Annual Report
2010

OIL & GAS DEVELOPMENT COMPANY LIMITED

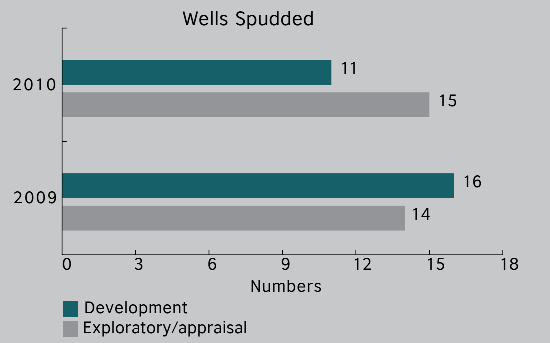
Oil & Gas Development Company Limited (OGDCL) is the national oil & gas company of Pakistan and the flagship of the Country's E&P sector. The Company is the local market leader in terms of reserves, production and acreage and is listed on all three stock exchanges in Pakistan and also on the London Stock Exchange. The Government of Pakistan owns 74.82% of the shares of the Company.

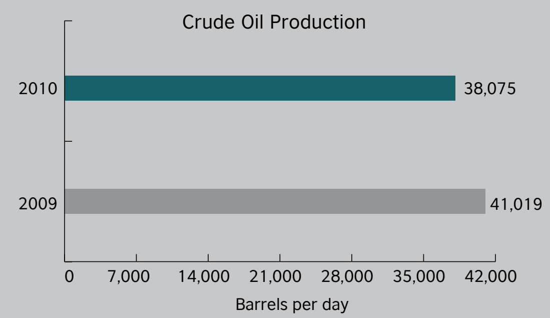
Guided by its vision & mission and equipped with its strategic plan, a robust debt-free balance sheet and a dedicated work-force, the Company is well positioned to take the lead in riding the wave of enhanced E&P activity. Its portfolio includes a varying blend of exploration, appraisal, development and production assets. The Company is pursuing an aggressive exploration and development strategy to evaluate and exploit its asset potential with a view to enhance its oil & gas reserves and production base, thus creating significant value for its shareholders.

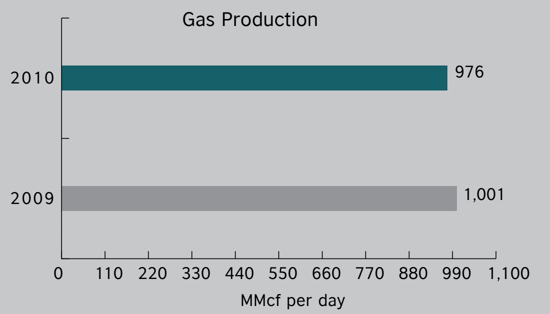
Recent **Oil & Gas Discoveries** made by OGDCL

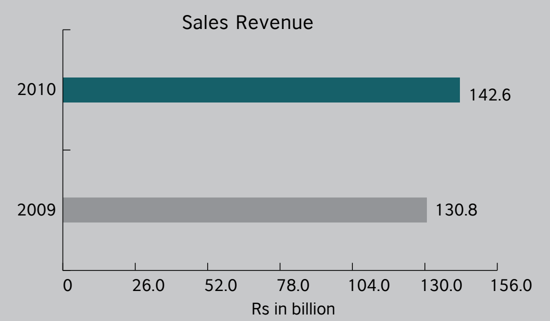
Contents

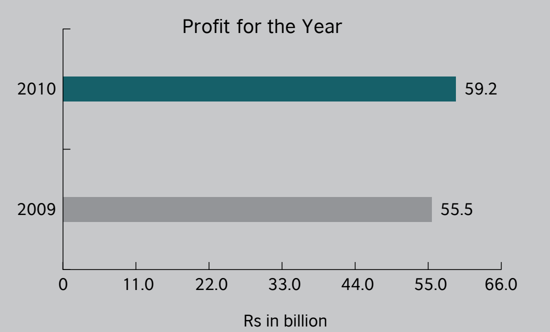
Highlights of the Year











Operational Highlights

- Six (6) oil, gas/condensate discoveries namely Reti-1A, Baloch-1, Nashpa-1, Dakhni-11, Maru-1 and Shah-1 were made by the Company
- Crude oil production on working interest basis averaged 38,075 barrels per day (bopd)
- Gas production on working interest basis averaged 976 MMcf per day (MMcfd)
- LPG production on working interest basis averaged 202 M.Tons/day
- Seismic acquisition of 2,493 L. Kms of 2-D and 290 Sq. Kms of 3-D
- Twenty six (26) new wells (fifteen (15) exploratory / appraisal and eleven (11) development) spudded during the year
- Commencement of production from Nashpa-1, Pakhro-1 and Baloch-1

Financial Highlights

- Sales revenue increased by 9.0% to Rs 142.6 billion (2008-09: Rs 130.8 billion)
- Net realized prices of crude oil and gas averaged US$ 61.37/bbl and Rs 186.47/Mcf respectively (2008-09: US$ 55.53/bbl and Rs 174.78 /Mcf)
- Profit before taxation rose by 9.4% and profit for the year by 6.5% to Rs 88.6 billion and Rs 59.2 billion respectively (2008-09: Rs 80.9 billion and 55.5 billion)
- Earnings per share increased to Rs 13.76 (2008-09: Rs 12.91)
- Dividend declared Rs 5.50 per share (2008-09:

  Rs 8.25 per share)
- Total assets increased to Rs 228.9 billion from

  Rs 178.0 billion
- Contribution to national exchequer Rs 80.2 billion (2008-09: Rs 86.5 billion)

Gas dehydration plant at Nashpa field

Notice of Annual General Meeting

Notice is hereby given that the 13th Annual General Meeting being Twenty Third 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 Thursday, 30 September 2010 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS

1) To confirm the minutes of the 12th Annual General Meeting held on 28 September 2009.

2) To receive, consider and adopt the audited accounts of the Company for the year ended 30 June 2010 together with the Directors' and Auditors' Reports thereon.

3) To approve the final cash dividend @ 15% i.e. Rs 1.50 per share for the year ended 30 June 2010 as recommended by the Board of Directors. This is in addition to three interim cash dividends of 40% i.e. Rs 4.00 per share already paid during the year.

4) To appoint Auditors for the year 2010-11 and fix their remuneration. The present auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants and M/s M. Yousuf Adil Saleem & Co., Chartered Accountants will stand retired on the conclusion of this meeting.

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

By order of the Board

19 August 2010
Islamabad

(Eram Ali Aziz)
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 26 January 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 and/or the person whose securities are in group account and their registration details are uploaded as per regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) 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 and/or the person whose securities are in group account and their registration details are uploaded as per regulations, shall submit the proxy form as per the above requirement.
ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
iii) Attested copies for CNIC 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 CNIC or original passport at the time of the meeting.
v) In the case of a corporate entity, 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 Tuesday, 21 September 2010 to Thursday, 30 September 2010 (both days inclusive). Transfers received in order at the Share Registrars' office by the close of business on Monday, 20 September 2010 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 addresses.

