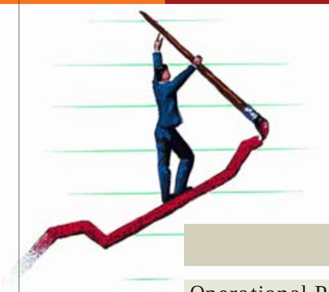
B- OGDCL Operated JV Concessions

S #	Name of Concessions	Area (Sq. Kms)	District / Province	Shareholding		Date of Grant / Renewal
1	Zin Block 2868-1	5,559.74	Mari, Dera Bugti, Nasiabad and Kacchi, Baluchistan.	OGDCL GHPL	95.00 % 5.00 %	23-06-1996
2	Tando Allah Yar Block 2568-8	403.34	Hyderabad and Tharpaker, Sindh.	OGDCL GHPL	95.00 % 5.00 %	27-09-1997
3	Bitrisim Block 2568-4	1,819.72	Nawab Shah and Khairpur, Sindh.	OGDCL GHPL	95.00 % 5.00 %	27-09-1997
4	Nim Block 2568-9	295.03	Hyderabad and Tharparker, Sindh.	OGDCL GHPL	95.00 % 5.00 %	23-11-2004
5	Khewari Block 2568-3	1,276.40	Nawab Shah and Khairpur, Sindh.	OGDCL GHPL	95.00 % 5.00 %	29-12-1999
6	Sinjhoro Block 3371-5	1,283.43	Khairpur and Sanghar, Sindh.	OGDCL OPI GHPL	76.00 % 19.00 % 5.00 %	29-12-1999
7	Gurgalot BLOCK 3371-5	385.84	Kohat and Attock, NWFP and Punjab	OGDCL POL GHPL	75.00 % 20.00 % 5.00 %	28-06-2000
8	Kotra Block 2867-2	663.92	Kacchi and Khuzdar, Baluchistan.	OGDCL POL GHPL	66.50 % 28.05 % 5.00 %	16-12-2000
9	Nashpa Block 3370-10	979.69	Attock, Mianwali, Kohat, Karak, N. Wazirabad Agency, NWFP and Punjab.	OGDCL PPL GHPL	65.00 % 30.00 % 5.00 %	16-04-2002
10	Zamurdan Block 2869-12	2,080.58	DG Khan and Rajanpur, Punjab.	OGDCL OMV MGCL PEL	40.00 % 30.00 % 20.00 % 10.00 %	17-02-2004
11	Kalchas Block 2969-7	2,068.32	Kohlu, Dera Bugti Agencies and DG Khan, Baluchistan and Punjab.	OGDCL MGCL	60.00 % 40.00 %	29-12-2004
12	Kohlu Block 2968-3	2,459.11	Kohlu, Dera Bugti Agencies and Barkhan, Baluchistan.	OGDCL MGCL	60.00 % 40.00 %	29-12-2004

C- Non-operated Joint Venture Concessions

S #	Name of Concessions	Area (Sq. Kms)	District / Province	Operator	Shareholding		Date of Grant / Renewal
1	Block 28	6,400.00	Sibi & Loralai, Baluchistan.	Tullow	Tullow OGDCL	95.00 % 5.00 %	14-01-1991
2	Tal Block 3370-3	4,643.48	Kohat, Karak, Bannu, N. Waziristan & Adam Khel Agencies, NWFP.	MOL	MOL OGDCL PPL GHPL POL	10.00 % 30.00 % 30.00 % 5.00 % 25.00 %	11-02-1999
3	New Block-B Block 2769-II	770.29	Sukkhur, Khairpur, Rahim Yar Khan, Sindh & Punjab.	Tullow	Tullow OGDCL POL AOC	48.18 % 30.00 % 14.55 % 7.27 %	03-03-2003

Ten Years at a Glance

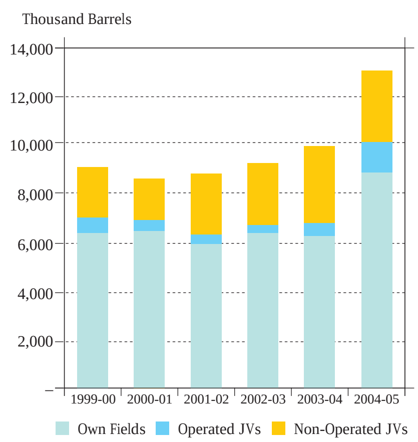


		1995–96	1996–97	1997–98	1998–99	1999–00	2000–01	2001–02
Operational Performance								
Seismic Survey – 2D	L. Kms	3,623	1,673	1,710	2,730	1,884	1,258	2,395
– 3D	Sq. Kms	–	–	–	–	–	–	–
Exploratory & Development Wells Drilled	Numbers	21	14	13	9	9	5	10
Oil & Gas Discoveries	Numbers	2	–	3	–	1	–	2
Quantity Sold								
Crude Oil	Thousand BBL	9,593	8,209	7,924	8,074	8,907	8,535	8,705
Gas	MMcf	108,294	125,356	124,363	115,967	161,534	217,927	245,537
LPG	M.Tons	78,349	76,342	85,780	90,425	93,004	77,402	93,136
Sulphur	M.Tons	22,672	12,811	15,640	29,880	13,445	16,670	23,234
White Petroleum Products	Thousand BBL	1,006	897	969	1,000	1,038	998	989
Financial Results								
Net Sales and Other Revenues	Rs in billion	12.11	17.24	17.04	14.84	26.21	39.89	41.85
Profit Before Tax		3.06	8.23	7.43	4.77	12.95	23.23	25.69
Profit After Tax		3.01	6.14	4.48	4.55	10.56	16.50	16.77
Dividend Declared		–	–	–	1.08	2.15	6.67	10.75
Balance Sheet								
Share Capital	Rs in billion	10.75	10.75	10.75	10.75	10.75	10.75	10.75
Reserves		8.48	14.62	19.20	22.68	31.08	40.92	46.94
Property, Plant and Equipment		8.69	15.30	18.57	19.12	18.24	17.10	17.85
Exploration and Development Expenditure		6.89	9.02	9.24	9.40	9.92	10.67	15.77
Stores held for Capital Expenditure		–	–	0.79	1.03	0.90	0.99	0.95
Long Term Investments, Loans, Receivables & Prepayments		0.84	0.84	0.79	0.82	0.86	0.88	4.09
Current Assets		17.42	21.36	25.89	24.13	29.29	38.12	36.68
Non Current Liabilities		8.87	10.77	10.99	10.24	9.53	5.12	10.51
Current Liabilities		5.73	10.38	14.34	10.81	7.85	10.97	7.14
Key Indicators								
Earnings per Share (EPS)	Rupees	–	–	1.04	1.06	2.45	3.84	3.90
Debtor Turnover Ratio	Times	3.30	2.66	1.49	1.24	2.60	3.07	2.84
Total Assets Turnover Ratio	%	38%	41%	32%	26%	44%	60%	56%
Break–up Value per Share	Rupees	–	–	6.96	7.77	9.73	12.01	13.41
Market Price per Share – As on June 30	Rupees	–	–	–	–	–	–	–
Price Earning Ratio	Times	–	–	–	–	–	–	–
Dividend per Share	Rupees	–	–	–	0.25	0.50	1.55	2.50
Dividend Yield Ratio	%	–	–	–	–	–	–	–
Dividend Pay out Ratio	%	–	–	–	24%	20%	40%	64%
Return on Average Capital Employed	%	19%	24%	16%	15%	26%	34%	31%
Profit after Tax Margin	%	26%	38%	28%	32%	42%	43%	42%
Current Ratio	Times	3.04	2.06	1.81	2.23	3.73	3.48	5.14
Quick Ratio	Times	2.00	1.45	1.32	1.58	2.94	2.94	4.24
Contribution to National Exchequer	Rs in billion	4.30	6.20	4.60	9.01	16.19	25.81	32.99

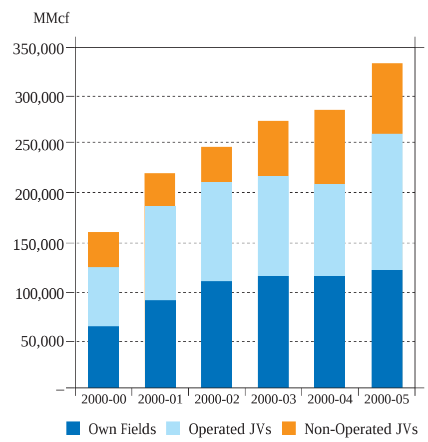
Note: Dividend per Share, Earnings per Share and Break–up Value for previous years have been adjusted after taking into account issue of bonus shares and listing of the Company on stock exchanges in October 2003.

2002–03	2003–04	2004–05
2,502	2,060	1,891
–	148	262
17	17	18
6	2	3
9,413	9,941	13,045
274,006	277,408	329,385
90,304	101,322	120,063
15,889	18,917	25,884
859	890	885
47.06	52.64	75.69
26.42	30.52	49.02
20.67	22.41	32.97
12.90	17.20	32.26
10.75	43.01	43.01
54.71	33.04	40.20
19.27	19.24	19.69
17.40	19.74	22.76
0.87	0.74	0.80
3.35	3.18	4.22
44.04	53.09	67.11
13.01	15.58	17.85
6.46	4.36	13.52
4.81	5.21	7.67
3.46	3.92	4.65
56%	57%	70%
15.22	17.68	19.35
–	64.50	105.30
–	12.38	13.73
3.00	4.00	7.50
–	6%	7%
62%	77%	98%
34%	33%	41%
46%	44%	45%
6.82	12.17	4.96
5.88	10.32	4.40
34.66	38.89	61.03

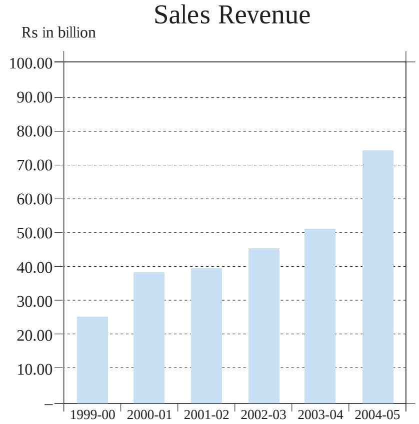
Quantity Sold - Crude Oil



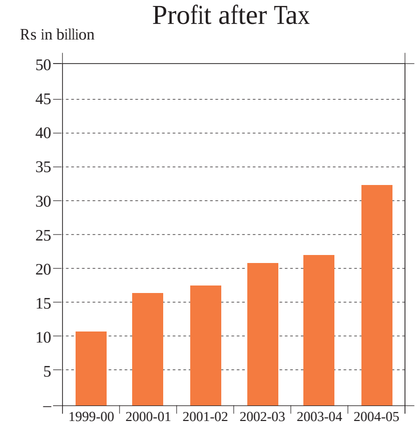
Quantity Sold - Gas



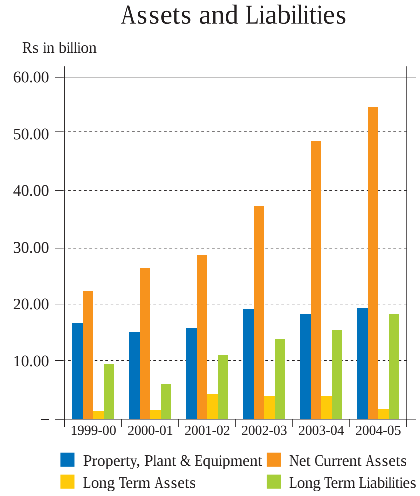
Sales Revenue



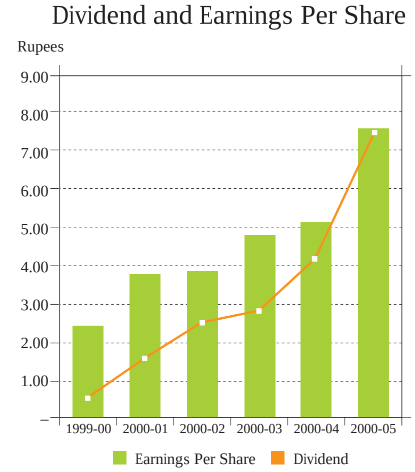
Profit after Tax



Assets and Liabilities



Dividend and Earnings Per Share



Directors' Report

OGDCL's business and corporate re-structuring strategies are focused to bring its working in line with international E&P sector companies.

Initiative in this regard has been taken to appoint international consultants to review and re-engineer company's business processes and steps are being taken to run OGDCL on commercial grounds such as introduction of latest technologies, business processes, re-engineering and changing corporate culture and mind set. In pursuance of the re-structuring plan, a two member delegation of OGDCL visited Petronas Head Office in Malaysia to study their organizational structure.

The Managing Director along with the Minister of State for Petroleum and Natural Resources also visited other oil companies in Netherlands and Austria to apprise himself of the transformation of a state enterprise into an international oil company.

FUTURE OUTLOOK

OGDCL is on the move to attain its recently developed vision and mission. OGDCL's strategic plan has been prepared which defines guiding principles and aims to address all major areas including exploration, production, reservoir management and importantly the restructuring of the whole Company.

OGDCL is following an ambitious exploratory program by exploring new frontiers, acquiring more acreage, making off-shore ventures and looking for opportunities outside Pakistan by acquiring overseas acreage.

OGDCL has an aggressive production enhancement plan which includes improving efficiency and productivity of existing fields, increasing drilling activities, exploring in shallow, medium and deep and ultra deep horizons on the on-shore and availing opportunities outside Pakistan by tagging with multinational companies on international zone and selling local gas and heavy crude to internationals and in exchange obtaining matching crude assay oil fields and LNG to ensure supply to Pakistan.

OGDCL's reservoir management strategies include acquiring overseas developed oil fields in efficient arena and exchanging stakes based on FME and reciprocity. OGDCL is continuing to build a portfolio of exploration opportunities and has set aggressive targets for the years 2005-06 and 2006-07 in seismic acquisition, exploratory / appraisal & development drilling, enhancing oil, gas and LPG production and developing the discovered fields on fast track basis.

ACKNOWLEDGEMENTS

Company's performance during 2004-05 is another addition to its success in all spheres of its activities that validate corporate and management strategies of the Company. Our employees' consistent dedication and commitment have brought record achievements for the Company and management vision and expertise have contributed in strategies to add value and dynamism to the fortunes of the Company.

The Board of Directors would like to place on record its deep appreciation for the Managing Director and his management team and all officers and staff for taking the Company's performance to new heights. The Board of Directors would also like to thank our suppliers, contractors, financial institutions, customers, service providers, joint venture partners and shareholders for their continuous support, which is the key to the success of the Company.

The Board of Directors also wishes to express its sincere thanks for the continued assistance and cooperation extended to the Company in matters relating to its operations by local administrations and the various departments of provincial and federal government, particularly the Ministry of Petroleum and Natural Resources and the Ministry of Finance.

The Directors are extremely thankful for the trust and faith reposed by shareholders in the Board as well as the Management of the Company. This support gives confidence and encouragement in achieving the targets and strategies formulated by the Board.

We look forward to continued commitment of all stakeholders and the concerned Government departments and agencies for future progress of the Company.

On behalf of the Board

(Arshad Nasar)
Chairman

Dated: September 19, 2005

Pattern of Shareholdings

As at 30 June, 2005

Number of Share holdres	Shareholdings From	Shareholdings To	Total Shares Held
1,373	1	100	57,676
2,522	101	500	1,003,054
12,676	501	1,000	12,570,458
7,264	1,001	5,000	16,155,946
972	5,001	10,000	7,456,818
480	10,001	20,000	7,135,012
183	20,001	30,000	4,540,479
76	30,001	40,000	2,719,837
71	40,001	50,000	3,351,076
73	50,001	75,000	4,579,892
63	75,001	100,000	5,865,439
48	100,001	150,000	5,938,670
26	150,001	200,000	4,662,331
22	200,001	250,000	4,938,382
12	250,001	300,000	3,398,770
24	300,001	400,000	8,648,989
15	400,001	500,000	6,851,765
5	500,001	600,000	2,683,250
8	600,001	700,000	5,079,490
4	700,001	800,000	3,029,429
12	800,001	1,000,000	10,863,081
10	1,000,001	1,500,000	12,770,781
9	1,500,001	2,000,000	15,622,420
13	2,000,001	3,000,000	31,235,949
6	3,000,001	8,000,000	32,930,145
1	8,000,001	4,086,850,000	4,086,839,261
25,968			4,300,928,400

Categories of Shareholders

As at 30 June, 2005

	Number of Share Holders	Shares Held	Percentage
Individuals	25,412	91,977,940	2.14
Investment Companies	24	9,432,409	0.22
Insurance Companies	25	12,105,485	0.28
Joint Stock Companies	229	35,638,666	0.83
Banks, DFIs, NBFIs, Leasing Companies	44	28,920,058	0.67
Modarabas and Mutual Funds	38	27,859,691	0.65
Foreign Investors	36	4,170,380	0.10
Cooperative Societies	2	5,203	0.00
Charitable Trusts	20	450,995	0.01
Others	137	3,528,312	0.08
Government of Pakistan	1	4,086,839,261	95.02
TOTAL	25,968	4,300,928,400	100.00

Pattern of Shareholdings

	Number of Share Holders	Shares Held	Percentage
Associated Companies, Undertakings and Related Parties and Share Holder holding 10% and above shares			
Government of Pakistan	1	4,086,839,261	95.02
NIT and ICP			
National Bank of Pakistan Trustee Department	1	6,788,757	0.16
National Bank of Pakistan	2	1,250,000	0.03
National Investment Trust Limited	1	151,229	0.00
Investment Corporation of Pakistan	1	380,425	0.01
Directors, Chief Executive Officer and their spouses and minor children			
Mrs. Reheela Razi W/o Mr. Mohammad Raziuddin	1	15,500	0.00
Mr. M. Iqbal Awan	1	1,000	0.00
Mrs. Naheed Iqbal Awan W/o Mr. M. Iqbal Awan	1	1,000	0.00
Mr. Azam Faruque	1	3,105	0.00
Executives	5	13,759	0.00
Investment Companies	22	8,900,755	0.21
Insurance Companies	25	12,105,485	0.28
Joint Stock Companies	229	35,638,666	0.83
Banks, DFIs, NBFIs, Leasing Companies	41	28,920,058	0.67
Modarabas and Mutual Funds	38	19,820,934	0.46
Foreign Investors	36	4,170,380	0.10
Cooperative Societies	2	5,203	0.00
Charitable Trusts	20	450,995	0.01
Individuals	25,403	91,943,576	2.14
Others	137	3,528,312	0.08
TOTAL	25,968	4,300,928,400	100.00

SHAREHOLDINGS:

Shares held by Government of Pakistan also include shares held in trust by the eleven elected Directors.

Shares held by Directors and their spouses (except Mrs. Raheela Razi W/o Mr. Mohammad Raziuddin) and CFO were purchased by them through Initial Public Offering by the Government @ Rs 32 per share. No Director, Chief Executive Officer, Chief Financial Officer, Company Secretary, their spouses and minor children have carried out any other transaction in the shares of the company.

Mrs. Raheela Razi W/o Mr. Mohammad Raziuddin acquired shares of the Company as per following details.

Date	Purchase Rupees	Rate per share June 30, 2005	Holding as at
Previous Holding			15,500

Review Report to the Members on Statement of Compliance with Best Practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance with the Best Practices contained in the Code of Corporate Governance prepared by the Board of Directors of Oil and Gas Development Company Limited (”the Company”) to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company’s compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of internal control systems to enable us to express an opinion as to whether the Board’s statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company’s compliance, in all material respects, with the Best Practices contained in the Code of Corporate Governance.

Taseer Hadi Khalid & Co.

TASEER HADI KHALID & CO.
Chartered Accountants
Islamabad
September 19, 2005

M. YOUSUF ADIL SALEEM & CO.
Chartered Accountants
Islamabad
September 19, 2005

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of all the three Stock Exchanges of the Country for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance. The Company has applied the principles contained in the Code in the following manner:

1. The Government of Pakistan holds more than 95% stake in the Company and nominates all the directors. All the directors including Chairman are non-executive directors.

2. The directors of the Company have confirmed that none of them is serving as a director in more than ten listed companies, including this company.

3. All the directors of the Company are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or being a member of a Stock Exchange has been declared as defaulter by the Stock Exchange.

4. All casual vacancies occurring on the Board were filled in within 30 days thereof.

5. Vision, Mission statements and Statement of Ethics and Business Practices have been prepared and approved by the Board.

6. The Board is in the process of developing overall corporate strategy and significant policies of the Company, which are in the stage of finalization.

7. A complete record of particulars of significant policies and Board decisions along with the dates on which they were approved or amended has been maintained.

8. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, CFO, Company Secretary, Head of Internal Audit and other Executive Directors have been taken by the Board.

9. The meetings of the Board were presided over by the Chairman and held at least once in each quarter. Written notices of Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. Where the period was short for emergent meetings it was agreed by the members of the Board. The minutes of the meetings were appropriately recorded and circulated.

10. All the directors are on the Boards of other companies and have adequate exposure of corporate matters and well aware of their duties and responsibilities. Appropriate orientation courses of the directors are being arranged in consultation with the Board.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters which are required to be disclosed.

12. The CEO and CFO have duly endorsed the financial statements of the Company before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The audit committee comprises four members, including the Chairman of the committee. All members of the committee are non-executive directors.

16. The meetings of the audit committee were held in every quarter prior to approval of the interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and duly approved by the Board and advised to the committee for compliance.

17. An independent internal audit department was established even before the incorporation of OGDCL as a public limited company and is functioning in line with the company's policies and procedures. To augment the internal control function and make it more effective, the Board has approved terms of reference of Internal Audit Department.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on the code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles contained in the Code have been compiled except for those referred in preceding paragraphs and for that the company intends to seek compliance during next accounting year.

On behalf of the Board

(Arshad Nasar)
Chairman

Islamabad
September 19, 2005

Statement of Compliance with the Best Practices on Transfer Pricing for the year ended June 30, 2005

The Company has fully complied with the best practices on Transfer Pricing as contained in the respective Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges.

Islamabad
September 19, 2005

(M. Raziuddin)
Managing Director

Financial Statements 2005

OGDCL
operating a sound financial framwork...

Auditors' Report to the Members

We have audited the annexed balance sheet of Oil and Gas Development Company Limited ("the Company") as at June 30, 2005 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit. The financial statements of the Company as of June 30, 2004, were audited by Messers Taseer Hadi Khalid & Co., Chartered Accountants and Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants whose report dated September 22, 2004 expressed an unqualified opinion on those statements.

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

(a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except for the changes as indicated in notes 3.2 with which we concur;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cashflow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of Company's affairs as at June 30, 2005 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Taseer Hadi Khalid & Co.

TASEER HADI KHALID & CO.
Chartered Accountants
Islamabad
September 19, 2005

M. Yousuf Adil Saleem & Co.

M. YOUSUF ADIL SALEEM & CO.
Chartered Accountants
Islamabad
September 19, 2005

Balance Sheet
As at June 30, 2005

	Note	2005	(Restated) 2004
		(Rupees '000)	
SHARE CAPITAL AND RESERVES			
Share capital	4	43,009,284	43,009,284
Revenue reserve	5	1,995,996	1,659,614
Un–appropriated profit		38,204,702	31,378,756
		83,209,982	76,047,654
NON CURRENT LIABILITIES			
Long term financing	6	14,751	14,751
Provision for decommissioning cost	7	7,543,672	6,850,935
Deferred liabilities	8	10,292,045	8,714,332
		17,850,468	15,580,018
CURRENT LIABILITIES			
Trade and other payables	9	13,518,483	4,361,060
CONTINGENCIES AND COMMITMENTS	10	–	–
		114,578,933	95,988,732

The annexed notes 1 to 36 form an integral part of these financial statements.

Chairman

	Note	2005	(Restated) 2004
		(Rupees '000)	
FIXED ASSETS			
Property, plant and equipment	11	19,685,294	19,241,080
Exploration and development expenditure	12	22,763,244	19,740,084
Stores held for capital expenditure		802,041	734,918
		43,250,579	39,716,082
Long term investments	13	2,437,121	1,127,727
Long term loans and receivables	14	1,738,256	2,027,509
Long term prepayments		41,839	27,715
		47,467,795	42,899,033
CURRENT ASSETS			
Stores, spares and loose tools	15	7,578,153	8,000,634
Stock in trade		32,404	85,340
Trade debts	16	18,527,574	13,189,775
Loans and advances	17	1,417,718	1,706,448
Other receivables	18	273,522	184,249
Deposits and prepayments	19	263,720	230,050
Interest accrued		286,311	84,479
Advance tax	20	932,512	4,301,295
Cash and bank balances	21	37,799,224	25,307,429
		67,111,138	53,089,699
		114,578,933	95,988,732

Profit and Loss Account
For the year ended June 30, 2005

	Note	2005	(Restated) 2004
		(Rupees '000)	
Net sales	22	73,710,101	51,326,273
Royalty		8,109,632	5,570,218
		65,600,469	45,756,055
Operating expenses	23	11,717,853	10,124,678
Exploration and prospecting expenditure	24	2,671,260	3,397,907
Transportation charges		760,092	548,919
		15,149,205	14,071,504
		50,451,264	31,684,551
General and administration expenses	25	823,305	838,818
Finance cost	26	5,955	38,468
Workers' profit participation fund		2,580,011	1,606,071
		3,409,271	2,483,357
Operating profit		47,041,993	29,201,194
Other income	27	1,978,223	1,314,156
NET PROFIT BEFORE TAXATION		49,020,216	30,515,350
Provision for taxation	28	16,052,316	8,100,889
NET PROFIT AFTER TAXATION		32,967,900	22,414,461
Earnings per share - basic (Rupees)	30	7.67	5.21

The annexed notes 1 to 36 form an integral part of these financial statements.

Chairman

Chief Executive

Cash Flow Statement

For the year ended June 30, 2005

	2005	2004
	(Rupees '000)	
Cash flows from operating activities		
Net profit before taxation	49,020,216	30,515,350
Adjustments for:		
Depreciation	2,730,031	2,474,293
Amortization of exploration and development expenditure	2,553,357	2,041,252
Royalty	8,109,632	5,570,218
Workers' profit participation fund	2,580,011	1,606,071
Provision for employee benefits	160,257	703,971
Interest income	(1,195,185)	(494,792)
Dividend income	(273,195)	(22,168)
Profit on sale of property, plant and equipment	(86,427)	(27,345)
Interest income on long term receivables	(114,192)	(143,237)
Provision for doubtful trade debts	150,565	–
Write back of provision for stores, spares and loose tools	–	(133,756)
Write back of provision against advances	–	(52,823)
Adjustment on account of fixed assets reconciliation	–	143,511
Land reconciliation adjustments	–	(53,349)
	63,635,070	42,127,196
Working capital changes		
(Increase)/decrease in current assets:		
Stock in trade and stores, spares and loose tools	475,417	(1,894,567)
Trade debts	(5,488,364)	(131,405)
Deposits and prepayments	(33,670)	123,391
Advances and other receivables	738,188	(43,023)
Increase/(decrease) in current liabilities		
Trade and other payables	850,836	657,272
Cash generated from operations	60,177,477	40,838,864
Royalty paid	(7,977,819)	(5,910,281)
Employee benefits paid	(205,149)	(165,648)
Payments workers' profit participation fund	(2,656,071)	(1,540,373)
Taxes paid	(10,104,862)	(8,985,021)
	(20,943,901)	(16,601,323)
Net cash from operating activities	39,233,576	24,237,541
Cash flows from investing activities		
Fixed capital expenditure	(8,155,490)	(4,402,167)
Interest received	959,050	317,911
Dividend received	273,195	22,168
Purchase of investments	(1,275,091)	–
Proceeds from sale of property, plant and equipment	86,540	27,772
Long term prepayments	(14,124)	6,314
Net cash used in investing activities	(8,125,920)	(4,028,002)
Cash flows from financing activities		
Dividend paid	(18,615,861)	(14,344,535)
Net cash used in financing activities	(18,615,861)	(14,344,535)
Increase in cash and cash equivalents	12,491,795	5,865,004
Cash and cash equivalents at beginning of the year	25,307,429	19,442,425
Cash and cash equivalents at end of the year	37,799,224	25,307,429

The annexed notes 1 to 36 form an integral part of these financial statements.

Chairman

Chief Executive

Statement of Changes in Equity

For the year ended June 30, 2005

	Note	Share capital	Reserve for issue of bonus shares	Revenue reserve	Un-appropriated profit	(Restated) Total
				(Rupees '000)		
Balance as at June 30, 2003 as previously stated		10,752,321	32,256,963	1,363,967	21,087,495	65,460,746
Change in accounting policy with respect to dividends declared after the balance sheet date	3.2	–	–	–	2,903,127	2,903,127
Balance as at June 30, 2003 as restated		10,752,321	32,256,963	1,363,967	23,990,622	68,363,873
Profit for the year ended June 30, 2004		–	–	–	22,414,461	22,414,461
Issue of bonus shares		32,256,963	(32,256,963)	–	–	–
Transfer to revenue reserve		–	–	295,647	(295,647)	–
Final dividend 2003		–	–	–	(2,903,127)	(2,903,127)
First interim dividend 2004		–	–	–	(4,300,928)	(4,300,928)
Second interim dividend 2004		–	–	–	(7,526,625)	(7,526,625)
Balance as at June 30, 2004		43,009,284	–	1,659,614	31,378,756	76,047,654
Balance as at June 30, 2004 as previously stated		43,009,284	–	1,659,614	26,002,595	70,671,493
Change in accounting policy with respect to dividends declared after the balance sheet date	3.2	–	–	–	5,376,161	5,376,161
Balance as at June 30, 2004 as restated		43,009,284	–	1,659,614	31,378,756	76,047,654
Profit for the year ended June 30, 2005		–	–	–	32,967,900	32,967,900
Transfer to revenue reserve		–	–	336,382	(336,382)	–
Final dividend 2004		–	–	–	(5,376,161)	(5,376,161)
First interim dividend 2005		–	–	–	(6,451,393)	(6,451,393)
Second interim dividend 2005		–	–	–	(6,451,393)	(6,451,393)
Third interim dividend 2005		–	–	–	(7,526,625)	(7,526,625)
Balance as at June 30, 2005		43,009,284	–	1,995,996	38,204,702	83,209,982

The annexed notes 1 to 36 form an integral part of these financial statements.

Chairman

Chief Executive

Notes to the Financial Statements
For the year ended June 30, 2005

1 LEGAL STATUS AND OPERATIONS

Oil and Gas Development Company Limited (OGDCL), ("the Company"), was incorporated on October 23, 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 deemed to own all the properties, rights, assets, obligations and liabilities of Oil and Gas Development Corporation (OGDC) as on that date. 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. During October 2003, Government of Pakistan (GoP) disinvested 5% of its shareholding through an Initial Public Offering and accordingly owns 95% of the shares of the Company. The Company is listed on all the three stock exchanges of Pakistan.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards (IAS) as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 ACCOUNTING CONVENTION

These financial statements have been prepared under historical cost convention except that obligations under certain employee benefits have been measured at present value and investments held to maturity have been recognized at amortized cost.

3.2 CHANGES IN ACCOUNTING POLICIES

Dividends

The Company has changed its accounting policy during the year whereby dividend is now recognized as a liability in the period in which it is declared. The change was necessitated due to substitution of Fourth Schedule to the Companies Ordinance, 1984, whereby the requirements of IAS 10, "Events after the balance sheet date", are now applicable. This change has been accounted for retrospectively and comparative financial statements have been restated in accordance with recommended benchmark treatment of IAS 8, "Net profit or loss for the period, fundamental errors and changes in accounting policies". Had there been no change, the un-appropriated profit and current liabilities for the year ended June 30, 2005 would have been lower and higher by an amount of Rs 11,827.553 million respectively (2004: Rs 5,376.161 million).

Foreign Currencies

The Company has changed its accounting policy during the year whereby all exchange differences on translation and repayment of foreign currency finances are charged to income as opposed to capitalization of exchange differences on foreign currency finance utilized for acquisition of property, plant and equipment. The change was necessitated due to substitution of Fourth Schedule to the Companies Ordinance, 1984, whereby capitalization of exchange differences is not permissible. There is no financial impact of this change in the accounting policy.

Borrowing cost

The Company has changed its accounting policy during the year whereby mark up, interest and other charges on borrowing are charged to income as opposed to capitalization of project relating borrowing costs upto the date of commissioning of the projects. The change was necessitated due to substitution of Fourth Schedule to the Companies Ordinance, 1984, whereby capitalization of borrowing costs is not permissible. There is no financial impact of this change in the accounting policy.

3.3 EMPLOYEE BENEFITS

3.3.1 Pension

The Company operates an approved funded pension scheme under an independent trust for its permanent employees, including those seconded to its wholly owned subsidiary Pirkoh Gas Company (Private) Limited as a defined benefit plan. Contribution is made to pension scheme on the basis of actuarial valuations carried out at least once in every three years. The Projected Unit Credit Method is used to generate actuarial values. Contribution for the year is charged to income. Unrecognized actuarial gains or losses are amortized over the expected average remaining working lives of the participating employees.

3.3.2 Post retirement medical benefits

The Company provides post retirement medical benefits to its permanent employees and their families, including those seconded to its wholly owned subsidiary Pirkoh Gas Company (Private) Limited. Liability is provided annually on the basis of actuarial valuation carried out at least once in every three years. The Projected Unit Credit Method is used to generate actuarial values. Actuarial gains or losses are amortized over the expected average remaining working lives of the participating employees.

3.3.3 Benevolent fund

The Company used to provide post retirement benefit in respect of benevolent fund to its permanent employees, including those seconded to its wholly owned subsidiary Pirkoh Gas Company (Private) Limited, at the rates agreed by the Company. However, the Company has abolished the fund with effect from July 01, 2005 and has agreed to pay the entire liability in lump sum to the existing beneficiaries on present value basis and to refund excess past contributions alongwith an interest of 8% per annum to the existing employees. Accordingly, fresh actuarial valuation was obtained in respect of the Company's liability and accounted for in the books of accounts as of June 30, 2005.

3.3.4 Compensated absences

The Company has a policy whereby all its permanent employees including those seconded to its wholly owned subsidiary Pirkoh Gas Company (Private) Limited are able to encash leave balance at the time of retirement or during the service. Liability is provided on the basis of actuarial valuation carried out atleast once in every three years. The Projected Unit Credit Method is used to generate actuarial values. Actuarial gains or losses are amortized over the expected average remaining working lives of the employees. Subsequent to year end, with effect from July 01, 2005, the scheme has been modified to the extent that employees falling under officers category are no longer entitled to encash leave balances. However, the officers are entitled to one time encashment of their past leave balances accumulated upto June 30, 2005 at any time and therefore reflected as current liability.

3.4 TAXATION

3.4.1 Current

Provision for current taxation is based on taxable income at applicable tax rates, adjusted for payments to the GoP comprising royalty and levies.

3.4.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all major temporary differences arising from differences between carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. 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.

3.5 PROPERTY, PLANT AND EQUIPMENT

Freehold land is stated at cost and leasehold land is stated at cost less accumulated amortization. Other assets are stated at cost less accumulated depreciation. Cost in relation to property, plant and equipment signifies historical cost and decommissioning costs as referred to in note 3.16. Depreciation is provided on straight line method at rates specified in note 11 to the financial statements so as to write off the cost of the assets over their estimated useful lives. Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which asset is disposed off.

The amortization of leasehold land is charged to income, while depreciation provided on assets is charged to income and/or allocated to the exploration and development expenditure incurred in relation to the creation of other assets.