Core Values

Merit

Integrity

Safety

Innovation

Teamwork

Dedication

Mission

To become the leading provider of oil and gas to the country by increasing exploration and production both domestically and internationally, utilizing all options including strategic alliances;

To continuously realign ourselves to meet the expectations of our stakeholders through best management practices, the use of latest technology, and innovation for sustainable growth, while being socially responsible.

Vision

To be a leading multinational Exploration and Production company

Goals

Financial

- Build strategic reserves for future growth/expansion
- Growth and superior returns to all stakeholders
- Double the value of the Company in the next five years
- Make investment decisions by ranking projects on the basis of best economic indicators
- Maximize profit by investing surplus funds in profitable avenues
- Reduce cost and time overruns to improve performance results

Learning and Growth

- Motivate our workforce, and enhance their technical, managerial and business skills through modern HR practices
- Acquire, learn and apply state-of-the-art technology
- Emphasize organizational learning and research through effective use of knowledge management systems
- Fill the competency gap within the organization by attracting and retaining best professionals
- Attain full autonomy in financial and decision making matters

Customer

- Continuously improve quality of service and responsiveness to maintain a satisfied customer base
- Improve reliability and efficiency of supply to the customer
- Be a responsible corporate citizen

Internal Process

- Evolve consensus through consultative process interlinking activities of all departments
- Excel in exploration, development and commercialization
- Be transparent in all business transactions
- Synergize through effective business practices and teamwork
- Have well-defined SOPs with specific ownerships and accountabilities
- Improve internal controls
- Periodic business process reengineering

Statement of Ethics & Business Practices (SE & BP)

This policy applies to all directors and employees of the Company

Oil and 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, Teamwork, 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, payoffs, 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 and Gas Development Company responsible for the continuing enforcement of and compliance with this policy, including necessary distribution to ensure employee knowledge and compliance. Non-compliance with this policy will result in disciplinary action.

Corporate Information

Board of Directors

Mr. Kamran Lashari	Chairman	Mr. Muhammad Ejaz Chaudhry	Director
Mr. Shah Mahboob Alam (up to 13 August 2010)	MD & CEO	Dr. Kaiser Bengali	Director
		Mr. Wasim A. Zuberi	Director
Mr. Mohammad Naeem Malik	MD & CEO	Mr. Tariq Faruque	Director
Senator Mir Wali Muhammad Badini	Director	Syed Masieh-ul-Islam	Director
Syed Amir Ali Shah	Director	Mr. Fahd Shaikh	Director
Mr. Ahmad Bakhsh Lehri	Director		

Chief Financial Officer

- Mr. Asif S. Sindhu

Company Secretary

- Mrs. Eram Ali Aziz

Legal Advisor

- M/s Khokhar Law Chambers

Auditors

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

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

Tax Advisors

M/s A.F. Ferguson & Co., Chartered Accountants

Bankers

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Alhabib Limited
Barclays Bank
Citibank
Deutsche Bank
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
HSBC Bank of Middle East
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Soneri Bank Limited
Standard Chartered Bank
United Bank Limited

Registered Office

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

Registrar Office

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

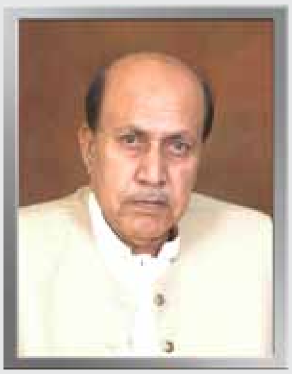
Board of Directors

Mr. Kamran Lashari is Secretary to the Ministry of Petroleum & Natural Resources, Pakistan. He belongs to District Management Group and has headed various Provincial and Federal Government Departments and Ministries. He has also served as Secretary, Ministry of Environment, Chairman CDA and Chief Commissioner, Islamabad in the past. Mr. Lashari holds LLB and M.Sc (Public Administration) Degree from Virginia Commonwealth University Richmond, USA. He is also Chairman Board of Saindak Metals Limited, Govt. Holding Private Limited, Interstate Gas Systems (Pvt.) Limited and Member Hydrocarbon Development Institute of Pakistan and Pakistan Gems and Jewellery Development Company.

Mr. Kamran Lashari - Chairman

Mr. Mohammad Naeem Malik took charge as Managing Director & CEO on 13 August 2010. He is a Chemical Engineer by profession and has 30 years experience in the petroleum sector. He started his career with a Petro-chemical industry in private sector and then later on joined Ministry of Petroleum and Natural Resources in 1981. Since then he has been working on different important assignments in the Government of Pakistan. He remained Director General (Gas), Director General (Oil), Director General (Special Projects) and Director General (Petroleum Concessions). He brings with him a very rich experience of upstream, midstream and down stream oil & gas sector and management experience. Mr. Malik remained Director on the Boards of Sui Northern Gas Pipelines Limited, Sui Southern Gas Company Limited, Inter State Gas Systems (Pvt) Limited, Pirkoh Gas Company, Pakistan Petroleum Limited, Oil & Gas Development Company Limited and Mari Gas Company Limited. Presently, Mr. Malik is Director on the Boards of Pakistan Petroleum Limited and Mari Gas Company Limited and Member HDIP Board of Governors. He is also Regulator of the entire Upstream Petroleum Sector.

Mr. Mohammad Naeem Malik - Managing Director / CEO

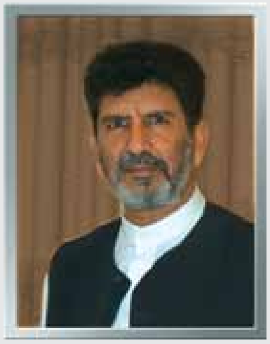


Mir Wali Muhammad Badini is a Senator and Chairman Senate Standing Committee on Communications. He is also Member Standing Committee on Cabinet Secretariat, Inter Provincial Coordination and Special Initiatives, Member Standing Committee on States and Frontier Regions and Member Functional Committee on Problems of Less Developed Areas. He is M.A. (Arabic / Islamic Culture) from Shah Abdul Latif University, Khairpur, Sindh.

Senator Mir Wali Muhammad Badini - Director

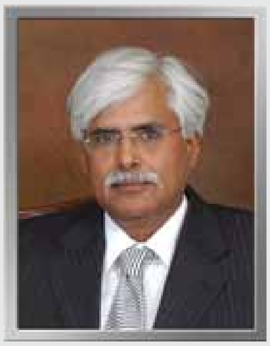
Syed Amir Ali Shah is presently a member of the National Assembly of Pakistan. He is an Agriculturist by profession. He graduated from Sindh University, and also has a Law degree from Sindh Law College, Hyderabad.

Syed Amir Ali Shah - Director



Mr. Ahmad Bakhsh Lehri is presently serving Government of Balochistan as Chief Secretary. He belongs to District Management Group and has served on various civil service positions in Balochistan and Federal Government. He holds degrees in MA English and LLB. He attended various training programs in the areas of Law, Development, Public Administration, Management, Poverty Reduction and Education. Serving as Additional Chief Secretary (Dev) Balochistan, Secretary Education, Balochistan and Federal Secretary Ministry of Housing & Works further enriched Mr. Lehri's experience. Mr. Lehri is also on the Board of Directors of Sui Southern Gas Company Ltd and Inter State Gas Systems (Pvt.) Ltd.

Mr. Ahmad Bakhsh Lehri - Director



Mr. Muhammad Ejaz Chaudhry, Additional Secretary, Ministry of Petroleum & Natural Resources is a career civil servant. After doing his Masters in Psychology from Government College, Lahore in 1978 (1st class 1st), he joined Civil Service of Pakistan in District Management Group. He has vast experience of Public Administration in the Provinces of Sindh, Punjab and Federal Government. He is an alumni of George Washington and Harvard University, USA, University of Dundee U.K., Civil Service College, Singapore, Government College & Administrative Staff College, Lahore and National Defence University, Islamabad. He has extensively traveled abroad in connection with education, training and official business. He is also on the Board of Mari Gas Company Ltd and Interstate Gas Systems (Pvt.) Limited.

Mr. Muhammad Ejaz Chaudhry - Director

Dr. Bengali is currently serving as Advisor to the Chief Minister, Sindh on Planning and Development. He has been National Coordinator for Benazir Income Support Program, GOP. He is an Economist by profession and has vast experience in the fields of teaching, research, administration, publications, personnel and finance. Dr. Bengali is author of several books and has made a number of publications. He has done various consulting assignments in the past domestically and internationally. He also remained Consultant to United Nations World Food Program Pakistan.

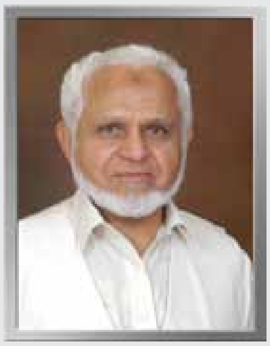
Dr. Kaiser Bengali - Director

Mr. Zuberi is a Graduate in Geology, Chemistry and Geography from Aligarh Muslim University, India and Geology with Petroleum Engineering and Geophysics from Birmingham University, UK. He has 52 years of diversified, Oil and Gas Exploration, Production and Managerial experience with domestic and multinational oil and gas companies in Pakistan, Abu Dhabi and USA. After 22 years of association with EXXON / ESSO in Pakistan and USA, he joined Abu Dhabi National Oil Company (ADNOC), Abu Dhabi and coordinated ADNOC's International Operations. He served as Technical Advisor to Premier and Shell Pakistan Limited, Pakistan, Program Director to Canadian International Development Agency (CIDA) and Advisor to the Chairman POL Board & Managing Director Pakistan Oilfields Limited. Mr. Zuberi has also served on the Boards of POL, Attock Chemical (Pvt) Limited, Capgas (Pvt) Limited and Attock Industrial Products Limited. He is currently a Consultant in IPR TransOil Corporation, a multinational Oil and Gas Exploration & Production Company.

Mr. Wasim A. Zuberi - Director

Mr. Faruque is the Executive Director of Mirpurkhas Sugar Mills Ltd. (a Ghulam Faruque Group Company), where he is responsible for the Company's operations. He is also the Chief Executive of Greaves Airconditioning (Pvt.) Ltd. He serves on the Boards of Cherat Cement Co. Ltd., Faruque (Pvt.) Ltd., Greaves Pakistan (Pvt.) Ltd., Greaves Engineering (Pvt.) Limited, , Madian Hydro Power Ltd., Unicol Ltd., and Zensoft (Pvt.) Ltd. Mr. Faruque also serves on the Board of Governors of Marie Adelaide Leprosy Centre (MALC), and is the Chairman for Corporate Fund raising. Mr. Faruque holds a Bachelors of Arts Degree in Economics and Political Science from Case Western Reserve University, U.S.A. He is also a Certified Director of Corporate Governance from the Pakistan Institute of Corporate Governance (PICG).

Mr. Tariq Faruque - Director



Syed Masieh-ul-Islam has been educated at Cadet College, Hassan Abdal; Government College, Lahore; Punjab University, Lahore; and Northwestern School of Law of Lewis & Clarks College, Portland (OR), USA. He holds Masters (Honors) Degree in Mathematics, LLB Degree, and postgraduate Certificate in Environmental & Water Laws. He has worked with SNGPL in various capacities and as General Manager & Senior General Manager. He has also worked with Public Procurement Regulatory Authority (PPRA) as Consultant. He has attended various Management programs in the country & abroad including those conducted by the Universities of Colorado and Michigan, USA. He has been a member of the American Management Association (AMA), and has extensively traveled overseas in connection with official work missions.

Syed Masieh-ul-Islam - Director

Mr. Fahd is Director, National Institute of Facilitation Technologies. He is also Executive Director in EVAC Pakistan (Private) Limited. Mr. Fahd holds Bachelor Degree in Institutional Management from Johnson and Wales University, Providence, USA.

Mr. Fahd Shaikh - Director

Committees of the Board

Operations & Finance Committee

Mr. Wasim A. Zuberi	Chairman	Mr. Muhammad Ejaz Chaudhry	Member
Managing Director & CEO	Member	Mr. Tariq Faruque	Member
Syed Amir Ali Shah	Member	Mr. Fahd Shaikh	Member
Mr. Ahmad Bakhsh Lehri	Member	Executive Director (Finance)	Secretary

Terms of Reference

- Approval of Exploration Licenses and related work programmes within budgetary provision,
- Recommendations for Farm-in and Farm-out in Concessions,
- Recommendations for participation in offshore and overseas opportunities,
- Recommend / Review the physical targets,
- Formulation of Technical Policies required under the Code of Corporate Governance, and

To recomend and review;

- Financial targets,
- Annual and quarterly budgets,
- Analysis of variances with the budget,
- Procurement of plant machinery and store items etc. exceeding the powers delegated to MD,
- Award of contracts for civil works, development of fields, etc. exceeding the powers delegated to MD,
- Investment of surplus funds of the Company,
- Request for borrowing of money,
- Financial policies and controls 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.

Audit Committee

Dr. Kaiser Bengali	Chairman	Syed Masieh-ul-Islam	Member
Syed Amir Ali Shah	Member	Mr. Fahd Shaikh	Member
Mr. Muhammad Ejaz Chaudhry	Member	Head of Internal Audit	Secretary

Terms of Reference

- Recommend appointment of external auditors to the Board of Directors and consider any questions of resignation or removal of external auditors, audit fees, etc.,
- Recommend appointment of financial consultant for any service to the company in addition to audit of its financial statements,
- Recommend appointment of suitable candidate(s) for the position of Head of Internal Audit,
- Determine appropriate measures to safeguard the company's assets,
- Review preliminary announcements of financial results prior to publication,
- Review quarterly, half-yearly and annual financial statements of the Company prior to their approval by the Board of Directors, focusing on:

  a. major judgmental areas,

  b. significant adjustments resulting from the audit,

  c. the going concern assumption,

  d. any changes in accounting policies and practices,

  e. compliance with applicable accounting standards; and

  f. compliance with listing regulations and other statutory and regulatory requirements.

- Facilitate external audit and discuss with external auditors major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary),
- Review Management letter issued by external auditors and management's response thereto,
- Ensure coordination between the internal and external auditors of the company,
- Review the scope and extent of internal audit and ensure that the internal audit function has adequate resources and is appropriately placed within the company,
- Consider major findings of internal investigations and management's response thereto,
- Ascertain that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective,
- Review the company's statement on internal control systems prior to endorsement by the Board of Directors,
- Institute special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and consider remittance of any matter to the external auditors or to any other external body,
- Determine compliance with relevant statutory requirements,
- Monitor compliance with the best practices of corporate governance and identification of significant violations thereof; and
- Consider any other issue or matter as may be assigned by the Board of Directors.