Maintenance and normal repairs are charged to income as and when incurred whereas major improvements are capitalized. Gains and losses on disposal of assets are credited or charged to income in the year of disposal.

3.6 PROJECTS IN PROGRESS

Projects in progress are stated at cost less impairment loss, if any, and are transferred to the respective assets when available for intended use.

3.7 STORES HELD FOR CAPITAL EXPENDITURE

Stores held for capital expenditure are valued at lower of cost determined under the moving average basis and net realizable value.

3.8 EXPLORATION AND DEVELOPMENT EXPENDITURE

Exploration and development activities of the Company are accounted for under the "successful efforts" method whereby costs of property acquisitions, successful exploratory wells and all development wells, including shut-in wells, are capitalized and amortized on unit of production method. Unsuccessful exploratory wells are charged to income when declared to be non-productive. All exploration costs other than those related to exploratory drilling are charged to revenue for the year, when incurred.

3.9 INVESTMENTS

3.9.1 Investments in subsidiaries and associated companies

Investments in subsidiaries and associates where significant influence can be established, are stated at cost and the carrying amount is adjusted for impairment, if any, in the recoverable amounts of such investments.

Subsidiaries are those enterprises in which the Company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and/or appoint more than 50% of its directors.

Associates are those entities in which the Company has significant influence and which is neither a subsidiary nor a joint venture of the Company.

3.9.2 Investments held to maturity

Investments with fixed or determinable payments and fixed maturity and where the Company has positive intent and ability to hold to maturity are classified as 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.

3.10 STORES, SPARES AND LOOSE TOOLS

Stores and spares are valued at the lower of cost and net realizable value less allowance for obsolete and slow moving items. Cost is determined on the moving average basis and comprises costs 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.

3.11 STOCK IN TRADE

Stock in trade is valued at the lower of average annual cost (including appropriate production overheads) and net realizable value.

3.12 REVENUE RECOGNITION

Revenue from sales is recognized on delivery of products and/or on rendering of services to customers. 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. As a matter of prudence, the Company recognizes interest if any, on delayed payments from customers on receipt basis.

Profits and losses of subsidiary and associated companies are carried forward in the financial statements of the subsidiary and associated companies and are not accounted for in the financial statements of the Company except to the extent of dividend income from the subsidiary and associated companies.

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 held to maturity is recognized on time proportion basis taking into account the effective yield of such securities.

Dividend income on equity investments is recognized when the right of receipt is established.

3.13 BORROWING COST

Mark up, interest and other charges on borrowing are charged to income.

3.14 JOINT VENTURE OPERATIONS

Transactions related to joint venture operations in which the Company has a working interest are accounted for on the basis of latest available audited financial statements of the joint venture and where applicable, the cost statements received from the operator of the joint venture, for the intervening period upto the balance sheet date.

3.15 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 in foreign currencies are translated into rupees at the rate of exchange ruling on the balance sheet date with the exception of those in respect of which exchange risk cover is obtained, where these are stated at the committed rate. All exchange differences are charged against income for the year.

3.16 PROVISIONS

A provision is recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Decommissioning cost, as appropriate, relating to producing/shut-in fields and production facilities is capitalized to the cost of wells/fields and plant and machinery as the case may be. The provision for decommissioning cost is determined on the basis of the estimates provided by the in-house technical staff and existing current prices. Decommissioning cost relating to wells/fields is amortized on the unit of production method and costs relating to production facilities is depreciated on straight line basis on rates mentioned in note 11.

3.17 FINANCIAL INSTRUMENTS

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

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

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be.

3.18 OFF SETTING

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.

3.19 TRADE DEBTS

Trade debts are carried at nominal value less provision for doubtful debts, if any.

3.20 TRADE AND OTHER PAYABLES

These are stated at their nominal values.

3.21 CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purposes of cash flow statement comprise cash in hand, in transit 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.

3.22 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. An intangible asset is stated at cost less accumulated amortization and is amortized based on the pattern in which the assets' economic benefits are consumed.

3.23 SELF INSURANCE SCHEME

The Company is following a policy to set aside contingency reserve for self insurance of rigs, wells, plants, pipelines, vehicles and workmen compensation and is keeping such reserve invested in specified investments to meet any eventuality.

3.24 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, the recoverable amount of such assets is estimated and impairment losses are recognized in the profit and loss account.

3.25 RELATED PARTY TRANSACTIONS

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible, except in rare circumstances for some of the transactions with the wholly owned subsidiary, where, subject to the approval of the Board of Directors, it is in the interest of the Company to do so.

				2005	2004
				(Rupees '000)	

4 SHARE CAPITAL

Issued, subscribed and paid up capital

June 30, 2005 Number	June 30, 2004 Number		2005	2004
1,075,232,100	1,075,232,100	Ordinary shares of Rs 10 each issued as fully paid for consideration other than cash	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

In consideration for all the properties, rights, assets, obligations and liabilities of OGDC vested in the Company, 1,075,232,100 ordinary fully paid shares of Rs 10 each were issued to GoP on October 23, 1997.

Authorised share capital
5,000,000,000 (June 30, 2004 : 5,000,000,000) ordinary shares of Rs 10 each.

5 REVENUE RESERVE

The Company has set aside a specific revenue reserve by the name of contingency reserve for self insurance of rigs, wells, plants, pipelines, workmen compensation and vehicle repair. Refer note 13.2 for investments against contingency reserve.

6 LONG TERM FINANCING

It represents the on–lent proceeds of (un–secured) credit obtained by the GoP in foreign currency from the Government of the Russian Federation (Union of Soviet Socialist Republics). The installment of principal and interest thereon is transferred to the Government fund as and when this is paid by the GoP. As per the agreement the loan carried interest @ 2.5% per annum. Repayment of installments due is pending till further instructions from the GoP, consequently no amount has been transferred to the current maturity.

7 PROVISION FOR DECOMMISSIONING COST

	2005	2004
	(Rupees '000)	
Decommissioning cost of fields and productions facilities		
Opening balance	6,850,935	4,808,113
Additional provisions made during the year including increase in existing provision	692,737	2,042,822
	7,543,672	6,850,935
The above provision for decommissioning cost is analyzed as follows:		
Fields	6,942,504	6,575,756
Production facilities	601,168	275,179
	7,543,672	6,850,935

The expected outflow of economic resources to settle this liability is upto 25 years.

		2005	2004
		(Rupees '000)	
8	DEFERRED LIABILITIES		
	Deferred taxation (8.1)	8,948,288	6,310,391
	Post retirement medical benefits (8.2)	760,331	748,708
	Compensated absences (8.3)	583,426	1,013,233
	Benevolent fund (8.4)	–	642,000
		10,292,045	8,714,332

8.1 Deferred taxation

	2005	2004
The balance of deferred tax is in respect of following temporary differences:		
Accelerated depreciation on property, plant and equipment	2,362,625	1,638,955
Accelerated amortization of exploration and development expenditure	6,585,663	4,981,583
Provision for benevolent fund	–	(89,430)
Provision for obsolete, slow moving items and other adjustments	–	(220,717)
	8,948,288	6,310,391

Deferred tax liability has been calculated at the estimated effective tax rate of 32.51% (2004: 29.81%) after taking into account availability of depletion allowance and set offs where available in respect of royalty payment to the GoP.

8.2 Post retirement medical benefits

	2005	2004
Movements in the liability recognised in the balance sheet		
Balance at beginning of the year	748,708	731,714
Charge for the year	26,323	30,458
Benefits paid during the year	(14,700)	(13,464)
Net liability at end of the year	760,331	748,708
Reconciliation of the liability recognised in the balance sheet		
Present value of defined benefit obligation	450,173	457,962
Net actuarial gains not recognised	310,158	290,746
Net liability at end of the year	760,331	748,708
Particulars of charge for the year		
Current service cost	18,761	21,885
Interest cost	32,057	30,920
Actuarial gains recognised	(24,495)	(22,347)
	26,323	30,458

The latest actuarial valuation was carried out as at June 30, 2005. The rates of discount, medical cost increase and expected inflation were assumed at 10%, 6% and 2% per annum respectively.

	2005	2004
	(Rupees '000)	
8.3 Compensated absences		
Present value of defined benefit obligation	1,013,233	931,044
Charge for the year	243,646	82,189
Liability at end of the year	1,256,879	1,013,233
Payable to officers transferred to current liabilities (8.3.1)	(673,453)	–
	583,426	1,013,233

The liability provided for during the year is based on the latest actuarial valuation carried out as at June 30, 2005. The rates of discount and salary increase were assumed at 10% per annum.

8.3.1 Pursuant to a decision made by the Board of Directors of the Company, the employees falling under the officers' category are allowed one time encashment in respect of leaves balance accumulated upto June 30, 2005. Accordingly, the actual amount payable to officers for their accumulated balance of leaves as on June 30, 2005 has been transferred to current liabilities. For future periods officers are no longer entitled to encash their unavailed leaves balance.

8.4 Benevolent Fund

The Company had been operating OGDC Employees Benevolent Fund since 1983 primarily on the basis of agreement with the Collective Bargaining Agent (CBA). In accordance with the rules, contributions were to be made by the employees together with a defined fixed contribution from the Company. Pursuant to an actuarial valuation and legal advice obtained last year, provision was recognized in 2004. However, effective July 01, 2005 the scheme has been abolished and benevolent fund is payable to all beneficiaries in lump sum on present value basis and excess past contribution of all existing participating employees is to be refunded along with interest @ 8% per annum. Accordingly, based on fresh actuarial valuation, current liability aggregating to Rs 336.119 million has been created in these financial statements, which represents total amount payable to fund whereas excess provision has been written back.

	2005	(Restated) 2004
	(Rupees '000)	
9 TRADE AND OTHER PAYABLES		
Creditors	305,828	199,610
Accrued liabilities	1,337,706	1,479,341
Royalty	714,215	582,402
Excise duty	98,347	82,838
General sales tax	977,457	–
Payable to joint venture partners	1,060,659	1,250,777
Retention money	315,798	262,234
Un–paid dividend	7,533,464	2,767
Un–claimed dividend	42,392	383,378
Employees' pension trust (9.1)	49,040	43,320
Compensated absences – current portion	673,453	–
Payable to benevolent fund (note 8.4)	336,119	–
Advances from customers	45,755	67,238
Other payables	28,250	7,155
	13,518,483	4,361,060

Notes to the Financial Statements
For the year ended June 30, 2005

	2005	2004
	(Rupees '000)	
9.1 Employees' pension trust		
Movements in the liability recognised in the balance sheet		
Balance at beginning of the year	43,320	(95,820)
Charge for the year	196,169	291,324
Payments to the fund made during the year	(190,449)	(152,184)
Balance at end of the year	49,040	43,320
Reconciliation of the liability recognised in the balance sheet		
Present value of defined benefit obligation	7,543,651	6,325,301
Fair value of plan assets	(7,543,484)	(7,423,308)
Net actuarial gains not recognized	48,873	1,141,327
Net liability at end of the year	49,040	43,320
Particulars of charge for the year		
Current service cost	312,929	277,537
Interest cost	442,772	326,293
Expected return on plan assets	(519,632)	(329,748)
Actuarial (gains)/losses recognised	(39,900)	17,242
	196,169	291,324

The latest actuarial valuation was carried out as at June 30, 2005 using Projected Unit Credit Method. The discount rate for valuation, expected return on plan assets, and salary increases were assumed to average 10% per annum and pension increase was assumed at 3% per annum (2004: discount rate and average salary increase 7% and pension 3% per annum respectively). Actual return on plan assets during the year was Rs 834 million (2004 : Rs 720 million).

10 CONTINGENCIES AND COMMITMENTS

10.1 Claims against the Company not acknowledged as debts amounted to Rs 2,620.380 million (2004 : Rs 4,328.675 million). These include net liquidated damages aggregating to Rs 2,148.880 million (2004 : Rs 2,148.880 million) claimed by a customer related to minimum supply of gas, disputed by the Company.

10.2 Capital commitments outstanding amounted to Rs 5,590.313 million (2004 : Rs 4,301.502 million). These include amounts aggregating Rs 1,891.604 million (2004 : Rs 2,488.605 million) representing the Company's share in the minimum work commitments related to operated/non–operated concessions.

10.3 Letters of credit issued by various banks outstanding at the year end amount to Rs 2,342.852 million (2004 : Rs 1,429.691 million).

10.4 Certain banks have issued guarantees aggregating Rs 369.933 million (2004 : Rs 363.069 million) on behalf of the Company in the ordinary course of business (note 21).

10.5 For contingencies relating to tax matters, refer to note 28.2.

Notes to the Financial Statements

For the year ended June 30, 2005

11 PROPERTY, PLANT AND EQUIPMENT

DESCRIPTION	Cost				Rate of	Depreciation				Book value
	As at July 1, 2004	adjustments/ transfers	Additions/ (deletions)	As at June 30, 2005	depreciation (%)	As at July 1, 2004	Adjustments	Charge for the year/(on deletions)	As at June 30, 2005	as at June 30, 2005
	(Rupees '000)					(Rupees' 000)				
Freehold land	160,178	(30,229)	9,070	139,019	–	–	–	–	–	139,019
Leasehold land	347,167	11,072	4,787	363,026	1 – 3.3	102,959	143	12,761	115,863	247,163
Buildings, offices and roads on freehold land	1,516,787	(1,285)	180,658	1,696,160	2.5~8	265,734	–	95,847	361,581	1,334,579
Buildings, offices and roads on leasehold land	649,561	(9,787)	10,908	650,682	2.5~8	184,276	(143)	54,260	238,393	412,289
Plant and machinery	29,693,352	–	2,963,675	32,602,903	10	16,732,642	–	2,217,158	18,895,695	13,707,208
			(54,124)					(54,105)		
Rigs	632,745	–	103,959	734,984	10	556,174	–	17,353	571,816	163,168
			(1,720)					(1,711)		
Pipelines	3,928,297	–	326,040	4,254,337	10	2,333,759	–	371,259	2,705,018	1,549,319
Rolling stock	1,896,562	–	223,629	2,083,405	20	1,784,584	–	59,706	1,807,587	275,818
			(36,786)					(36,703)		
Office and domestic equipment	323,493	870	44,483	368,844	15	281,028	–	12,971	293,999	74,845
			(2)							
Office and technical data computers	376,488	–	39,669	416,157	30	345,917	–	34,181	380,098	36,059
Furniture and fixtures	36,773	(870)	13,653	49,556	15	9,479	–	4,283	13,762	35,794
Aircraft	19,855	–	–	19,855	10	17,869	–	–	17,869	1,986
	39,581,258	(30,229)	3,920,531	43,378,928		22,614,421	–	2,879,779	25,401,681	17,977,247
			(92,632)					(92,519)		
Capital work in progress (11.3)	2,045,167	–	960,698	1,179,290	–	–	–	–	–	1,179,290
			(1,826,575)							
Decommissioning cost	275,179	–	325,989	601,168	1 ~ 10	46,103	–	26,308	72,411	528,757
2005	41,901,604	(30,229)	3,380,643	45,159,386		22,660,524	–	2,906,087	25,474,092	19,685,294
			(92,632)					(92,519)		
2004	39,596,162	(355,711)	2,733,565	41,901,604		20,331,490	(212,199)	2,613,217	22,660,524	19,241,080
			(72,412)					(71,984)		

11.1 Cost and accumulated depreciation as at June 30, 2005 include Rs 10,427.109 million (2004 : Rs 9,357.510 million) and Rs 5,261.775 million (2004 : Rs 4,755.580 million) respectively being the Company's share in property, plant and equipment relating to joint ventures operated by others.

11.2 Depreciation expense for the year has been allocated to :

	2005	2004
	(Rupees '000)	
Operating expenses (note 23)	2,663,727	2,416,764
General and administration expenses (note 25)	66,304	57,529
Technical services	176,056	138,924
	2,906,087	2,613,217

Notes to the Financial Statements
For the year ended June 30, 2005

		2005	2004
		(Rupees '000)	
11.3	Capital works in progress		
	Production facilities and other civil works in progress		
	Wholly owned	869,693	1,815,386
	Joint ventures	273,341	186,936
		1,143,034	2,002,322
	Construction cost of field offices and various bases/offices owned by the company	36,256	42,845
		1,179,290	2,045,167

11.4 Detail of fixed assets disposed off during the year

Description of assets disposed off	Cost	Book Value	Sales price	Mode of disposal
		(Rupees)		
Vehicles sold to employees on retirement	2,858,850	12,000	261,122	Sold to retiring employees as per the Company policy
Share in Dhurnal LPG Plant	43,325,392	–	62,565,720	Sold to joint venture partner M/s Orient Petroleum Inc. on value determined by third party
Aggregate of other items of property, plants and equipment with individual book value not exceeding Rs 50,000/-	46,447,197	100,500	23,713,000	Sold through public auction
2005	92,631,439	112,500	86,539,842	
2004	72,412,147	427,851	27,772,360	

Notes to the Financial Statements

For the year ended June 30, 2005

12 EXPLORATION AND DEVELOPMENT EXPENDITURE

	Cost			Amortization			Book value
	As at July 1, 2004	Additions/ (deletions)	As at June 30, 2005	As at July 1, 2004	For the year	As at June 30, 2005	As at June 30, 2005
	(Rupees '000)						
DRILLING COST							
Producing fields							
Wholly owned	10,886,126	1,480,928	12,367,054	6,885,593	686,714	7,572,307	4,794,747
Joint ventures	12,268,615	2,427,529	14,696,144	4,396,912	1,258,447	5,655,359	9,040,785
	23,154,741	3,908,457	27,063,198	11,282,505	1,945,161	13,227,666	13,835,532
Shut–in–fields							
Wholly owned	719,397	183,499	902,896	100,523	570	101,093	801,803
Joint ventures	739,871	703,184	1,443,055	27,070	–	27,070	1,415,985
	1,459,268	886,683	2,345,951	127,593	570	128,163	2,217,788
	24,614,009	4,795,140	29,409,149	11,410,098	1,945,731	13,355,829	16,053,320
Wells in progress (12.1)	1,804,342	6,573,212	2,218,971	–	–	–	2,218,971
		(6,158,583)					
Total drilling cost	26,418,351	5,209,769	31,628,120	11,410,098	1,945,731	13,355,829	18,272,291
Decommissioning cost	6,575,756	366,748	6,942,504	1,843,925	607,626	2,451,551	4,490,953
2005	32,994,107	5,576,517	38,570,624	13,254,023	2,553,357	15,807,380	22,763,244
2004	28,612,578	10,976,318	32,994,107	11,212,771	2,041,252	13,254,023	19,740,084
		(6,594,789)					

	2005	2004
	(Rupees '000)	
12.1 Wells in progress		
Wholly owned	788,869	737,836
Joint ventures	1,430,102	1,066,506
	2,218,971	1,804,342

		Note	2005	2004
			(Rupees '000)	
13	LONG TERM INVESTMENTS			
	Investments in related parties	13.1	491,500	491,500
	Investments held to maturity	13.2	1,945,621	636,227
			2,437,121	1,127,727

13.1 Investments in related parties

	2005	2004
Wholly owned subsidiary Company - un-quoted		
Pirkoh Gas Company (Private) Limited	418,000	418,000
Percentage holding 100%		
1,254,000 fully paid ordinary shares of Rs 1,000 each (including 836,000 bonus shares). Value based on audited financial statements was Rs 7,475.400 million (2004 : Rs 7,517.884 million).		
Associated Company - quoted		
Mari Gas Company Limited	73,500	73,500
Percentage holding 20%		
7,350,000 fully paid ordinary shares of Rs 10 each		
Market value Rs 1,430.678 million (2004 : Rs 609.683 million)	491,500	491,500

13.2 Investments held to maturity

	Note	2005	2004
Defence saving certificates (DSCs)	13.2.1	622,684	636,227
Term deposit receipts (TDRs)	13.2.2	1,322,937	–
		1,945,621	636,227

13.2.1 Face value of investments in DSCs is Rs 170.389 million (2004: Rs 195.298 million). These carry effective interest rates ranging between 16% to 18% per annum and are due to mature in periods ranging between 2005 to 2009.