Human Resource Committee

Syed Masieh-ul-Islam	Chairman	Mr. Muhammad Ejaz Chaudhry	Member
Managing Director & CEO	Member	Mr. Tariq Faruque	Member
Senator Mir Wali Muhammad Badini	Member	Executive Director (HR)	Secretary

Terms of Reference

- Recommendations for appointment/ promotions beyond EG-VIII and above,
- Guidance/recommendations 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.

Corporate Social Responsibility (CSR) Committee

Mr. Tariq Faruque	Chairman	Mr. Wasim A. Zuberi	Member
Mr. Kamran Lashari	Member	Executive Director (Security)	Member
Managing Director & CEO	Member	Manager (External Communication)	Memeber
Senator Mir Wali Muhammad Badini	Member	Manager (Social Welfare)	Secretary
Mr. Muhammad Ejaz Chaudhry	Member		

Terms of Reference

Terms of Reference of CSR Committee have been prepared and are under review by the Board of Directors.

Leadership Team

Mr. Mohammad Naeem Malik

Mr. Mohammad Naeem Malik
Managing Director & CEO

Mr. Asif S. Sindhu
Executive Director (Finance/CFO)

Mr. Aftab Ahmad
Executive Director (Strategic Business Planning)

Mr. Masood Nabi
Executive Director (Joint Ventures)

Mr. Arif Ibrahim
Executive Director (HR/Admin)

From left to right: Mr. Arif Ibrahim, Mr. Aftab Ahmad, Mr. Mohammad Naeem Malik, Mr. Masood Nabi, Mr. Asif S. Sindhu

Senior Management

Mr. Mohammad Naeem Malik
Managing Director & CEO

Mr. Masood Nabi
Executive Director (Joint Ventures)

Mr. Khalid Jamil Khan
General Manager (SCM)

Mr. Tariq Majeed Jaswal
General Manager I/C (Exploration)

Mr. Zahid Imran Farani
General Manager (Prospect Generation)

Mr. Tahir Shaukat
General Manager (C&ESS)/(Admin)

Mr. Khalid Subhani
General Manager (Commercial)

Mr. Qamar Zaman Samo
General Manager (Joint Ventures)

Mr. Mansoor Humayoon
Acting General Manager
(Reservoir Management)

Capt.(R) M. Ajmal Khan
Manager I/C (Projects)

Mr. Asif S. Sindhu
Executive Director (Finance/CFO)

Mr. Arif Ibrahim
Executive Director (HR/Admin)

Mr. Muhammad Rafi
General Manager (Finance)

Mr. Muhammad Riaz Khan
General Manager I/C (Production)

Mr. Aijaz Muhammad Khan
General Manager (HR/LS)

Dr. Zahid Aleem Malik
General Manager (Medical Services)

Mr. Salman Amin
General Manager (Internal Audit)

Lt. Col. (R) Engineer Shafqat Hussain
General Manager (Communication)

Mrs. Shabina Anjum Elahi
Acting General Manager (SBP)

Mr. Ziauddin Ahmad
Manager I/C (Drilling Services)

Mr. Aftab Ahmad
Executive Director (SBP)

Mr. Basharat A. Mirza
General Manager (Projects)

Mr. M. Zafarullah Chaudhry
General Manager (HSEQ)

Mr. Shamim Iftikhar Zaidi
General Manager (Drilling Operations)

Mr. Amjad Javed
General Manager (C&B/IR)

Mrs. Erum Ali Aziz
General Manager/Company Secretary

Mr. Sarfaraz U. Siddiqui
General Manager (OGTI)

Mr. Muhammad Mureed Rahimoon
General Manager (Systems)

Mr. Zafar Iqbal Awan
Acting General Manager
(Geophysical Services)

Syed Abbas Hamid Zaidi
Acting General Manager
(Geological Services)

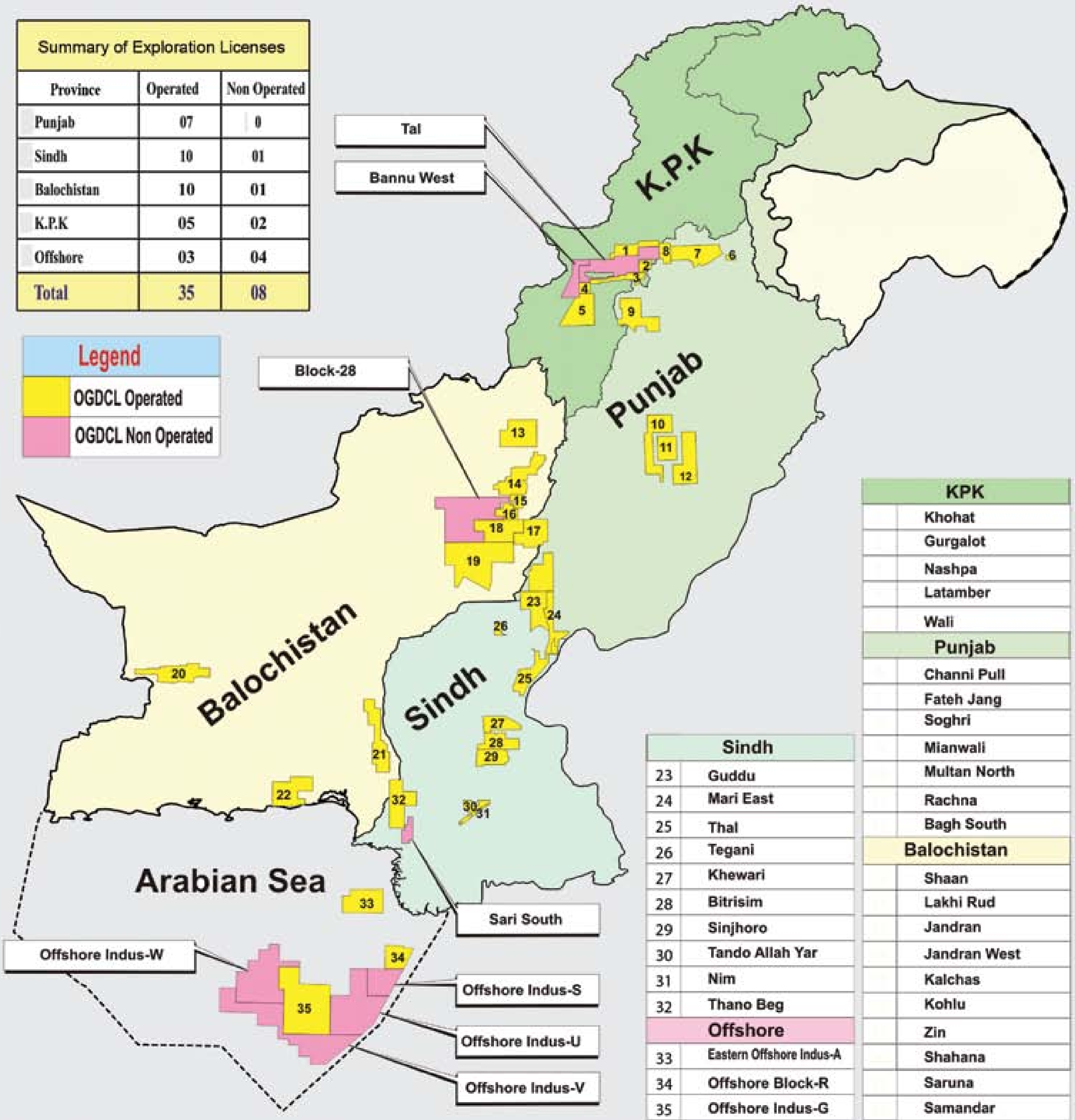
Mr. Roohullah
Manager I/C (Plant & Process)

Exploration Licenses
held by OGDCL as on 30 June 2010

Sr. No.	Blocks	Districts / Province	Area (Sq.Kms)	Date of Grant	Working Interest
OGDCL 100% OWN CONCESSIONS					
1	Fateh Jang	Islamabad, Rawalpindi & Attock, Punjab	2,136.46	05-11-02	OGDCL 100%
2	Jandran	Loralai, Barkhan & Kohlu Agency, Balochistan	408.00	20-09-89	OGDCL 100%
3	Rachna	Lieah, Jhang, Toba Tek Singh, Khanewal & Muzaffar Garh, Punjab	1,189.55	08-11-03	OGDCL 100%
4	Saruna	Khuzdar & Lasbella, Balochistan	2,431.62	17-02-04	OGDCL 100%
5	Shahana	Kharan & Panjgur, Balochistan	2,445.06	29-12-04	OGDCL 100%
6	Multan North	Lieah, Jhang, Khanewal, Multan & Muzaffar Garh, Punjab	2,498.97	11-02-05	OGDCL 100%
7	Samandar	Awaran & Uthal, Balochistan	2,495.33	06-07-05	OGDCL 100%
8	Bagh South	Jhang, Toba Tek Singh, Khanewal, Sahiwal & Vihari, Punjab	2,497.05	24-10-05	OGDCL 100%
9	Latamber	Waziristan Agency, Karak & Banuu, KPK	331.47	24-10-05	OGDCL 100%
10	Tigani	Shikarpur, Jacobabad & Sukkur, Sindh	270.60	13-02-06	OGDCL 100%
11	Thano Beg	Lasbela, Dadu & Karachi, Sindh	2,404.73	13-02-06	OGDCL 100%
12	Thal	Khairpur, Sukkur & Ghotki, Sindh	1,622.67	13-02-06	OGDCL 100%
13	Wali	North & South Waziristan Agencies, Banuu & Lakki Marwat, KPK	2,179.26	31-05-06	OGDCL 100%
14	Mianwali	Mianwali, Chakwal & Khushab, Punjab	2,280.91	31-05-06	OGDCL 100%
15	Soghri	Kohat & Attock, KPK/Punjab	588.09	31-05-06	OGDCL 100%
16	Offshore Indus-R	Offshore Area	1,492.23	19-04-07	OGDCL 100%
17	Eastern Offshore-A	Offshore Area	2,500.00	05-07-07	OGDCL 100%
18	Shaan	Qila Saifullah, Zoib, Musa Khel Bazar, Balochistan	2,489.80	13-07-07	OGDCL 100%
19	Mari East	Ghotki, R.Y.Khan & Rajanpur, Sindh/Punjab	1,399.44	21-01-10	OGDCL 100%
20	Lakhi Rud	Musa Khel, Barkhan, Loralai & Kohlu Agency, Balochistan	2,488.78	21-01-10	OGDCL 100%
21	Channi Pull	Rawalpindi & Islamabad, Punjab	148.02	16-02-10	OGDCL 100%
22	Jandran West	Kohlu & Barkhan, Balochistan	759.46	16-02-10	OGDCL 100%
			37,057.50		
OGDCL OPERATED JOINT VENTURE CONCESSIONS (OGDCL 95% & GHPL 5%)					
1	Bitrisim	Nawabshah & Khairpur, Sindh	1,445.11	27-09-97	OGDCL 95%, GHPL 5%
2	Khewari	Nawabshah & Khairpur, Sindh	1,276.40	29-12-99	OGDCL 95%, GHPL 5%
3	Nim	Tharparkar & Hyderabad, Sindh	234.76	23-11-04	OGDCL 95%, GHPL 5%
4	Tando Allah Yar	Hyderabad, Sindh	403.34	27-09-97	OGDCL 95%, GHPL 5%
5	Zin	Mari Baugti, Nasirabad & Kachhi, Balochistan	5,559.74	15-08-99	OGDCL 95%, GHPL 5%
			8,919.35		
OGDCL OPERATED JOINT VENTURE CONCESSIONS (with other E & P companies)					
6	Indus-G	Offshore Area	7,466.02	22-10-99	OGDCL 50%, Petrobrass 50%
7	Gurgalot	Kohat & Attock, KPK/Punjab	347.84	28-06-00	OGDCL 75%, POL 20%, GHPL 5%
8	Nashpa	Attock, Mianwali, Kohat, Karak & N.W. Agency, Punjab/KPK	778.94	16-04-02	OGDCL 65%, PPL 30%, GHPL 5%
9	Kohat	Kohat, Nowshera & Peshawar, KPK	1,107.21	30-12-08	OGDCL 40%, Tullow 30%, MGCL 20%, Saif Energy 10%
10	Sinjhoro	Sanghar & Khairpur, Sindh	1,283.43	29-12-99	OGDCL 76%, OPI 19%, GHPL 5%
11	Kalchas	Kohlu, Dera Bugti & D.G. Khan, Balochistan/Punjab	2,068.32	29-12-04	OGDCL 50%, MGCL 20%, Tullow 30%
12	Kohlu	Kohlu, Dera Bugti & Barkhan, Balochistan	2,459.11	29-12-04	OGDCL 40%, MGCL 30%, Tullow 30%
13	Guddu	Rajanpur, Rahim Yar Khan, Sukkur & Jacobabad, Punjab/Sindh	2,093.40	17-02-07	OGDCL 70%, IPR 11.5%, SEPL 13.5%, GHPL 5%
			17,604.27		
			63,581.12		
NON-OPERATED JOINT VENTURE CONCESSIONS					
1	Block-28	Sibbi, Kohlu & Loralai, Balochistan	6,200.00	14-01-91	Tullow 95%, OGDCL 5%
2	Bunnu West	Bannu & North Waziristan, KPK & Tribal Areas	1,229.57	27-04-05	Tullow 40%, OGDCL 40%, MGCL 10%, SEL 10%
3	Tal Block	Kohat, Karak & Bannu, KPK & Tribal Areas	3,714.78	11-02-99	MOL 10%, OGDCL 30%, PPL 30%, POL 25%, GHPL 5%
4	Sari South	Jamshoro,Thatta & Malir, Sindh	535.33	25-10-05	SEL 30%, OGDCL 50%, OMV 20%
5	Offshore Indus-U	Offshore Area	6,294.28	21-07-06	BPXA 72.5%, OGDCL 27.5%
6	Offshore Indus-V	Offshore Area	7,377.03	21-07-06	BPXA 72.5%, OGDCL 27.5%
7	Offshore Indus-W	Offshore Area	7,270.17	21-07-06	BPXA 80%, OGDCL 20%
8	Offshore Indus-S	Offshore Area	2,129.91	23-03-07	BPXA 50%, OGDCL 50%
			34,751.07		