13.2.2 Face value of investments in TDRs is Rs 1,300 million (2004 : nil). These carry effective interest rates of 7% and are due to mature in 2006.

Investments amounting to Rs 1,386.407 million (2004: Rs 107.129 million) 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.

These investments are against amounts set aside for contingency reserve (note 5).

Notes to the Financial Statements
For the year ended June 30, 2005

		2005	2004
		(Rupees '000)	
14	LONG TERM LOANS AND RECEIVABLES		
	Long term loans (14.1)	815,781	685,826
	Long term receivable -unsecured (14.2)	922,475	1,341,683
		1,738,256	2,027,509
14.1	Long term loans		
	Long term loans, considered good:		
	Executives	262	574
	Other employees	947,705	789,793
		947,967	790,367
	Current portion of long term loans (note 17)	(132,186)	(104,541)
		815,781	685,826

14.1.1 Reconciliation of carrying amount of loans to executives and other employees:

	Balance as at July 1, 2004	Disbursements during the year	Repayments during the year	Balance as at June 30, 2005
Due from:				
Executives	574	–	312	262
Other employees	789,793	303,869	145,957	947,705
	790,367	303,869	146,269	947,967

The above 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 periods of 15 and 5 years respectively. These loans are secured against the underlying assets. Included in these are loans of Rs 736.707 million (2004: Rs 658.610 million) which carry no interest. The balance amount carries an interest rate of 8.22% (2004 : 9.23%) per annum.

The maximum amount due from executives at the end of any month during the year was Rs 0.574 million (2004: Rs 0.680 million).

		2005	2004
		(Rupees '000)	
14.2	Long term receivables		
	Long term receivable - unsecured	1,600,200	2,133,600
	Allowance for impairment	(144,325)	(258,517)
		1,455,875	1,875,083
	Current portion (note 17)	(533,400)	(533,400)
		922,475	1,341,683

Long term receivables represent the amount receivable from WAPDA on account of overdue balances of gas companies transferred to WAPDA as a result of inter-corporate debt adjustment approved by the GoP in April, 1999. Pursuant to the Economic Coordination Committee of Cabinet (ECC) decision in November 2001 and waiver of interest by the President of Pakistan in June 2002, the Company entered into agreements with three power generating companies namely Jamshoro Power Generation Company, The Central Power Generation Company and Northern Power Generation Company on 1st July 2002. The receivable carries no interest and is repayable in five years with one year grace period and is secured against WAPDA guarantee.

In accordance with IAS 39 "Financial Instruments : Recognition and Measurement" an impairment loss has been recognized on this receivable which is the difference between the carrying amount and present value of expected future cash flows discounted at 7.5%, which is the imputed rate for interest calculation.

		2005	2004
		(Rupees '000)	
15	STORES, SPARES AND LOOSE TOOLS		
	Stores, spares and loose tools	8,026,716	8,078,420
	Stores and spares in transit	291,851	662,628
		8,318,567	8,741,048
	Provision for obsolete and slow moving items	(740,414)	(740,414)
		7,578,153	8,000,634
16	TRADE DEBTS		
	Trade debts - un-secured, considered good	20,449,868	15,053,529
	Trade debts - un-secured, considered doubtful	177,737	27,172
		20,627,605	15,080,701
	Un-recognised billing	(1,922,294)	(1,863,754)
		18,705,311	13,216,947
	Provision for doubtful amount	(177,737)	(27,172)
		18,527,574	13,189,775

16.1 Trade debts include balances aggregating to Rs 4.071 billion (2004 : Rs 4.013 billion), which have been withheld by Uch Power Limited (UPL) against claims for damages related to minimum supply of gas. The Company has, pending resolution of the matter, un-recognized billing of Rs 1.922 billion (2004 : Rs 1.864 billion) against the amounts withheld, whereas the balance relates to liquidated damages which have been contested by the Company. GoP constituted a committee to resolve this matter, however, pending acceptability of committee's proposals by both parties, no agreement has been reached till June 30, 2005.

		2005	2004
		(Rupees '000)	
17	LOANS AND ADVANCES		
	Advances considered good :		
	Suppliers and contractors	219,983	676,124
	Joint venture partners	473,338	294,331
	Employees	58,811	98,052
		752,132	1,068,507
	Advances considered doubtful	271,049	271,049
	Current portion of long term loans	132,186	104,541
	Current portion of long term receivables	533,400	533,400
		1,688,767	1,977,497
	Provision against doubtful advances	(271,049)	(271,049)
		1,417,718	1,706,448

Notes to the Financial Statements
For the year ended June 30, 2005

		2005	2004
		(Rupees '000)	
18	OTHER RECEIVABLES		
	Development surcharge	76,417	72,425
	Receivable from subsidiary company (18.1)	38,095	24,198
	Claims receivable	14,711	7,654
	Workers' profit participation fund (18.2)	119,989	43,929
	Other receivables	24,310	36,043
		273,522	184,249

18.1 This represents net balance of, receivables from and payables to, Pirkoh Gas Company (Private) Limited. Maximum amount due from the subsidiary at the end of any month during the year was Rs 127.963 million as on May 31, 2005 (2004 : Rs 24.198 million as on June 30, 2004).

		2005	2004
18.2	Workers' profit participation fund		
	Receivable at beginning of the year	43,929	109,627
	Paid to the fund during the year	2,656,071	1,540,373
		2,700,000	1,650,000
	Expense for the year	(2,580,011)	(1,606,071)
	Receivable at end of the year	119,989	43,929

		2005	2004
19	DEPOSITS AND PREPAYMENTS		
	Deposits	7,196	6,924
	Prepayments	256,524	223,126
		263,720	230,050
20	ADVANCE TAX		
	Advance income tax (20.1)	932,512	4,242,069
	General sales tax	–	59,226
		932,512	4,301,295
20.1	Balance at beginning of the year	4,242,069	3,567,907
	Advance tax paid during the year	10,104,862	8,985,021
	Provision for taxation for the year - current	(13,414,419)	(8,310,859)
	Balance at end of the year	932,512	4,242,069

Notes to the Financial Statements
For the year ended June 30, 2005

		2005	2004
		(Rupees '000)	
21	CASH AND BANK BALANCES		
	Cash at bank:		
	Deposit accounts	37,537,943	24,768,006
	(includes foreign currency deposits of US $ 53,610,137), (2004: US $ 37,014,955)		
	Current accounts	221,802	476,201
	Cash in hand	34,928	31,367
	Cash in transit	4,551	31,855
		37,799,224	25,307,429

Deposit accounts carry interest @ 2.8 ~ 8.75% (2004 : 1.25 ~ 3.5%). Deposits of Rs 369.933 million (2004 : Rs 363.069 million) with banks were under lien to secure bank guarantees issued by the banks.

		2005	2004
22	NET SALES		
	Gross sales		
	Crude oil	32,295,453	17,655,535
	Gas	48,155,702	38,436,307
	Liquefied petroleum gas	2,443,667	1,880,840
	Naphtha	2,046,651	1,365,499
	Solvent oil	88,343	95,098
	Kerosene oil	504,268	416,230
	High speed diesel oil	237,380	188,935
	Sulphur	207,622	134,313
	Other operating revenue (22.1)	77,637	32,620
		86,056,723	60,205,377
	Government levies		
	Excise duty	(1,402,748)	(1,219,382)
	Development surcharge	(78,718)	(191,740)
	General sales tax	(10,865,156)	(7,467,982)
		(12,346,622)	(8,879,104)
	Net sales	73,710,101	51,326,273
	22.1 Other operating revenue		
	Geophysical services	58,410	1,271
	Logistic services	–	4,485
	Engineering services	926	2,638
	Mud engineering services	2,190	6,726
	Cementation services	16,111	17,500
		77,637	32,620

Notes to the Financial Statements

For the year ended June 30, 2005

		2005	2004
		(Rupees '000)	
23	OPERATING EXPENSES		
	Salaries, wages and benefits (23.1)	1,764,148	1,761,009
	Travelling and transportation	221,983	188,603
	Repairs and maintenance	697,997	306,095
	Stores and supplies consumed	528,394	456,720
	Rent and taxes	161,518	126,835
	Insurance	204,406	347,671
	Communication	30,669	32,203
	Utilities	16,891	12,441
	Land and crops compensation	108,499	76,282
	Contract services	369,294	352,623
	Joint venture expenses	1,181,247	1,214,816
	Desalting, decanting and naphtha storage charges	146,961	146,366
	Gas processing charges	99,906	89,243
	Welfare of locals at fields	131,119	32,821
	Provision for doubtful trade debts	150,565	–
	Write back of provision for stores, spares and loose tools	–	(133,756)
	Write back of provision for benevolent fund	(305,881)	–
	Workover charges	386,667	370,521
	Other expenses	1,556	1,844
	Depreciation	2,663,727	2,416,764
	Amortization of exploration and development expenditure	2,553,357	2,041,252
	Transfer from general and administration expenses	551,894	314,174
		11,664,917	10,154,527
	Stock of crude oil and other products:		
	Opening	85,340	55,491
	Closing	(32,404)	(85,340)
		11,717,853	10,124,678

23.1 These include amount in respect of employee benefits of Rs 261.596 million (2004 : Rs 371.814 million).

		2005	2004
24	EXPLORATION AND PROSPECTING EXPENDITURE		
	Cost of dry/abandoned wells	1,363,443	2,213,260
	Prospecting expenditure	1,307,817	1,184,647
		2,671,260	3,397,907

		2005	2004
		(Rupees '000)	
25	GENERAL AND ADMINISTRATION EXPENSES		
	Salaries, wages and benefits (25.1)	844,616	897,766
	Travelling and transportation	124,811	73,126
	Repairs and maintenance	46,899	31,316
	Stores and supplies consumed	57,132	26,365
	Rent and taxes	47,929	40,246
	Communication	42,950	44,196
	Utilities	38,316	37,071
	Training and scholarships	56,168	11,660
	Legal services	20,931	33,001
	Contract services	46,039	28,243
	Auditors' remuneration (25.2)	3,217	7,392
	Advertising	38,614	36,986
	Joint venture expenses	268,704	219,834
	Insurance	339	344
	Donations (25.3)	4,764	5,455
	Other expenses	8,781	1,845
	Aircraft expenses	28,322	7,843
	Adjustment on account of property, plant and equipment reconciliation	–	143,511
	Written back of provision against advances	–	(52,823)
	Un–allocated expenses of rigs	53,765	25,117
	Depreciation	66,304	57,529
		1,798,601	1,676,023
	Allocation of expenses to:		
	Operations	(551,894)	(314,174)
	Technical services	(316,286)	(448,359)
	Pirkoh Gas Company (Private) Limited	(107,116)	(74,672)
		(975,296)	(837,205)
		823,305	838,818

25.1 These include amount in respect of employee benefits of Rs 88.421 million (2004: Rs 184.150 million).

25.2 Auditors' remuneration:

M/s Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants:

	2005	2004
Audit fee	–	880
Half yearly review	–	300
Out of pocket expenses	–	110
Audit of consolidated financial statements	–	193
Concessions accounts audit fee	–	1,000
Tax services	–	779
Dividend certification	–	50
Initial public offer certification fee	–	307
Consultancy services – physical verification of stores	–	1,983
	–	5,602

Notes to the Financial Statements
For the year ended June 30, 2005

	2005	2004
	(Rupees '000)	
M/s Taseer Hadi Khalid & Co., Chartered Accountants:		
Audit fee	880	880
Half yearly review	300	300
Out of pocket expenses	148	110
Audit of consolidated financial statements	193	193
Dividend certification	75	–
Initial public offer certification fee	–	307
	1,596	1,790
M/s M. Yousuf Adil Saleem & Co., Chartered Accountants:		
Audit fee	880	–
Half yearly review	300	–
Out of pocket expenses	148	–
Audit of consolidated financial statements	193	–
Certification of fee payable to Oil and Gas Regulatory Authority	100	–
	1,621	–
	3,217	7,392

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

26 FINANCE COST

	2005	2004
Exchange loss	–	28,328
Bank charges	5,955	10,140
	5,955	38,468

27 OTHER INCOME

	2005	2004
Interest income	1,195,185	494,792
Interest on trade receivables	–	425,560
Interest income on long term receivables	114,192	143,237
Insurance claim received	200,942	–
Dividend income – from associated company	22,395	22,168
– from subsidiary company	250,800	–
Profit on sale of property, plant and equipment	86,427	27,345
Exchange gain	22,527	–
Gain on disposal of inventory	17,763	59,148
Land reconciliation adjustments	–	53,349
Others	67,992	88,557
	1,978,223	1,314,156

Notes to the Financial Statements

For the year ended June 30, 2005

		2005	2004
		(Rupees '000)	
28	PROVISION FOR TAXATION		
	Current – for the year (28.1)	13,414,419	7,364,452
	– for prior years	–	946,407
		13,414,419	8,310,859
	Deferred	2,637,897	(209,970)
		16,052,316	8,100,889
28.1	Reconciliation of tax charge for the year :		
	Accounting profit	49,020,216	30,515,350
	Tax rate	52.629%	52.805%
	Tax on accounting profit at applicable rate	25,798,849	16,113,507
	Tax effect of amounts/expenses that are inadmissible for tax purposes	7,062,158	5,557,520
	Tax effect of amounts/expenses that are admissible for tax purposes	(5,811,768)	(4,718,250)
	Tax effect of royalty allowed for tax purposes	(8,109,632)	(5,570,218)
	Tax effect of depletion allowance for tax purposes	(5,923,542)	(4,159,395)
	Tax effect of decommissiong cost of prior years	–	946,407
	Dividend chargeable to tax at reduced rate	13,660	1,108
	Income chargeable to tax at corporate rates	384,694	140,180
		13,414,419	8,310,859

28.2 Re–assessment proceedings for assessment years 1996–97 to 2002–03, and tax year 2003 are pending before the Taxation Officer in 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 Central Board of Revenue on the issues of decommissioning cost and depletion allowances. The Company is in appeal before the Commissioner of Income Tax (Appeals) against the assessment order passed u/s 122(5A) of the Income Tax Ordinance, 2001 that reduced the refund claimed by the Company by an amount of Rs 1,080.311 million for the tax year 2004 and also in appeal before the Income Tax Appellate Tribunal for the assessment years 1996–97 to 2002–03 and tax year 2003.

On the basis of judgment of the adjudicator and the revised assessment an amount of Rs 4,686.026 million is refundable as against the demand created by the department of Rs 346.196 million for assessment years 1992–93 to 2002–03 and tax year 2003 and 2004. The provision for taxation in the financial statements has been made in accordance with the decision of the adjudicator while the Company is planning to move an application to the CBR for resolution of the remaining issues through Alternate Dispute Resolution Committee u/s 134A of the Income Tax Ordinance, 2001. Pending decisions of the appellate authorities no provision has been recognised in the financial statements.