Concession Map (Exploration Licenses)
as on 30 June 2010

Summary of Exploration Licenses		
Province	Operated	Non Operated
Punjab	07	0
Sindh	10	01
Balochistan	10	01
K.P.K	05	02
Offshore	03	04
Total	35	08



KPK	
	Khohat
	Gurgalot
	Nashpa
	Latamber
	Wali

Punjab	
	Channi Pull
	Fateh Jang
	Soghri
	Mianwali
	Multan North
	Rachna
	Bagh South

Balochistan	
	Shaan
	Lakhi Rud
	Jandran
	Jandran West
	Kalchas
	Kohlu
	Zin
	Shahana
	Saruna
	Samandar

Sindh	
23	Guddu
24	Mari East
25	Thal
26	Tegani
27	Khewari
28	Bitrisim
29	Sinjhoro
30	Tando Allah Yar
31	Nim
32	Thano Beg

Offshore	
33	Eastern Offshore Indus-A
34	Offshore Block-R
35	Offshore Indus-G

Development and Production / Mining Leases
held by OGDCL as on 30 June 2010

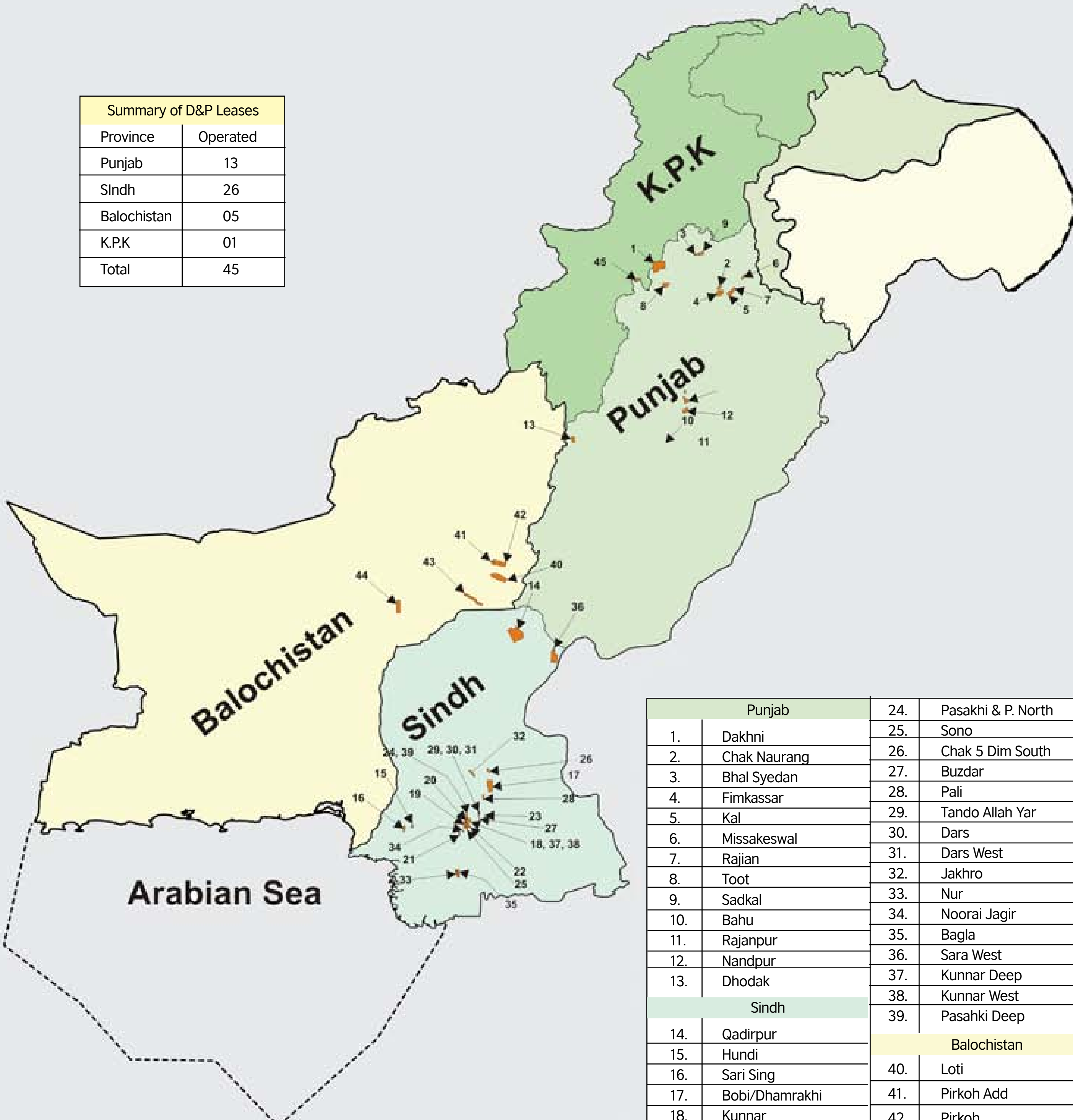
Sr. No.	Lease	Districts / Province	Area (Sq.Kms)	Date of Grant
OWN AND OPERATED JOINT VENTURE LEASES				
1	Fimkassar	Chakwal, Punjab	27.98	19-12-92
2	Bhal Syedan	Attock, Punjab	16.41	11-04-94
3	Chak Naurang (ML)	Chakwal, Punjab	72.70	14-11-88
4	Chanda	Kohat, KPK	32.32	01-06-02
5	Dakhni (ML)	Attock, Punjab	267.80	23-04-84
6	Kal	Chakwal, Punjab	41.96	13-08-96
7	Missakeswal	Rawalpindi, Punjab	23.43	11-04-94
8	Rajian	Chakwal & Jehlum, Punjab	39.09	28-02-96
9	Sadkal	Attock, Punjab	26.77	24-01-94
10	Toot (ML)	Attock, Punjab	67.62	02-11-68
11	Qadirpur	Jacobabad & Sukkur, Sindh	389.16	18-08-92
12	Dhodak	Dera Gazi Khan, Punjab	41.92	01-02-95
13	Loti (ML)	Dera Bugti Agency, Balochistan	204.19	14-11-86
14	Nandpur	Multan & Jhang, Punjab	45.05	12-03-96
15	Punjpir	Multan & Jhang, Punjab	45.18	12-03-96
16	Pirkoh ML (Additional)	Dera Bugti Agency, Balochistan	13.57	14-07-88
17	Pirkoh	Sibi (Bugti Tribal Territory), Balochistan	141.69	08-08-77
18	Bahu	Jhang, Punjab	11.22	19-05-08
19	Sara West	Ghotki, Sindh	168.41	08-06-01
20	Uch	Dera Bugti, Balochistan	121.00	01-07-96
21	Jhal Magsi South	Jhal Magsi, Balochistan	16.10	24-07-09
22	Bagla	Thatta & Badin, Sindh	29.70	27-02-95
23	Bobi / Dhamarkhi (ML)	Sanghar, Sindh	128.98	23-01-90
24	Buzdar & Buzdar North	Hyderabad, Sindh	49.80	13-12-99
25	Chak 5 Dim South	Sanghar, Sindh	15.92	18-03-96
26	Dars	Hyderabad, Sindh	6.02	24-01-05
27	Dars West	Hyderabad, Sindh	5.20	24-01-05
28	Daru	Thatta, Sindh	10.26	07-04-90
29	Hundi	Dadu & Hyderabad, Sindh	15.04	21-09-02
30	Jakhro	Sanghar, Sindh	35.05	13-02-02
31	Kunnar Deep (ML)	Hyderabad, Sindh	16.07	17-05-08
32	Kunnar West (ML)	Hyderabad, Sindh	3.13	17-05-08
33	Kunnar (ML)	Hyderabad, Sindh	34.21	23-01-90
34	Lashari Centre & South	Hyderabad, Sindh	23.15	25-06-89
35	Missan	Hyderabad, Sindh	2.33	12-07-99
36	Noorai Jagir	Hyderabad, Sindh	2.43	16-08-08
37	Nur	Thatta & Badin, Sindh	30.64	27-02-95
38	Pali	Sanghar, Sindh	16.43	17-11-01
39	Pasahki Deep	Hyderabad, Sindh	18.08	17-05-08
40	Pasahki & Pasahki North	Hyderabad, Sindh	27.95	27-01-90
41	Sari Sing	Dadu & Hyderabad, Sindh	25.60	30-07-08
42	Sono	Hyderabad, Sindh	25.08	23-07-89
43	Tando Alam (ML)	Hyderabad, Sindh	38.64	30-07-85
44	Tando Allah Yar	Hyderabad, Sindh	3.35	24-01-05
45	Thora / Thora East & Thora Additional (ML)	Hyderabad, Sindh	15.20	23-01-90