Notes to the Financial Statements
For the year ended June 30, 2005

29 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

29.1 Interest rate exposure

Financial assets and liabilities

	2005						2004					
	Interest / mark-up bearing with maturity				Non-interest/ mark-up bearing	Total	Interest / mark-up bearing with maturity				Non-interest/ mark-up bearing	Total
	less than one year	one to five years	more than five years	Total			less than one year	one to five years	more than five years	Total		
	(Rupees '000)											
Financial assets:												
Trade debts	–	–	–	–	18,527,574	18,527,574	–	–	–	–	13,127,338	13,127,338
Loans, advances, deposits and other receivables	–	–	–	–	990,918	990,918	–	–	–	–	668,500	668,500
Cash and bank balances	37,537,943	–	–	37,537,943	261,281	37,799,224	24,768,006	–	–	24,768,006	539,423	25,307,429
Long term loans and receivables	541,115	1,026,655	99,364	1,667,134	736,707	2,403,841	412,201	1,260,931	32,530	1,705,662	658,510	2,364,172
Investments	1,386,407	559,214	–	1,945,621	–	1,945,621	107,129	526,162	2,936	636,227	–	636,227
	39,465,465	1,585,869	99,364	41,150,698	20,516,480	61,667,178	25,287,336	1,787,093	35,466	27,109,895	14,993,771	42,103,666
Financial liabilities:												
Long term financing	–	–	–	–	14,751	14,751	–	–	–	–	14,751	14,751
Trade and other payables	–	–	–	–	13,469,443	13,469,443	–	–	–	–	4,231,385	4,231,385
Employees' retirement benefits	–	–	–	–	1,728,916	1,728,916	–	–	–	–	2,403,941	2,403,941
	–	–	–	–	15,213,110	15,213,110	–	–	–	–	6,650,077	6,650,077
Off balance sheet items:												
Capital commitments (other than LCs)	–	–	–	–	5,590,313	5,590,313	–	–	–	–	4,301,502	4,301,502
Letters of credit	–	–	–	–	2,342,852	2,342,852	–	–	–	–	1,429,691	1,429,691
Guarantees	–	–	–	–	369,933	369,933	–	–	–	–	363,069	363,069
	–	–	–	–	8,303,098	8,303,098	–	–	–	–	6,094,262	6,094,262

29.2 Effective interest rates

	2005	2004
	%	%
Bank balances	2.8 ~ 5.0	1.25 ~ 3.5
Financial assets	6.0 ~ 8.75	1.8 ~ 3.5
Loans to employees	8.22	9.23
Investments	16 ~ 18	16 ~ 18

29.3 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The Company's credit risk is primarily attributable to its trade debts and balances with banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company has no significant concentration of credit risk as the exposure is spread over a number of counter parties. Out of the total financial assets of Rs 61,667.178 million (2004: Rs 42,103.666 million), financial assets which are subject to credit risk amount to Rs 56,326.798 million (2004: Rs 38,434.770 million). To manage exposure to credit risk, the Company applies credit limits to its customers. 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.

29.4 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. Financial assets and liabilities include Rs 3,232.288 million (2004 : Rs 3,942.969 million) and Rs 290.906 million (2004 : Rs 240.725 million) respectively which are subject to currency risk.

29.5 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

29.6 Fair value of financial assets and liabilities

Financial assets and liabilities are stated at their fair value except for investments in subsidiary and associated companies.

Notes to the Financial Statements

For the year ended June 30, 2005

		2005	2004
30	EARNINGS PER SHARE		
	Net profit for the year (Rupees)	32,967,900,000	22,414,461,000
	Average number of shares outstanding	4,300,928,400	4,300,928,400
	Earnings per share – basic (Rupees)	7.67	5.21

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

31 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise subsidiary and associated companies, major shareholders, directors, companies with common directorship, key management staff and employee benefit plans. Related parties do not include relationships arising purely out of the Company being a substantially Government owned entity.

Transactions with such related parties other than remuneration to the directors, executives and chief executive of the Company under the respective terms of employment, are as follows:

	2005	2004
	(Rupees '000)	
Dividend income	273,195	22,168
Cementation services	16,111	17,500
Logistic services	–	4,485
Gas processing charges	99,906	89,243
Technical services	107,116	74,672
Reimbursement of payroll expenses	77,652	35,399
Stores, supplies and others	84,013	35,378
Rent of dehydration plant	7,126	6,921
Contribution to employee benefit schemes	160,257	152,184
Transfer of property, plant and equipment - book value	1	56

Contributions to employee benefit plans are made as per the terms of employment.

32 NUMBER OF EMPLOYEES

Total number of employees at the end of the year were as follows:

	2005	2004
Regular	11,074	9,965
Contract	634	1,907
	11,708	11,872

Contract employees include 347 (2004: 1,381) work charge employees.

Notes to the Financial Statements

For the year ended June 30, 2005

33 REMUNERATION TO CHIEF EXECUTIVES AND EXECUTIVES

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

	2005		2004	
	Chief Executives	Executives	Chief Executive	Executives
	(Rupees '000)			
Managerial remuneration	1,095	16,756	519	452,692
Housing and utilities	624	3,259	382	264,854
Other allowances and benefits	66	2,855	368	461,070
Leave encashment	–	990	–	41,871
Medical benefits	123	536	73	65,717
Contribution to pension fund	36	1,851	188	164,467
	1,944	26,247	1,530	1,450,671
Number of persons including those who worked part of the year	2	12	1	2,102

The above were provided with medical facilities and are eligible for employee benefits for which contributions are made based on actuarial valuations. The chief executives and certain executives were also provided with free use of cars.

The aggregate amount charged in these financial statements in respect of fee to 14 (2004: 10) directors was Rs 737,000 (2004: Rs 477,000).

For the purpose of above, an executive means any employee whose basic salary exceeds Rs 500,000 (2004: Rs 100,000) per annum as per revised Fourth Schedule to the Companies Ordinance, 1984 effective July 5, 2004.

34 CAPACITY AND PRODUCTION

Considering the nature of the Company's business, it is impracticable to provide the information regarding capacity.

Notes to the Financial Statements
For the year ended June 30, 2005

35 CORRESPONDING FIGURES

The Securities and Exchange Commission of Pakistan substituted the Fourth Schedule to the Companies Ordinance, 1984 vide SRO, 589(1)/2004 dated July 5, 2004, that necessitated certain rearrangements and reclassifications. Therefore, comparative figures have been rearranged, and/or reclassified, wherever necessary, for the purpose of comparison in these financial statements. Major changes made in the financial statements are as follows:

Reclassification from		Reclassification to		Nature	Amount (Rupees '000)
Note	Component	Note	Component		
	Proposed dividend		Un-appropriated profit	Required by IAS 10	5,376,161
12	Projects in progress	11	Property, plant and equipment	Revised 4th Schedule	2,045,167
12	Projects in progress	12	Exploration and development expenditure	Revised 4th Schedule	1,804,342
13	Investments in subsidiary and associated companies	13	Long term investments	Revised 4th Schedule	491,500
14	Investments held to maturity	13	Long term investments	Revised 4th Schedule	636,227
15	Long term prepayments and receivables		Long term prepayments	Revised 4th Schedule	27,715
16	Stores and spares		Stock in trade	Revised 4th Schedule	85,340
17	Trade debts-unsecured	9	Trade and other payables	Required by IAS 1	62,437
18	Loans, advances, deposits, prepayments and other receivables	17	Loans and advances	Revised 4th Schedule	1,706,448
		18	Other receivables	Revised 4th Schedule	184,249
		19	Deposits and prepayments	Revised 4th Schedule	230,050
			Interest accured	Revised 4th Schedule	84,479
		20	Advance tax	Revised 4th Schedule	4,301,295

36 GENERAL

36.1 The Board of Directors recommended final dividend at the rate of Rs 2.75 per share in their meeting held on September 19, 2005.

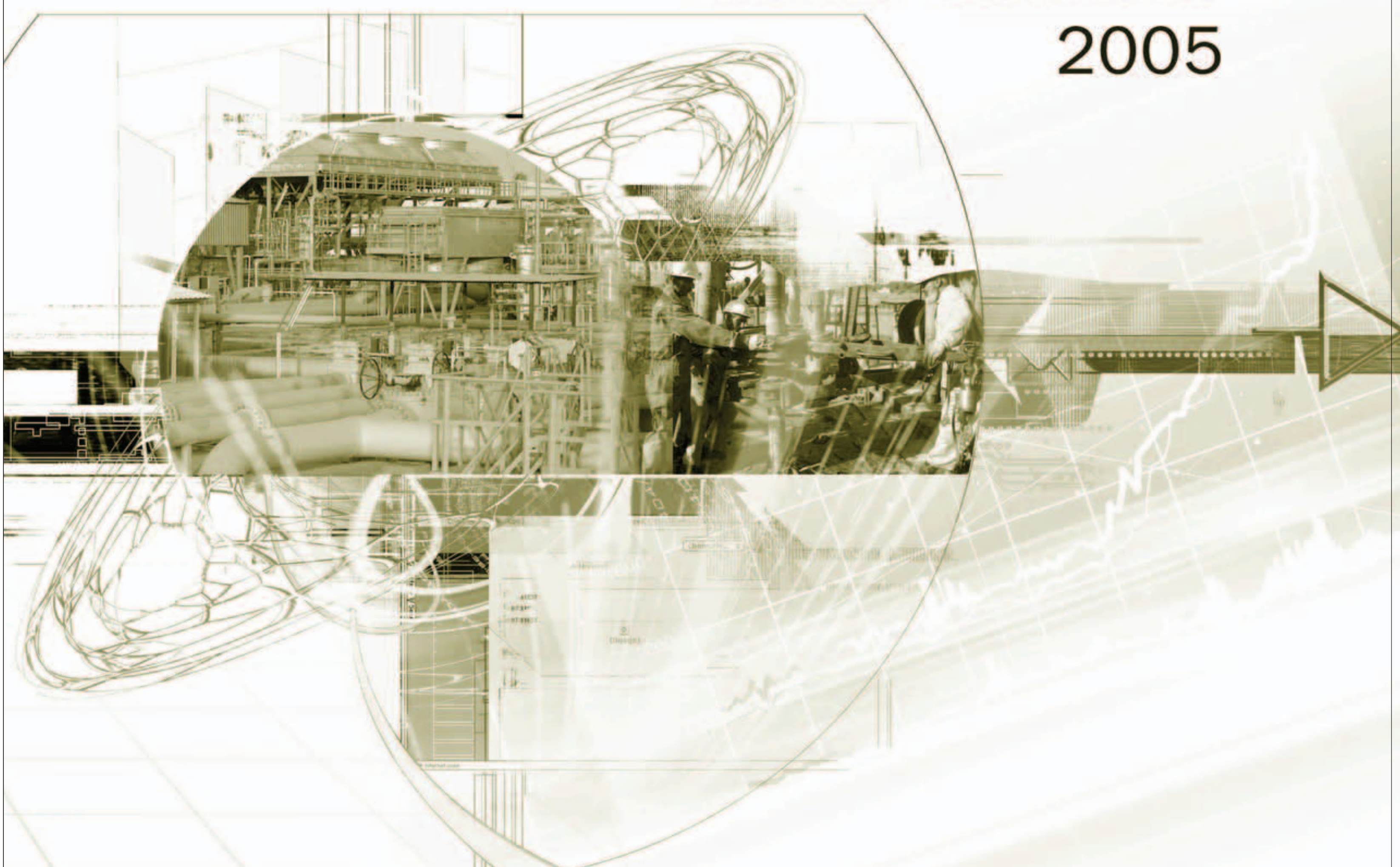
36.2 Figures have been rounded to the nearest thousand of rupees, unless otherwise stated.

36.3 These financial statements were authorized for issue by the Board of Directors in their meeting held on September 19, 2005.

Chairman

Chief Executive

Consolidated Financial Statements 2005



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Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Oil and Gas Development Company Limited ("the Parent Company") and Pirkoh Gas Company (Private) Limited ("the Subsidiary Company") as at June 30, 2005 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Oil and Gas Development Company Limited. The financial statements of the Subsidiary Company were audited by M/s Taseer Hadi Khalid & Co., Chartered Accountants as sole auditors, whose report was forwarded to M/s M. Yousuf Adil Saleem & Co., Chartered Accountants and their opinion insofar as it relates to the amounts included for such company is based solely on the report of M/s Taseer Hadi Khalid & Co., Chartered Accountants. The consolidated financial statements as of June 30, 2004, were audited by M/s Taseer Hadi Khalid & Co., Chartered Accountants and Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants whose report dated September 22, 2004 expressed an unqualified opinion on those statements.

These financial statements are the responsibility of the Parent Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of the Parent Company and its Subsidiary Company as at June 30, 2005 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

TASEER HADI KHALID & CO.
Chartered Accountants
Islamabad
September 19, 2005

M. YOUSUF ADIL SALEEM & CO.
Chartered Accountants
Islamabad
September 19, 2005

Consolidated Balance Sheet
As at June 30, 2005

	Note	2005	(Restated) 2004
		(Rupees '000)	
SHARE CAPITAL AND RESERVES			
Share capital	4	43,009,284	43,009,284
Capital reserve	4.1	836,000	836,000
Revenue reserve	5	1,995,996	1,659,614
Un-appropriated profit		44,475,756	37,682,370
		90,317,036	83,187,268
NON CURRENT LIABILITIES			
Long term financing	6	14,751	14,751
Provision for decommissioning cost	7	8,965,834	8,218,887
Deferred liabilities	8	10,659,069	9,122,342
		19,639,654	17,355,980
CURRENT LIABILITIES			
Trade and other payables	9	13,570,250	4,401,139
CONTINGENCIES AND COMMITMENTS	10	–	–
		123,526,940	104,944,387

The annexed notes 1 to 36 form an integral part of these financial statements.

Chairman

	Note	2005	(Restated) 2004
		(Rupees '000)	
FIXED ASSETS			
Property, plant and equipment	11	20,394,898	20,156,961
Exploration and development expenditure	12	24,535,703	21,837,730
Stores held for capital expenditure		802,041	734,918
		45,732,642	42,729,609
Long term investments	13	2,068,776	749,457
Long term loans and receivables	14	2,974,691	3,563,882
Long term prepayments		41,839	27,715
		50,817,948	47,070,663
CURRENT ASSETS			
Stores, spares and loose tools	15	8,032,185	8,369,456
Stock in trade		32,404	85,340
Trade debts	16	18,733,396	13,425,401
Loans and advances	17	1,733,117	2,025,096
Other receivables	18	237,344	158,385
Deposits and prepayments	19	269,678	236,345
Interest accrued		311,763	93,216
Advance tax	20	979,229	4,374,756
Cash and bank balances	21	42,379,876	29,105,729
		72,708,992	57,873,724
		123,526,940	104,944,387

Chief Executive

Consolidated Profit and Loss Account
For the year ended June 30, 2005

	Note	2005	(Restated) 2004
		(Rupees '000)	
Net sales	22	74,852,852	52,617,172
Royalty		8,254,490	5,733,537
		66,598,362	46,883,635
Operating expenses	23	12,474,525	10,549,700
Exploration and prospecting expenditure	24	2,671,260	3,397,907
Transportation charges		760,092	548,919
		15,905,877	14,496,526
		50,692,485	32,387,109
General and administration expenses	25	938,748	928,303
Finance cost	26	6,089	38,538
Workers' profit participation fund		2,592,949	1,640,593
		3,537,786	2,607,434
Operating profit		47,154,699	29,779,675
Other income	27	1,860,539	1,391,595
Share of profit in associated company		9,925	7,710
NET PROFIT BEFORE TAXATION		49,025,163	31,178,980
Provision for taxation	28	16,089,823	8,321,667
NET PROFIT AFTER TAXATION		32,935,340	22,857,313
Earnings per share - basic (Rupees)	30	7.66	5.31

The annexed notes 1 to 36 form an integral part of these financial statements.

Chairman

Chief Executive

Consolidated Cash Flow Statement

For the year ended June 30, 2005

	2005	2004
	(Rupees '000)	
Cash flows from operating activities		
Net profit before taxation	49,025,163	31,178,980
Adjustments for:		
Depreciation	2,948,834	2,692,530
Amortization of exploration and development expenditure	2,931,755	2,087,117
Royalty	8,254,490	5,733,537
Workers' profit participation fund	2,592,949	1,640,593
Provision for employee benefits	160,257	703,971
Interest income	(1,309,750)	(537,775)
Dividend income	(22,395)	(22,168)
Profit on sale of property, plant and equipment	(90,108)	(27,345)
Interest income on long term receivables	(129,203)	(177,693)
Share of profit in associated company	(9,925)	(7,710)
Write back of provision for stores, spares and loose tools	(36,394)	(238,195)
Provision for doubtful trade debts	150,565	–
Write back of provision against advances	–	(52,823)
Adjustment on account of fixed assets reconciliation	–	143,511
Land reconciliation adjustments	–	(53,349)
	64,466,238	43,063,181
Working capital changes:		
(Increase)/decrease in current assets:		
Stores, spares, loose tools and stock in trade	426,601	(1,881,987)
Trade debts	(5,458,560)	(126,902)
Deposits and prepayments	(33,333)	123,430
Loans, advances and other receivables	1,028,679	285,310
Increase/(decrease) in current liabilities		
Trade and other payables	858,841	683,630
Cash generated from operations	61,288,466	42,146,662
Royalty paid	(8,118,995)	(6,081,424)
Employee benefits paid	(205,149)	(165,648)
Workers' profit participation fund	(2,672,594)	(1,552,709)
Taxes paid	(10,115,004)	(8,989,143)
	(21,111,742)	(16,788,924)
Net cash from operating activities	40,176,724	25,357,738
Cash flows from investing activities		
Fixed capital expenditure	(8,167,033)	(4,403,754)
Interest received	1,056,900	364,791
Dividend received	22,395	22,168
Purchase of investments	(1,275,091)	–
Proceeds from sale of property, plant and equipment	90,237	27,717
Long term prepayments	(14,124)	6,314
Net cash used in investing activities	(8,286,716)	(3,982,764)
Cash flows from financing activities		
Dividends paid	(18,615,861)	(14,344,535)
Net cash used in financing activities	(18,615,861)	(14,344,535)
Increase in cash and cash equivalents	13,274,147	7,030,439
Cash and cash equivalents at beginning of year	29,105,729	22,075,290
Cash and cash equivalents at end of year	42,379,876	29,105,729

The annexed notes 1 to 36 form an integral part of these financial statements.