Sr. No.	Lease	Districts / Province	Area (Sq.Kms)	Operator	Partners
NON-OPERATED JOINT VENTURE LEASES					
1	Badin-II	Tando Muhammad Khan, Thatta & Badin, Sindh	186.05	BPP 51%	OGDCL 49%
2	Badin-II Rev	Thatta, Hyderabad & Badin, Sindh	33.88	BPP 76%	OGDCL 24%
3	Badin-III	Tando Muhammad Khan, Thatta & Badin, Sindh	40.63	BPP 60%	OGDCL 15%, GHPL 25%
4	Manzalai	Karak, Kohat & Bannu, KPK & Tribal Areas	382.89	MOL 8.42%	OGDCL 27.028%, PPL 27.028%, GHPL 15%, POL 22.524%
5	Adhi	Rawalpindi & Jehlum, Punjab	199.68	PPL 39%	OGDCL 50%, POL 11%
6	Ratana	Attock, Punjab	214.50	OPII 65.91%	OGDCL 25%, AOC 4.545%, POL 4.545%
7	Dhurnal	Attock, Punjab	64.13	OPII 70%	OGDCL 20%, AOC 5%, POL 5%
8	Bhangali	Gujjar Khan, Punjab	45.30	OPII 40%	OGDCL 50%, AOC 3%, POL 7%
9	Bhit	Dadu, Sindh	250.08	ENI 40%	OGDCL 20%, PKP 6%, PKP-II 6%, Shell 28%
10	Badhra	Dadu, Sindh	230.26	ENI 40%	OGDCL 20%, PKP 6%, PKP-II 6%, Shell 28%
11	Kadanwari	Khairpur, Sindh	457.82	ENI 18.42%	OGDCL 50%, PKP 15.79%, PKP-II 15.79%
12	Miano	Sukkur, Sindh	815.00	OMV 17.68%	OGDCL 52%, PPL 15.16%, ENI 15.16%
13	Pindori	Chakwal, Punjab	86.58	POL 35%	OGDCL 50%, AOC 15%
14	Badar	Jacobabad, Sindh	123.00	PEL 26.32%	OGDCL 50%, SHERRITT 15.79%, Novus 7.89%
15	Sara & Suri	Ghotki, Sindh	106.54	Tullow 38.1818%	OGDCL 40%, POL 14.5451%, AOC 7.2731%

Lease Map (D&PL)

as on 30 June 2010

Summary of D&P Leases	
Province	Operated
Punjab	13
SIndh	26
Balochistan	05
K.P.K	01
Total	45



Punjab	
1.	Dakhni
2.	Chak Naurang
3.	Bhal Syedan
4.	Fimkassar
5.	Kal
6.	Missakeswal
7.	Rajian
8.	Toot
9.	Sadkal
10.	Bahu
11.	Rajanpur
12.	Nandpur
13.	Dhodak
Sindh	
14.	Qadirpur
15.	Hundi
16.	Sari Sing
17.	Bobi/Dhamrakhi
18.	Kunnar
19.	Tando Alam
20.	Thora & Thora East
21.	Daru
22.	Lashari C & S
23.	Misan
24.	Pasakhi & P. North
25.	Sono
26.	Chak 5 Dim South
27.	Buzdar
28.	Pali
29.	Tando Allah Yar
30.	Dars
31.	Dars West
32.	Jakhro
33.	Nur
34.	Noorai Jagir
35.	Bagla
36.	Sara West
37.	Kunnar Deep
38.	Kunnar West
39.	Pasahki Deep
Balochistan	
40.	Loti
41.	Pirkoh Add
42.	Pirkoh
43.	Uch
44.	Jhal Magsi
KPK	
45.	Chanda