Chairman

Chief Executive

Consolidated Statement of Changes in Equity

For the year ended June 30, 2005

	Note	Share capital	Reserve for issue of bonus shares	Capital reserve	Revenue reserve	Unappropriated profit	(Restated) Total
		(Rupees '000)					
Balance as at June 30, 2003 as previously stated		10,752,321	32,256,963	836,000	1,363,967	26,948,257	72,157,508
Change in accounting policy with respect to dividend declared after the balance sheet date	3.2	–	–	–	–	2,903,127	2,903,127
Balance as at June 30, 2003 as restated		10,752,321	32,256,963	836,000	1,363,967	29,851,384	75,060,635
Profit for the year ended June 30, 2004		–	–	–	–	22,857,313	22,857,313
Issue of bonus shares		32,256,963	(32,256,963)	–	–	–	–
Transfer to revenue reserve		–	–	–	295,647	(295,647)	–
Final dividend 2003		–	–	–	–	(2,903,127)	(2,903,127)
First interim dividend 2004		–	–	–	–	(4,300,928)	(4,300,928)
Second interim dividend 2004		–	–	–	–	(7,526,625)	(7,526,625)
Balance as at June 30, 2004		43,009,284	–	836,000	1,659,614	37,682,370	83,187,268
Balance as at June 30, 2004 as previously stated		43,009,284	–	836,000	1,659,614	32,306,209	77,811,107
Change in accounting policy with respect to dividend declared after the balance sheet date	3.2	–	–	–	–	5,376,161	5,376,161
Balance as at June 30, 2004 as restated		43,009,284	–	836,000	1,659,614	37,682,370	83,187,268
Profit for the year ended June 30, 2005		–	–	–	–	32,935,340	32,935,340
Transfer to revenue reserve		–	–	–	336,382	(336,382)	–
Final dividend 2004		–	–	–	–	(5,376,161)	(5,376,161)
First interim dividend 2005		–	–	–	–	(6,451,393)	(6,451,393)
Second interim dividend 2005		–	–	–	–	(6,451,393)	(6,451,393)
Third interim dividend 2005		–	–	–	–	(7,526,625)	(7,526,625)
Balance as at June 30, 2005		43,009,284	–	836,000	1,995,996	44,475,756	90,317,036

The annexed notes 1 to 36 form an integral part of these financial statements.

Chairman

Chief Executive

Consolidated Notes to the Financial Statements
For the year ended June 30, 2005

1 LEGAL STATUS AND OPERATIONS

Oil and Gas Development Company Limited (OGDCL), ("the Parent Company"), was incorporated on October 23, 1997 under the Companies Ordinance, 1984. The Parent Company is deemed to own all the properties, rights, assets, obligations and liabilities of the Oil and Gas Development Corporation (OGDC) as on that date. The Parent Company is engaged in the exploration and development of oil and gas resources, including production and sale of oil and gas and related activities. During October 2003, Government of Pakistan (GoP) disinvested 5% of its shareholding in the Parent Company through an Initial Public Offering and accordingly owns 95% of the shares of the Parent Company. The Parent Company is listed on all the three stock exchanges of Pakistan.

The Parent Company has a wholly owned subsidiary namely Pirkoh Gas Company (Private) Limited ("the Subsidiary Company"). The Subsidiary Company was incorporated in 1982 as a private limited company under the Companies Ordinance, 1984. It is engaged in the exploration and development of natural gas resources, including production and sale of natural gas and related activities.

The registered offices of both the Parent and the Subsidiary Companies are located at OGDCL House, Plot No. 3, F-6/G-6, Blue Area, Islamabad, Pakistan.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards (IAS) as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.1 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Parent Company and the Subsidiary Company, together constituting "the Group". Subsidiaries are those enterprises in which the Parent Company directly or indirectly controls, beneficially owns or holds more than 50 percent of the voting securities or otherwise has power to elect and appoint more than 50 percent of its directors. The financial statements of the subsidiary are included in the consolidated financial statements from the date the control commences until the date the control ceases. The financial statements of subsidiary have been consolidated on a line by line basis. All material inter company balances, transactions and resulting unrealized profits/(losses) have been eliminated.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 ACCOUNTING CONVENTION

These financial statements have been prepared under historical cost convention except that obligations under certain employee benefits have been measured at present value and investments held to maturity have been recognized at amortized cost.

3.2 CHANGES IN ACCOUNTING POLICIES

Dividends

The Group has changed its accounting policy during the year whereby dividend is now recognized as a liability in the period in which it is declared. The change was necessitated due to substitution of Fourth Schedule to the Companies Ordinance, 1984, whereby the requirements of IAS 10, "Events after the balance sheet date", are now applicable. This change has been accounted for retrospectively and comparative financial statements have been restated in accordance with recommended benchmark treatment of IAS 8, "Net profit or loss for the period, fundamental errors and changes in accounting policies". Had there been no change, the unappropriated profit and current liabilities for the year ended June 30, 2005 would have been lower and higher by an amount of Rs 11,827.553 million (2004: Rs 5,376.161 million) respectively.

Foreign Currencies

The Group has changed its accounting policy during the year whereby all exchange differences on translation and repayment of foreign currency finances are charged to income as opposed to capitalization of exchange differences on foreign currency finance utilized for acquisition of property, plant and equipment. The change was necessitated due to substitution of Fourth Schedule to the Companies Ordinance, 1984, whereby capitalization of exchange differences is not permissible. There is no financial impact of this change in the accounting policy.

Borrowing cost

The Group has changed its accounting policy during the year whereby mark up, interest and other charges on borrowing are charged to income as opposed to capitalization of project relating borrowing costs upto the date of commissioning of the project. The change was necessitated due to substitution of Fourth Schedule to the Companies Ordinance, 1984, whereby capitalization of borrowing costs is not permissible. There is no financial impact of this change in the accounting policy.

3.3 EMPLOYEE BENEFITS

3.3.1 Pension

The Group operates an approved funded pension scheme under an independent trust for its permanent employees as a defined benefit plan. Contribution is made to pension scheme on the basis of actuarial valuations carried out at least once in every three years. The Projected Unit Credit Method is used to generate actuarial values. Contribution for the year is charged to income. Unrecognized actuarial gains or losses are amortized over the expected average remaining working lives of the participating employees.

3.3.2 Post retirement medical benefits

The Group provides post retirement medical benefits to its permanent employees and their families. Liability is provided annually on the basis of actuarial valuation carried out at least once in every three years. The Projected Unit Credit Method is used to generate actuarial values. Actuarial gains or losses are amortized over the expected average remaining working lives of the participating employees.

3.3.3 Benevolent fund

The Group used to provide post retirement benefit in respect of benevolent fund to its permanent employees at the rates agreed by the Group. However, the Group has abolished the fund with effect from July 01, 2005 and has agreed to pay the entire liability in lump sum to the existing beneficiaries on present value basis and to refund excess past contributions alongwith an interest of 8% per annum to the existing employees. Accordingly, fresh acturial valuation was obtained in respect of the Group's liability and accounted for in the books of accounts as of June 30, 2005.

3.3.4 Compensated absences

The Group has a policy whereby all its permanent employees are able to encash leave balance at the time of retirement or during the service. Liability is provided on the basis of actuarial valuation carried out atleast once in every three years. The Projected Unit Credit Method is used to generate actuarial values. Actuarial gains or losses are amortized over the expected average remaining working lives of the employees. Subsequent to year end, with effect from July 01, 2005, the scheme has been modified to the extent that employees falling under officers category are no longer entitled to encash leave balances. However, the officers are entitled to one time encashment of their past leave balances accumulated upto June 30, 2005 at any time and therefore reflected as current liability.

3.4 TAXATION

3.4.1 Current

Provision for current taxation is based on taxable income at applicable tax rates, adjusted for payments to the GoP comprising royalty and levies.

3.4.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all major temporary differences arising from differences between carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. 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.

3.5 PROPERTY, PLANT AND EQUIPMENT

Freehold land is stated at cost and leasehold land is stated at cost less accumulated amortization. Other assets are stated at cost less accumulated depreciation. Cost in relation to property, plant and equipment signifies historical cost and decommissioning costs as referred to in note 3.16. Depreciation is provided on straight line method at rates specified in note 11 to the financial statements so as to write off the cost of the assets over their estimated useful lives. Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which asset is disposed off.

The amortization of leasehold land is charged to income, while depreciation provided on assets is charged to income and/or allocated to the exploration and development expenditure incurred in relation to the creation of other assets.

Maintenance and normal repairs are charged to income as and when incurred whereas major improvements are capitalized. Gains and losses on disposal of assets are credited or charged to income in the year of disposal.

3.6 PROJECTS IN PROGRESS

Projects in progress are stated at cost less impairment loss, if any, and are transferred to the respective assets when available for intended use.

3.7 STORES HELD FOR CAPITAL EXPENDITURE

Stores held for capital expenditure are valued at lower of cost determined under the moving average basis and net realizable value.

3.8 EXPLORATION AND DEVELOPMENT EXPENDITURE

Exploration and development activities of the Parent Company are accounted for under the "successful efforts" method whereby costs of property acquisitions, successful exploratory wells and all development wells, including shut-in wells, are capitalized and amortized on unit of production method. Unsuccessful exploratory wells are charged to income when declared to be non-productive. All exploration costs other than those related to exploratory drilling are charged to revenue for the year, when incurred.

3.9 INVESTMENTS

3.9.1 Investments in associated companies

Investments in associates where significant influence can be established are stated at cost and the carrying amount is adjusted for impairment, if any, in the recoverable amounts of such investments.
Associates are those entities in which the Parent Company has significant influence and which is neither a subsidiary nor a joint venture of the Parent Company.

3.9.2 Investments held to maturity

Investments with fixed or determinable payments and fixed maturity and where the Group has positive intent and ability to hold to maturity are classified as 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.

3.10 STORES, SPARES AND LOOSE TOOLS

Stores and spares are valued at the lower of cost and net realizable value less allowance for obsolete and slow moving items. Cost is determined on the moving average basis and comprises costs 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.

3.11 STOCK IN TRADE

Stock in trade is valued at the lower of average annual cost (including appropriate production overheads) and net realizable value.

3.12 REVENUE RECOGNITION

Revenue from sales is recognized on delivery of products and/or on rendering of services to customers. 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. As a matter of prudence, the Group recognizes interest if any, on delayed payments from customers on receipt basis.

Profit and losses of associated companies are carried forward in the financial statements of the associated companies and are not accounted for in the financial statements of the Group except to the extent of dividend income from the associated companies.

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 held to maturity is recognized on time proportion basis taking into account the effective yield of such securities.

Dividend income on equity investments is recognized when the right of receipt is established.

3.13 BORROWING COST

Mark up, interest and other charges on borrowing are charged to income.

3.14 JOINT VENTURE OPERATIONS

Transactions related to joint venture operations in which the Group has a working interest are accounted for on the basis of latest available audited financial statements of the joint venture and where applicable, the cost statements received from the operator of the joint venture, for the intervening period upto the balance sheet date.

3.15 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 in foreign currencies are translated into rupees at the rate of exchange ruling on the balance sheet date with the exception of those in respect of which exchange risk cover is obtained, where these are stated at the committed rate. All exchange differences are charged against income for the year.

3.16 PROVISIONS

A provision is recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Decommissioning cost, as appropriate, relating to producing/shut-in fields and production facilities is capitalized to the cost of wells/fields and plant and machinery as the case may be. The provision for decommissioning cost is determined on the basis of the estimates provided by the in house technical staff and existing current prices. Decommissioning cost relating to wells/fields is amortized on the unit of production method and costs relating to production facilities is depreciated on straight line basis on rates mentioned in note 11.

3.17 FINANCIAL INSTRUMENTS

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

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

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be.

3.18 OFF SETTING

Financial assets and liabilities and tax assets and liabilities are set off in the balance sheet, only when the Group 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.

3.19 TRADE DEBTS

Trade debts are carried at nominal value less provision for doubtful debts, if any.

3.20 TRADE AND OTHER PAYABLES

These are stated at their nominal values.

3.21 CASH AND CASH EQUIVALENTS

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

3.22 INTANGIBLES

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Group and that the cost of such asset can also be measured reliably. An intangible asset is stated at cost less accumulated amortization and is amortized based on the pattern in which the assets' economic benefits are consumed.

3.23 SELF INSURANCE SCHEME

The Group is following a policy to set aside contingency reserve for self insurance of rigs, wells, plants, pipelines, vehicles and workmen compensation and is keeping such reserve invested in specified investments to meet any eventuality.

3.24 IMPAIRMENT

The carrying amount of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized in the profit and loss account.

3.25 RELATED PARTY TRANSACTIONS

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible.

			2005	2004
			(Rupees '000)	

4. SHARE CAPITAL

June 30, 2005 Number	June 30, 2004 Number			
1,075,232,100	1,075,232,100	Ordinary shares of Rs 10 each issued as fully paid for consideration other than cash	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

In consideration for all the properties, rights, assets, obligations and liabilities of OGDC vested in the Parent Company, 1,075,232,100 ordinary fully paid shares of Rs 10 each were issued to GoP on October 23, 1997.

Authorised share capital

5,000,000,000 (2004 : 5,000,000,000) ordinary shares of Rs 10 each.

4.1 CAPITAL RESERVE

This represents bonus shares issued by the Subsidiary Company.

5 REVENUE RESERVE

The Group has set aside a specific revenue reserve by the name of contingency reserve for self insurance of rigs, wells, plants, pipelines, workmen compensation and vehicle repair. Refer note 13.2 for investment against contingency reserve.

6 LONG TERM FINANCING

It represents the on-lent proceeds of (un-secured) credit obtained by the GoP in foreign currency from the Government of the Russian Federation (Union of Soviet Socialist Republics). The installment of principal and interest thereon is transferred to the Government fund as and when this is paid by the GoP. As per the agreement the loan carried interest @ 2.5% per annum. Repayment of installments due is pending till further instructions from the GoP, consequently no amount has been transferred to current maturity.

7 PROVISION FOR DECOMMISSIONING COST

	2005	2004
Decommissioning cost of fields and production facilities	(Rupees '000)	
Opening balance	8,218,887	5,652,173
Additional provisions made during the year including increase in existing provision	746,947	2,566,714
	8,965,834	8,218,887
The above provision for decommissioning cost is analyzed as follows:		
Fields	8,334,666	7,914,708
Production facilities	631,168	304,179
	8,965,834	8,218,887

The expected outflow of economic resources to settle this liability is upto 25 years.

Consolidated Notes to the Financial Statements
For the year ended June 30, 2005

	2005	2004
	(Rupees '000)	
8 DEFERRED LIABILITIES		
Deferred taxation (8.1)	9,315,312	6,718,401
Post retirement medical benefits (8.2)	760,331	748,708
Compensated absences (8.3)	583,426	1,013,233
Benevolent fund (8.4)	–	642,000
	10,659,069	9,122,342

8.1 Deferred taxation

	2005	2004
The balance of deferred tax is in respect of following temporary differences:		
Accelerated depreciation on property, plant and equipment	2,365,623	1,673,894
Accelerated amortization of exploration and development expenditure	6,949,689	5,378,863
Provision for benevolent fund	–	(89,430)
Provision for obsolete, slow moving items and other adjustments	–	(244,926)
	9,315,312	6,718,401

Deferred tax liability has been calculated at the estimated effective tax rate of 32.51% (2004: 29.81%) after taking into account availability of depletion allowance and set offs where available in respect of royalty payment to the GoP.

8.2 Post retirement medical benefits

	2005	2004
Movements in the liability recognized in the balance sheet		
Balance at beginning of the year	748,708	731,714
Charge for the year	26,323	30,458
Benefits paid during the year	(14,700)	(13,464)
Net liability at end of the year	760,331	748,708
Reconciliation of the liability recognized in the balance sheet		
Present value of defined benefit obligation	450,173	457,962
Net actuarial gains not recognized	310,158	290,746
Net liability at end of the year	760,331	748,708
Particulars of charge for the year		
Current service cost	18,761	21,885
Interest cost	32,057	30,920
Actuarial gains recognized	(24,495)	(22,347)
	26,323	30,458

The latest actuarial valuation was carried out as at June 30, 2005. The rate of discount, medical cost increase and expected inflation were assumed at 10%, 6% and 2% per annum respectively.

Consolidated Notes to the Financial Statements

For the year ended June 30, 2005

		2005	2004
		(Rupees '000)	
8.3 Compensated absences			
Present value of defined benefit obligation		1,013,233	931,044
Charge for the year		243,646	82,189
Liability at end of the year		1,256,879	1,013,233
Payable to officers transferred to current liabilities	(8.3.1)	(673,453)	–
		583,426	1,013,233

The liability provided for during the year is based on the latest actuarial valuation carried out as at June 30, 2005. The rate of discount and salary increase were assumed at 10% per annum.

8.3.1 Pursuant to a decision made by the Board of Directors of the Group, the employees falling under the officers' category are allowed one time encashment in respect of leaves balance accumulated upto June 30, 2005. Accordingly, the actual amount payable to officers' for their accumulated balance of leaves as on June 30, 2005 has been transferred to current liabilities. For future periods officers are no longer entitled to encash their unavailed leaves balance.

8.4 Benevolent fund

The Parent Company had been operating OGDC Employees Benevolent Fund since 1983 primarily on the basis of agreement with the Collective Bargaining Agent (CBA). In accordance with the rules, contributions were to be made by the employees together with a defined fixed contribution from the Parent Company. Pursuant to an actuarial valuation and legal advice obtained last year, provision was recognized in 2004. However effective July 01, 2005, the scheme has been abolished and benevolent fund is payable to all beneficiaries in lump sum on present value basis and excess past contribution of all existing participating employees is to be refunded along with interest @ 8% per annum. Accordingly, based on fresh actuarial valuation current liability aggregating to Rs 336.119 million has been created in these financial statements, which represents total amount payable to fund whereas excess provision has been written back.

	2005	(Restated) 2004
	(Rupees '000)	
9 TRADE AND OTHER PAYABLES		
Creditors	305,828	199,610
Accrued liabilities	1,355,815	1,490,718
Royalty	724,564	589,069
Excise duty	103,497	103,890
General sales tax	990,648	–
Payable to joint venture partners	1,060,659	1,250,777
Retention money	315,798	262,234
Un-paid dividend	7,533,464	2,767
Un-claimed dividend	42,392	383,378
Employees' pension trust (9.1)	49,040	43,320
Compensated absences-current portion	673,453	–
Payable to benevolent fund (note 8.4)	336,119	–
Advances from customers	45,755	67,238
Other payables	33,218	8,138
	13,570,250	4,401,139

	2005	2004
	(Rupees '000)	
9.1 Employees' pension trust		
Movements in the liability recognized in the balance sheet		
Balance at the beginning of the year	43,320	(95,820)
Charge for the year	196,169	291,324
Payments to the fund made during the year	(190,449)	(152,184)
Balance at end of the year	49,040	43,320
Reconciliation of the liability recognized in the balance sheet		
Present value of defined benefit obligation	7,543,651	6,325,301
Fair value of plan assets	(7,543,484)	(7,423,308)
Net actuarial gains not recognized	48,873	1,141,327
Net liability at end of the year	49,040	43,320
Particulars of charge for the year		
Current service cost	312,929	277,537
Interest cost	442,772	326,293
Expected return on plan assets	(519,632)	(329,748)
Actuarial (gains)/losses recognized	(39,900)	17,242
	196,169	291,324

The latest actuarial valuation was carried out as at June 30, 2005 using Projected Unit Credit Method. The discount rate for valuation, expected return on plan assets, and salary increases were assumed to average 10% per annum and pension increase was assumed at 3% per annum (2004: discount rate and average salary increase 7% and pension 3% per annum). Actual return on plan assets during the year was Rs 834 million (2004: Rs 720 million).

10 CONTINGENCIES AND COMMITMENTS

10.1 Claims against the Parent Company not acknowledged as debts amounted to Rs 2,620.380 million (2004 : Rs 4,328.675 million). These include net liquidated damages aggregating to Rs 2,148.880 million (2004 : Rs 2,148.880 million) claimed by a customer related to minimum supply of gas, disputed by the Parent Company.

10.2 Capital commitments outstanding against the Parent Company amounted to Rs 5,590.313 million (2004 : Rs 4,301.502 million). These include amounts aggregating to Rs 1,891.604 million (2004 : Rs 2,488.605 million) representing OGDCL's share in the minimum work commitments related to operated/non-operated concessions.

10.3 Letters of credit issued by various banks outstanding against the Parent Company at the year end amount to Rs 2,342.852 million (2004 : Rs 1,429.691 million).

10.4 Certain banks have issued guarantees aggregating Rs 369.933 million (2004 : Rs 363.069 million) on behalf of the Parent Company in the ordinary course of business.

10.5 For contingencies relating to tax matters, refer to note 28.2 .

Consolidated Notes to the Financial Statements

For the year ended June 30, 2005

11 PROPERTY, PLANT AND EQUIPMENT

DESCRIPTION	Cost				Rate of depreciation (%)	Depreciation				Book value as at June 30, 2005
	As at July 1, 2004	adjustments/ transfers	Additions/ (deletions)	As at June 30, 2005		As at July 1, 2004	Adjustments	Charge for the year/(on deletions)	As at June 30, 2005	
	(Rupees '000)					(Rules' 000)				
Freehold land	160,178	(30,229)	9,070	139,019	–	–	–	–	–	139,019
Leasehold land	347,167	11,072	4,787	363,026	1 – 3.3	102,959	143	12,761	115,863	247,163
Buildings, offices and roads on freehold land	1,516,787	(1,285)	180,658	1,696,160	2.5~8	265,734	–	101,236	366,970	1,329,190
Buildings, offices and roads on leasehold land	749,312	(9,787)	10,908	750,433	2.5~8	229,378	(143)	54,260	283,495	466,938
Plant and machinery	32,141,231	–	2,972,072	35,054,142	10	18,362,952	–	2,423,459	20,727,272	14,326,870
			(59,161)					(59,139)		
Rigs	632,745	–	103,959	734,984	10	556,174	–	17,353	571,816	163,168
			(1,720)					(1,711)		
Pipelines	3,966,452	–	327,901	4,294,353	10	2,355,536	–	374,042	2,729,578	1,564,775
Rolling stock	1,933,840	–	223,629	2,110,625	20	1,821,773	–	59,907	1,834,932	275,693
			(46,844)					(46,748)		
Office and domestic equipment	323,493	870	44,847	369,208	15	281,028	–	13,113	294,141	75,067
			(2)					–		
Office and technical data computers	380,514	–	40,589	421,103	30	349,694	–	34,507	384,201	36,902
Furniture and fixtures	44,992	(870)	13,653	57,775	15	16,851	–	4,283	21,134	36,641
Aircraft	19,855	–	–	19,855	10	17,869	–	–	17,869	1,986
	42,216,566	(30,229)	3,932,073	46,010,683		24,359,948	–	3,094,921	27,347,271	18,663,412
			(107,727)					(107,598)		
Capital work in progress (11.3)	2,045,167	–	960,698	1,179,290	–	–	–	–	–	1,179,290
			(1,826,575)							
Decommissioning cost	304,179		326,989	631,168	1 ~ 10	49,003	–	29,969	78,972	552,196
2005	44,565,912	(30,229)	3,393,185	47,821,141		24,408,951	–	3,124,890	27,426,243	20,394,898
			(107,727)					(107,598)		
2004	42,229,830	(355,711)	2,764,131	44,565,912		21,861,683	(212,200)	2,831,434	24,408,951	20,156,961
			(72,338)					(71,966)		

11.1 Cost and accumulated depreciation as at June 30, 2005 include Rs 10,427.109 million (2004 : Rs 9,357.51 million) and Rs 5,261.775 million (2004 : Rs 4,755.58 million) respectively being the Parent Company's share in property, plant and equipment relating to joint ventures operated by others.

11.2 Depreciation expense for the year has been allocated to :

	2005	2004
	(Rupees '000)	
Operating expenses (note 23)	2,882,530	2,635,001
General and administration expenses (note 25)	66,304	57,529
Technical services	176,056	138,904
	3,124,890	2,831,434

Consolidated Notes to the Financial Statements

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	2005	2004
	(Rupees '000)	
11.3 Capital works in progress		
Production facilities and other civil works in progress:		
Wholly owned	869,693	1,815,386
Joint ventures	273,341	186,936
	1,143,034	2,002,322
Construction cost of field offices and various bases/offices owned by the Parent Company	36,256	42,845
	1,179,290	2,045,167

11.4 Detail of fixed assets disposed off during the year:

Description of assets disposed off	Cost	Book Value	Sales price	Mode of disposal
	(Rupees '000)			
Vehicles sold to employees on retirement	2,859	12	261	Sold to retiring employees, as per the group policy
Share in Dhurnal LPG Plant	43,325	–	62,566	Sold to joint venture partner M/s Orient Petroleum Inc. on value determined by third party
Aggregate of other items of property, plant and equipment with individual book value not exceeding Rs 50,000	61,543	117	27,410	Sold through public auction
2005	107,727	129	90,237	
2004	72,338	372	27,717	

Consolidated Notes to the Financial Statements
For the year ended June 30, 2005

12 EXPLORATION AND DEVELOPMENT EXPENDITURE

	Cost			Amortization			Book value
	As at July 1, 2004	Additions/ (deletions)	As at June 30, 2005	As at July 1, 2004	For the year	As at June 30, 2005	As at June 30,2005
				(Rupees '000)			
DRILLING COST							
Producing fields							
Wholly owned	13,622,378	1,480,929	15,103,307	8,792,473	832,624	9,625,097	5,478,210
Joint ventures	12,268,615	2,427,529	14,696,144	4,396,912	1,258,447	5,655,359	9,040,785
	25,890,993	3,908,458	29,799,451	13,189,385	2,091,071	15,280,456	14,518,995
Shut–in–fields							
Wholly owned	719,397	183,499	902,896	100,523	570	101,093	801,803
Joint ventures	739,871	703,184	1,443,055	27,070	–	27,070	1,415,985
	1,459,268	886,683	2,345,951	127,593	570	128,163	2,217,788
	27,350,261	4,795,141	32,145,401	13,316,978	2,091,641	15,408,619	16,736,783
Wells in progress (12.1)	1,804,342	6,573,212 (6,158,583)	2,218,971	–	–	–	2,218,971
Total drilling cost	29,154,603	5,209,770	34,364,373	13,316,978	2,091,641	15,408,619	18,955,754
Decommissioning cost	7,914,708	419,958	8,334,666	1,914,603	840,114	2,754,717	5,579,949
2005	37,069,311	5,629,728	42,699,039	15,231,581	2,931,755	18,163,336	24,535,703
2004	32,192,890	11,471,210 (6,594,789)	37,069,311	13,144,464	2,087,117	15,231,581	21,837,730

	2005	2004
	(Rupees '000)	
12.1 Wells in progress		
Wholly owned	788,869	737,836
Joint ventures	1,430,102	1,066,506
	2,218,971	1,804,342

Consolidated Notes to the Financial Statements
For the year ended June 30, 2005

		Note	2005	2004
			(Rupees '000)	
13	LONG TERM INVESTMENTS			
	Investments in related parties	13.1	123,155	113,230
	Investments held to maturity	13.2	1,945,621	636,227
			2,068,667	749,457
13.1	Investments in related parties			
	Associated company - quoted			
	Mari Gas Company Limited		113,230	105,520
	Percentage holding 20%			
	7,350,000 fully paid ordinary shares of Rs 10 each			
	Market value Rs 1,430.678 million (2004 : Rs 609.683 million)			
	Share of profit for the year		32,320	29,878
	Dividend received		(22,395)	(22,168)
			9,925	7,710
			123,155	113,230
13.2	Investments held to maturity			
	Defence saving certificates (DSCs)	13.2.1	622,684	636,227
	Term deposit receipts (TDRs)	13.2.2	1,322,937	–
			1,945,621	636,227

13.2.1 Face value of investments in DSCs is Rs 170.389 million (2004: Rs 195.298 million). These carry effective interest rates ranging between 16% to 18% per annum and are due to mature in periods ranging between 2005 to 2009.

13.2.2 Face value of investments in TDRs is Rs 1,300 million (2004: nil). These carry effective interest rates of 7% and are due to mature in 2006.

Investments amounting to Rs 1,386.407 million (2004: Rs 107.129 million) 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.

These investments are against amounts set aside for contingency reserve (note 5).

		Note	2005	2004
			(Rupees '000)	
14	LONG TERM LOANS AND RECEIVABLES			
	Long term loans	14.1	815,781	685,826
	Long term receivable -unsecured	14.2	2,158,910	2,878,056
			2,974,691	3,563,882

14.1 Long term loans

	2005	2004
Long term loans, considered good:		
Executives	262	574
Other employees	947,705	789,793
	947,967	790,367
Current portion of long term loans (note 17)	(132,186)	(104,541)
	815,781	685,826

14.1.1 Reconciliation of carrying amount of loans to executives and other employees:

	Balance as at July 1, 2004	Disbursements during the year	Repayments during the year	Balance as at June 30, 2005
		(Rupees '000)		
Due from:				
Executives	574	–	312	262
Other employees	789,793	303,869	145,957	947,705
	790,367	303,869	146,269	947,967

The above loans are granted to the employees of the Parent Company in accordance with the service rules. House building and conveyance loans are for maximum periods of 15 and 5 years respectively. These loans are secured against the underlying assets. Included in these are loans of Rs 736.707 million (2004: Rs 658.610 million) which carry no interest. The balance amount carries an interest rate of 8.22% (2004 : 9.23%) per annum.

The maximum amount due from executives at the end of any month during the year was Rs 0.574 million (2004: Rs 0.680 million).

	2005	2004
	(Rupees '000)	
14.2 Long term receivables		
Long term receivable -unsecured	3,198,675	4,047,025
Allowance for impairment	(191,415)	(320,619)
	3,007,260	3,726,406
Current portion (note 17)	(848,350)	(848,350)
	2,158,910	2,878,056

Long term receivables represent the amount receivable by the Parent Company from WAPDA on account of overdue balances of gas companies transferred to WAPDA as a result of inter-corporate debt adjustment approved by the Government of Pakistan in April, 1999. Pursuant to the Economic Coordination Committee of Cabinet (ECC) decision in November 2001 and waiver of interest by the President of Pakistan in June 2002, the Parent Company entered into agreements with three power generating companies namely Jamshoro Power Generation Company, The Central Power Generation Company and Northern Power Generation Company on 1st July 2002. The receivable carries no interest and is repayable in 5 years with one year grace period and is secured against WAPDA guarantee.

An amount of Rs 1,213.875 million (2004 : Rs 1,400.625 million) and Rs 384.600 million (2004 : Rs 512.800 million) included in the above represents amount receivable by the Subsidiary Company from Karachi Electric Supply Corporation Limited (KESC) and WAPDA respectively as a result of the inter - corporate adjustment pursuant to the Economic Coordination Committee of the Cabinet (ECC) in February 1999. The amount from KESC is receivable in 32 equal quarterly installments of Rs 46.687 million each commencing from February 2004, while receivable from WAPDA is due in 10 equal semi annual installments of Rs 64 million starting from July 2003.

In accordance with IAS 39 "Financial Instruments : Recognition and Measurement" an impairment loss has been recognized on this receivable which is the difference between the carrying amount and present value of expected future cash flows discounted at 7.5% which is the imputed rate for interest calculation.

		2005	2004
		(Rupees '000)	
15	STORES, SPARES AND LOOSE TOOLS		
	Stores, spares and loose tools	8,561,445	8,527,939
	Stores and spares in transit	291,851	662,628
		8,853,296	9,190,567
	Provision for obsolete and slow moving items	(821,111)	(821,111)
		8,032,185	8,369,456
16	TRADE DEBTS		
	Trade debts - un-secured, considered good	20,655,690	15,289,155
	Trade debts - un-secured, considered doubtful	177,737	27,172
		20,833,427	15,316,327
	Un-recognised billing	(1,922,294)	(1,863,754)
		18,911,133	13,452,573
	Provision for doubtful debts	(177,737)	(27,172)
		18,733,396	13,425,401

16.1 Trade debts include balances aggregating to Rs 4.071 billion (2004 : Rs 4.013 billion) which have been withheld by Uch Power Limited (UPL) against claims for damages related to minimum supply of gas. The Parent Company has, pending resolution of the matter, un-recognized billing of Rs 1.922 billion (2004 : Rs 1.864 billion) against the amounts withheld, whereas the balance relates to liquidated damages which have been contested by the Parent Company. GoP constituted a committee to resolve this matter, however, pending acceptability of committee's proposals by both parties no agreement has been reached till June 30, 2005.

Consolidated Notes to the Financial Statements
For the year ended June 30, 2005

		2005	2004
		(Rupees '000)	
17	LOANS AND ADVANCES		
	Advances considered good:		
	Suppliers and contractors	220,432	679,820
	Joint venture partners	473,338	294,331
	Employees	58,811	98,054
		752,581	1,072,205
	Advances considered doubtful	271,049	271,049
	Current portion of long term loans	132,186	104,541
	Current portion of long term receivables	848,350	848,350
		2,004,166	2,296,145
	Provision against doubtful advances	(271,049)	(271,049)
		1,733,117	2,025,096
18	OTHER RECEIVABLES		
	Development surcharge	76,417	72,425
	Claims receivable	14,711	7,654
	Workers' profit participation fund (18.1)	121,166	41,521
	Other receivables	25,050	36,785
		237,344	158,385
	18.1 Workers' profit participation fund		
	Receivable at beginning of the year	41,521	129,405
	Paid to the fund during the year	2,672,594	1,552,709
		2,714,115	1,682,114
	Expense for the year	(2,592,949)	(1,640,593)
	Receivable at end of the year	121,166	41,521
19	DEPOSITS AND PREPAYMENTS		
	Deposits	7,196	6,924
	Prepayments	262,482	229,421
		269,678	236,345
20	ADVANCE TAX		
	Advance income tax (20.1)	979,229	4,357,137
	General sales tax	–	17,619
		979,229	4,374,756
	20.1 Balance at beginning of the year	4,357,137	3,696,476
	Advance tax paid during the year	10,115,004	8,989,143
	Provision for taxation for the year-current	(13,492,912)	(8,328,482)
	Balance at end of the year	979,229	4,357,137
21	CASH AND BANK BALANCES		
	Cash at bank:		
	Deposit accounts (includes foreign currency deposits of US $ 53,760,958), (2004: US $ 37,014,955)	42,099,366	28,557,080
	Current accounts	239,236	481,318
	Cash in hand	36,723	35,476
	Cash in transit	4,551	31,855
		42,379,876	29,105,729

Deposit accounts carry interest @ 2.8 ~ 8.75% (2004 : 1.25 ~ 3.5%). Deposits of Rs 369.933 million (2004 : Rs 363.069 million) with banks were under lien to secure bank guarantees issued by the banks.

Consolidated Notes to the Financial Statements
For the year ended June 30, 2005

		2005	2004
		(Rupees '000)	
22	NET SALES		
	Gross sales		
	Crude oil	32,295,453	17,655,535
	Gas	49,572,291	40,046,887
	Liquefied petroleum gas	2,443,667	1,880,840
	Naphtha	2,046,651	1,365,499
	Solvent oil	88,343	95,098
	Kerosene oil	504,268	416,230
	High speed diesel oil	237,380	188,935
	Sulphur	207,622	134,313
	Other operating revenue (22.1)	61,526	10,635
		87,457,201	61,793,972
	Government levies		
	Excise duty	(1,475,703)	(1,306,886)
	Development surcharge	(78,718)	(191,740)
	General sales tax	(11,049,928)	(7,678,174)
		(12,604,349)	(9,176,800)
	Net sales	74,852,852	52,617,172
22.1	Other operating revenue		
	Geophysical services	58,410	1,271
	Engineering services	926	2,638
	Mud engineering services	2,190	6,726
		61,526	10,635

Consolidated Notes to the Financial Statements
For the year ended June 30, 2005

		2005	2004
		(Rupees '000)	
23	OPERATING EXPENSES		
	Salaries, wages and benefits (23.1)	1,988,285	1,982,220
	Travelling and transportation	242,786	205,210
	Repairs and maintenance	709,407	310,102
	Stores and supplies consumed	566,214	479,962
	Rent and taxes	107,286	120,819
	Insurance	204,406	347,671
	Communication	37,911	38,452
	Utilities	18,656	14,469
	Land and crops compensation	117,494	85,292
	Contract services	376,612	385,015
	Joint venture expenses	1,181,247	1,214,816
	Desalting, decanting and naphtha storage charges	146,961	146,366
	Welfare of locals at fields	161,583	77,834
	Provision for doubtful trade debts	150,565	–
	Write back of provision for stores, spares and loose tools	(36,394)	(238,195)
	Write back of provision for benevolent fund	(305,881)	–
	Workover charges	386,664	371,320
	Other expenses	1,608	1,904
	Depreciation	2,882,530	2,635,001
	Amortization of exploration and development expenditure	2,931,755	2,087,117
	Transfer from general and administration expenses	551,894	314,174
		12,421,589	10,579,549
	Stock of crude oil and other products:		
	Opening	85,340	55,491
	Closing	(32,404)	(85,340)
		12,474,525	10,549,700

23.1 These include amount in respect of employee benefits of Rs 286.160 million (2004 : Rs 388.703 million).

24	EXPLORATION AND PROSPECTING EXPENDITURE		
	Cost of dry / abandoned wells	1,363,443	2,213,260
	Prospecting expenditure	1,307,817	1,184,647
		2,671,260	3,397,907

Consolidated Notes to the Financial Statements
For the year ended June 30, 2005

		2005	2004
		(Rupees '000)	
25	GENERAL AND ADMINISTRATION EXPENSES		
	Salaries, wages and benefits (25.1)	852,153	910,688
	Travelling and transportation	124,811	73,203
	Repairs and maintenance	46,899	31,316
	Stores and supplies consumed	57,167	26,499
	Rent and taxes	48,528	40,850
	Communication	42,950	44,498
	Utilities	38,316	37,071
	Training and scholarships	56,168	11,660
	Legal services	20,931	33,001
	Contract services	46,071	28,306
	Auditors' remuneration (25.2)	3,341	8,079
	Advertising	38,614	36,986
	Joint venture expenses	268,704	219,834
	Insurance	339	344
	Donations (25.3)	4,764	5,455
	Other expenses	8,781	1,869
	Aircraft expenses	28,322	7,843
	Adjustment on account of property, plant and equipment reconciliation	–	143,511
	Write back of provision against advances	–	(52,823)
	Un–allocated expenses of rigs	53,765	25,117
	Depreciation	66,304	57,529
		1,806,928	1,690,836
	Allocation of expenses to:		
	Operations	(551,894)	(314,174)
	Technical services	(316,286)	(448,359)
		(868,180)	(762,533)
		938,748	928,303

25.1 These include amount in respect of employee benefits of Rs 88.903 million (2004: Rs 185.791 million).

25.2 Auditors' remuneration :

	2005	2004
M/s Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants:		
Audit fee	–	990
Half yearly review	–	300
Out of pocket expenses	–	124
Audit of consolidated financial statements	–	250
Concessions accounts audit fee	–	1,000
Tax services	–	909
Initial public offer certification fee	–	250
Dividend certification	–	50
Consultancy services–physical verification of stores	–	2,416
	–	6,289

	2005	2004
	(Rupees '000)	
M/s Taseer Hadi Khalid & Co., Chartered Accountants:		
Audit fee	990	880
Half yearly review	300	300
Out of pocket expenses	162	110
Audit of consolidated financial statements	193	193
Dividend certification	75	–
Initial public offer certification fee	–	307
	1,720	1,790
M/s M. Yousuf Adil Saleem & Co., Chartered Accountants:		
Audit fee	880	–
Half yearly review	300	–
Out of pocket expenses	148	–
Audit of consolidated financial statements	193	–
Certification of fee payable to Oil and Gas Regulatory Authority (OGRA)	100	–
	1,621	–
	3,341	8,079

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

26 FINANCE COST

	2005	2004
Exchange loss	–	28,287
Interest on workers' profit participation fund	125	–
Bank charges	5,964	10,251
	6,089	38,538

27 OTHER INCOME

	2005	2004
Interest income	1,309,750	537,775
Interest on trade receivables	–	425,560
Interest income on long term receivables	129,203	177,693
Insurance claim received	200,942	–
Dividend income–from associated company	22,395	22,168
Profit on sale of property, plant and equipment	90,108	27,345
Exchange gain	22,556	–
Gain on disposal of inventory	17,593	59,148
Land reconciliation adjustments	–	53,349
Others	67,992	88,557
	1,860,539	1,391,595

	2005	2004
	(Rupees '000)	
28 PROVISION FOR TAXATION		
Current – for the year (28.1)	13,492,912	7,382,075
– for prior years	–	946,407
	13,492,912	8,328,482
Deferred	2,596,911	(6,815)
	16,089,823	8,321,667
28.1 Reconciliation of tax charge for the year :		
Accounting profit	49,025,163	31,178,980
Tax rate	52.8744%	52.7330%
Tax on accounting profit at applicable rate	25,921,759	16,441,467
Tax effect of amounts / expenses that are inadmissible for tax purposes	7,433,186	5,810,129
Tax effect of amounts / expenses that are admissible for tax purposes	(6,034,649)	(5,103,861)
Tax effect of royalty allowed for tax purposes	(8,254,490)	(5,667,697)
Tax effect of depletion allowance for tax purposes	(6,015,928)	(4,256,874)
Tax effect of decommissiong cost of prior years	–	946,407
Dividend chargeable to tax at reduced rate	13,660	1,108
Income chargeable to tax at corporate rates	429,374	157,803
	13,492,912	8,328,482

28.2 Parent company

Re-assessment proceedings for assessment years 1996-97 to 2002-03 and tax year 2003 are pending before the Taxation Officer in the light of the order of the Commissioner of Income Tax (Appeals) and decision of the adjudicator appointed by both the Parent Company as well as the Central Board of Revenue (CBR) on the issues of decommissioning cost and depletion allowances. The Parent Company is in appeal before the Commissioner of Income Tax (Appeals) against the assessment order passed u/s 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2004 and also in appeal before the Income Tax Appellate Tribunal for the assessment years 1996-97 to 2002-03 and tax year 2003.

On the basis of judgement of the adjudicator and the revised assessment an amount of Rs 4,686.026 million is refundable as against the demand created by the department of Rs 346.196 million for assessment years 1992-93 to 2002-03 and tax year 2003 and 2004. The provision for taxation in the financial statements has been made in accordance with the decision of the adjudicator while the Parent Company is planning to move application to the CBR for resolution of the remaining issues through Alternate Dispute Resolution Committee u/s 134A of the Income Tax Ordinance, 2001. Pending decisions of the appellate authorities no provision has been recognized in the financial statements.

Subsidiary Company

While framing assessment for the year 2002-03, the tax authorities have disallowed decommissioning cost, provision for slow moving and obsolete items and recalculated depletion allowance on the basis of net receipts instead of gross receipts as claimed by the Subsidiary Company. The net tax effect of above comes to Rs 315.178 million which has been adjusted against determined refunds of the Subsidiary Company. Subsidiary Company's appeal is pending before Commissioner of Income Tax (Appeals). Further the tax authorities in framing re-assessment for assessment year 2001-02 have again calculated the depletion allowance on the basis of net receipts instead of gross receipts as claimed by the Subsidiary Company, the net tax effect of which comes to Rs 66.212 million. Pending the outcome of these appeals no provision has been made in these financial statements for the demand, since there is a reasonably fair chance that the appeal will be decided in favour of the Subsidiary Company.

The Subsidiary Company is in appeal before Lahore High Court, Rawalpindi Bench against an order of Income Tax Appellate Tribunal relating to assessment year 1995-96. By virtue of the said Appellate order, the Subsidiary's taxability has been confirmed at the rate applicable to a private limited company resulting in a net tax exposure of Rs 178.20 million. The legal counsel of the Subsidiary Company is of the view that keeping in view assessed history of the Subsidiary Company the case is likely to be decided in the Subsidiary's favour.

29 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

29.1 Interest rate exposure

Financial assets and liabilities

	2005						2004					
	Interest / mark–up bearing with maturity				Non–interest/ mark–up bearing	Total	Interest / mark–up bearing with maturity				Non–interest/ mark–up bearing	Total
	less than one year	one to five years	more than five years	Total			less than one year	one to five years	more than five years	Total		
	(Rupees '000)											
Financial assets:												
Trade debts	–	–	–	–	18,733,396	18,733,396	–	–	–	–	13,362,964	13,362,964
Loans, advances, deposits and other receivables	–	–	–	–	1,332,060	1,332,060	–	–	–	–	425,081	425,081
Interest accrued	–	–	–	–	311,763	311,763	–	–	–	–	93,216	93,216
Cash and bank balances	42,099,366	–	–	42,099,366	280,510	42,379,876	28,557,080	–	–	28,557,080	548,649	29,105,729
Long term loans and receivables	832,698	2,193,082	192,740	3,218,520	736,707	3,955,227	856,922	2,594,993	32,530	3,484,445	658,510	4,142,955
Investments	1,386,407	559,214	–	1,945,621	123,155	2,068,776	107,129	526,162	2,936	636,227	–	636,227
	44,318,471	2,752,296	192,740	47,263,507	21,517,591	68,781,098	29,521,131	3,121,155	35,466	32,677,752	15,088,420	47,766,172
Financial liabilities												
Long term financing	–	–	–	–	14,751	14,751	–	–	–	–	14,751	14,751
Trade and other payables	–	–	–	–	13,521,210	13,521,210	–	–	–	–	4,228,144	4,228,144
Employees' retirement benefits	–	–	–	–	1,392,797	1,392,797	–	–	–	–	2,447,261	2,447,261
	–	–	–	–	14,928,758	14,928,758	–	–	–	–	6,690,156	6,690,156
Off balance sheet items												
Capital commitments (other than LCs)	–	–	–	–	5,590,313	5,590,313	–	–	–	–	4,301,502	4,301,502
Letters of credit	–	–	–	–	2,342,852	2,342,852	–	–	–	–	1,429,691	1,429,691
Guarantees	–	–	–	–	369,933	369,933	–	–	–	–	363,069	363,069
	–	–	–	–	8,303,098	8,303,098	–	–	–	–	6,094,262	6,094,262

29.2 Effective interest rates

	2005	2004
	%	%
Bank balances	2.8 ~ 5.0	1.25 ~ 3.50
Financial assets	6.0 ~ 8.75	1.8 ~ 3.5
Loans to employees	8.22	9.23
Investments	16 ~ 18	16 ~ 18

29.3 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The Group's credit risk is primarily attributable to its trade debts and balances with banks . The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Group has no significant concentration of credit risk as the exposure is spread over a number of counter parties. Out of the total financial assets of Rs 68,781.098 million (2004: Rs 47,766.172 million), financial assets which are subject to credit risk amount to Rs 61,113.272 million (2004: Rs 43,104.920 million). To manage exposure to credit risk, the Group applies credit limits to its customers. Trade debts are essentially due from oil refining companies, oil and gas marketing companies and power generation companies and the Group does not expect these companies to fail to meet their obligations.

29.4 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. Financial assets and liabilities include Rs 3,241.278 million (2004 : Rs 3,942.969 million) and Rs 290.906 million (2004 : Rs 240.725 million) respectively which are subject to currency risk.

29.5 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Group follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

29.6 Fair value of financial assets and liabilities

Financial assets and liabilities are stated at their fair value except for investments in associated companies.

30 EARNINGS PER SHARE - BASIC

	2005	2004
Net profit for the year (Rupees)	32,935,340,000	22,857,313,000
Average number of shares outstanding	4,300,928,400	4,300,928,400
Earnings per share - basic (Rupees)	7.66	5.31

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

31 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated companies, major shareholders, directors, companies with common directorship, key management staff and employee benefit schemes. Related parties do not include relationships arising purely out of the Parent Company being a substantially Government owned entity.

Transactions with such related parties other than remuneration to the directors, executives and chief executive of the Group under the respective terms of employment, are as follows:

	2005	2004
	(Rupees '000)	
Dividend income	22,395	22,168
Contribution to employee benefit schemes	160,257	703,971

Contributions to employees benefit schemes are made as per the terms of employment.

Consolidated Notes to the Financial Statements
For the year ended June 30, 2005

		2005	2004
		(Rupees '000)	
32	NUMBER OF EMPLOYEES		
	Total number of employees at the end of the year were as follows:		
	Regular	11,074	9,965
	Contract	634	1,907
		11,708	11,872

Contract employees include 347 (2004: 1,381) work charge employees.

33 REMUNERATION TO CHIEF EXECUTIVE AND EXECUTIVES

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

	2005		2004	
	Chief Executives	Executives	Chief Executive	Executives
	(Rupees '000)			
Managerial remuneration	1,095	16,756	519	459,867
Housing and utilities	624	3,259	382	269,999
Other allowances and benefits	66	2,855	368	471,803
Leave encashment	-	990	–	42,906
Medical benefits	123	536	73	65,717
Contribution to pension fund	36	1,851	188	165,059
	1,944	26,247	1,530	1,475,351
Number of persons including those who worked part of the year	2	12	1	2145

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 also provided with free use of cars.

The aggregate amount charged in these financial statements in respect of fee to 14 directors (2004 : 10) was Rs 737,000 (2004: Rs 477,000).

For the purpose of above, an executive means any employee whose basic salary exceeds Rs 500,000 (2004: Rs 100,000) per annum as per revised Fourth Schedule to the Companies Ordinance, 1984, effective July 5, 2004.

34 CAPACITY AND PRODUCTION

Considering the nature of the group's business, it is impracticable to provide the information regarding capacity.

35 CORRESPONDING FIGURES

The Securities and Exchange Commission of Pakistan substituted the Fourth Schedule to the Companies Ordinance, 1984 vide SRO, 589(1)/2004 dated July 05, 2004, that necessitated certain rearrangements and reclassifications. Therefore, comparative figures have been rearranged, and/or reclassified, wherever necessary, for the purpose of comparison in these financial statements. Major changes made in the financial statements are as follows:

Reclassification from		Reclassification to		Nature	Amount (Rupees '000)
Note	Component	Note	Component		
	Proposed dividend		Un-appropriated profit	Required by IAS 10	5,376,161
12	Projects in progress	11	Property, plant and equipment	Revised 4th Schedule	2,045,167
12	Projects in progress	12	Exploration and development expenditure	Revised 4th Schedule	1,804,342
13	Investments in associated companies	13	Long term investments	Revised 4th Schedule	113,230
14	Investments held to maturity	13	Long term investments	Revised 4th Schedule	636,227
15	Long term prepayments and receivables		Long term prepayments	Revised 4th Schedule	27,715
16	Stores and spares		Stock in trade	Revised 4th Schedule	85,340
17	Trade debts - unsecured	9	Trade and other payables	Required by IAS 1	62,437
18	Loans, advances, deposits, prepayments and other receivables	17	Loans and advances	Revised 4th Schedule	2,025,096
		18	Other receivables	Revised 4th Schedule	158,385
		19	Deposits and prepayments	Revised 4th Schedule	236,345
			Interest accrued	Revised 4th Schedule	93,216
		20	Advance tax	Revised 4th Schedule	4,374,756

36 GENERAL

36.1 The Board of Directors of the Parent Company recommended final dividend of Rs 2.75 per share in their meeting held on September 19, 2005.

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

36.3 These financial statements were authorized for issue by the Board of Directors of the Parent Company in their meeting held on September 19, 2005.

Chairman

Chief Executive

Form of Proxy
Eighth Annual General Meeting

I / We ____ of
_______________________ being a member of Oil and Gas Development Company Limited and holder of ___________ ordinary Shares as per Share Register Folio No. _______________

For beneficial owners as per CDC List

CDC Participant I.D. No. _______________ Sub-Account No. _______________

NIC NO | | | | | | | | | | | | | | or Passport No. _______________

Hereby appoint ______________________________ of _______________
or failing him / her ____ of
as my / our proxy to vote and act for me / our behalf at the Eighth Annual General Meeting of the Company to be held on October 26, 2005 or at any adjournment thereof.

Please affix rupees five revenue stamp

(Signatures should agree with the specimen signature registered with the Company)

Signature of Shareholder _______________

Dated this _______ day of _______ 2005.

Signature of Proxy _______________

For beneficial owners as per CDC list

1. WITNESS

Signature: _______________

Name: _______________

Address: _______________

NIC NO | | | | | | | | | | | | | |

or Passport No. _______________

2. WITNESS

Signature: _______________

Name: _______________

Address: _______________

NIC NO | | | | | | | | | | | | | |

or Passport No. _______________

Note:

1. Proxies, in order to be effective, must be received at the Registered Office of the Company at OGDCL House, F-6/G-6, Jinnah Avenue, Islamabad not less than 48 hours before the meeting.

2. CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their National Identity Card or Passport with the proxy form before submission to the Company (Original NIC / Passport is required to be produced at the time of the meeting)
3. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

Entry Card

Eighth Annual General Meeting

Register Folio No: ____________________ Number of Shares held: ____________________

Name of Share Holder: ____

NIC NO | | | | | | | | | | | | | |

For beneficial owners as per CDC List

CDC Participant I.D. No.____________ Sub-Account No. ____________

NIC NO | | | | | | | | | | | | | | or Passport No. ____________

Signature of Shareholder____________________

Note:

1. The Signature of the shareholder must tally with specimen signature already on record of the company.
2. The Shareholders are requested to hand over the duly completed entry card at the counter before entering meeting premises
3. This Entry Card is not transferable