Six Years Summary

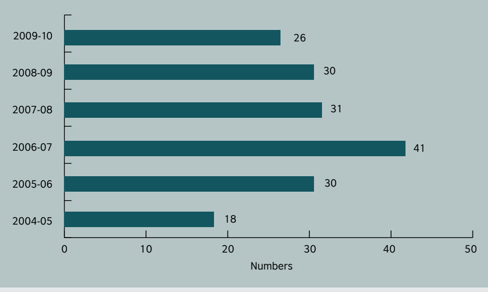
	UOM	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Operational Performance							
Seismic Survey - 2D	L. Kms	1,891	4,902	3,282	2,889	5,129	**2,493**
- 3D	Sq. Kms	262	395	661	1,067	1,128	**290**
Exploratory & Development Wells Spudded	Numbers	18	30	41	31	30	**26**
Oil & Gas Discoveries	Numbers	3	5	10	5	2	**6**
Quantity Sold							
Crude Oil	Thousand BBL	13,045	12,956	13,930	15,037	14,438	**13,343**
Gas	MMcf	345,949	344,164	344,032	358,868	364,036	**354,327**
LPG	M.Tons	120,063	128,654	139,480	125,482	79,145	**73,881**
Sulphur	M.Tons	25,884	22,006	16,638	29,065	24,673	**20,018**
White Petroleum Products	Thousand BBL	885	959	895	547	148	**64**
Financial Results							
Net Sales	Rs in billion	74.85	97.31	100.73	125.91	130.83	**142.57**
Other Revenues	Rs in billion	2.25	4.40	4.03	3.91	3.43	**3.36**
Profit Before Taxation	Rs in billion	49.10	65.76	60.75	78.31	80.93	**88.55**
Profit for the Year	Rs in billion	33.01	45.80	45.25	44.34	55.54	**59.18**
Balance Sheet							
Share Capital	Rs in billion	43.01	43.01	43.01	43.01	43.01	**43.01**
Reserves	Rs in billion	47.06	58.46	63.93	67.41	83.16	**114.38**
Non Current Liabilities	Rs in billion	19.62	16.65	18.55	20.46	30.53	**36.63**
Current Liabilities	Rs in billion	13.59	11.09	11.26	21.44	21.29	**34.84**
Total Equity & Liabilities	Rs in billion	**123.28**	**129.21**	**136.75**	**152.31**	**177.99**	**228.87**
Fixed Assets	Rs in billion	45.73	47.77	57.49	67.71	87.69	**103.18**
Long Term Investments, Loans, Rec. & Prepayments	Rs in billion	4.84	4.62	4.34	4.78	4.84	**5.25**
Current Assets	Rs in billion	72.71	76.82	74.92	79.82	85.46	**120.43**
Total Assets	Rs in billion	**123.28**	**129.21**	**136.75**	**152.31**	**177.99**	**228.87**
Cash Flow Summary							
Net Cash from Operating Activities	Rs in billion	40.18	43.50	37.21	51.60	52.98	**61.51**
Net Cash used in Investing Activities	Rs in billion	(8.29)	(7.04)	(12.72)	(15.59)	(22.91)	**(22.84)**
Net Cash used in Financing Activities	Rs in billion	(18.62)	(41.44)	(38.15)	(41.47)	(39.41)	**(28.77)**
(Decrease) /Increase in Cash and Cash Equivalent	Rs in billion	**13.27**	**(4.99)**	**(13.66)**	**(5.46)**	**(9.34)**	**9.90**
Cash and Cash Equivalent at beginning of the Year	Rs in billion	29.11	42.38	37.39	23.74	18.28	**8.94**
Cash and Cash Equivalent at end of the Year	Rs in billion	**42.38**	**37.39**	**23.74**	**18.28**	**8.94**	**18.84**
Key Indicators							
Earnings per Share (EPS)	Rupees	7.68	10.65	10.52	10.31	12.91	**13.76**
Gross Profit Margin	%	71%	72%	69%	69%	70%	**71%**
Net Profit Margin	%	44%	47%	45%	35%	42%	**42%**
EBITDA	Rs in billion	55.33	70.94	67.47	87.41	92.20	**100.90**
EBITDA Margin	%	74%	73%	67%	69%	70%	**71%**
Current Ratio	Times	5.35	6.92	6.65	3.72	4.01	**3.46**
Quick Ratio	Times	4.76	5.89	5.44	2.94	3.25	**3.03**
Debtor Turnover Ratio	Times	4.66	4.50	3.84	3.66	2.70	**2.05**
Total Assets Turnover Ratio	%	66%	77%	76%	87%	79%	**70%**
Return on Average Capital Employed	%	38%	48%	43%	41%	47%	**42%**
Return on Assets / Return on Investment (ROI)	%	29%	36%	34%	31%	34%	**29%**
Break-up Value per Share	Rupees	20.94	23.59	24.86	25.67	29.34	**36.60**
Market Price per Share - As on June 30	Rupees	105.30	136.75	119.80	124.36	78.64	**142.00**
- High during the Year		189.75	168.80	156.00	140.80	125.49	**142.00**
- Low during the Year		58.40	98.55	113.20	104.90	40.56	**80.71**
Price Earning Ratio	Times	13.71	12.84	11.39	12.06	6.09	**10.32**
Dividend per Share	Rupees	7.50	9.00	9.00	9.50	8.25	**5.50**
Dividend Pay out Ratio	%	98%	85%	86%	92%	64%	**40%**
Dividend Yield Ratio	%	7%	7%	8%	8%	10%	**4%**
Dividend Cover Ratio	Times	1.02	1.18	1.17	1.09	1.57	**2.50**
Contribution to National Exchequer	Rs in billion	61.46	79.66	78.31	99.75	86.45	**80.24**

Note:

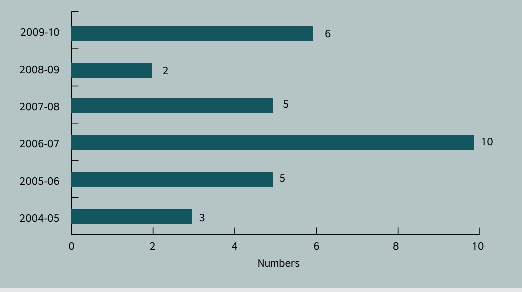
Previous year figures have been rearranged and /or reclassified, wherever, necessary for the purpose of comparison.

Graphical Analysis

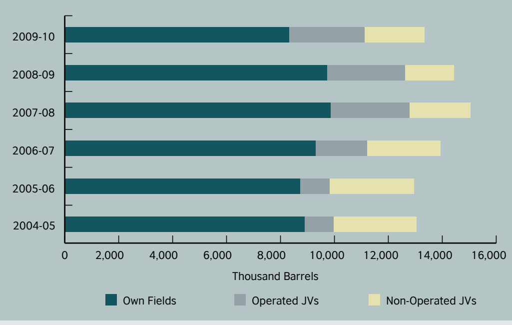
Wells Spudded



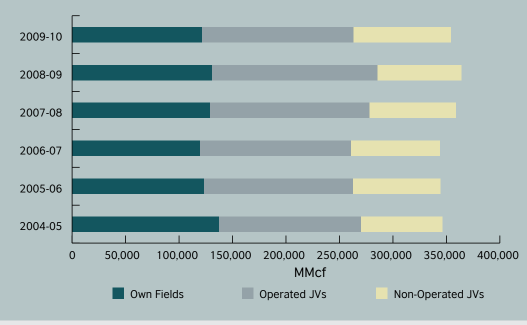
Discoveries



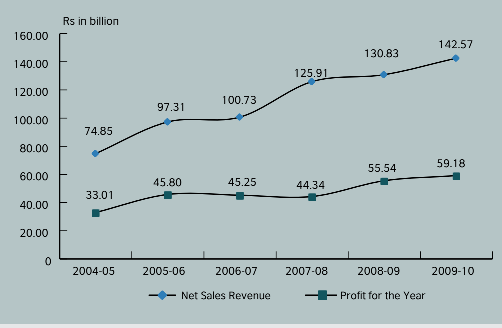
Quantity Sold - Crude Oil



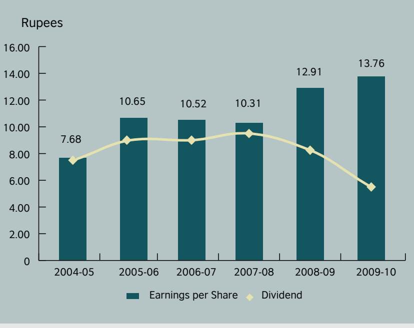
Quantity Sold - Gas



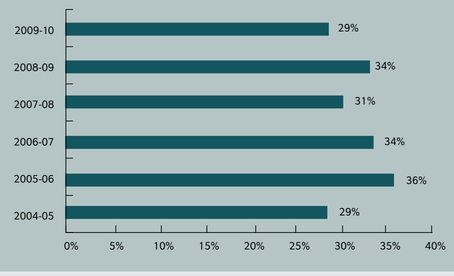
Sales Revenue Vs Profit for the Year



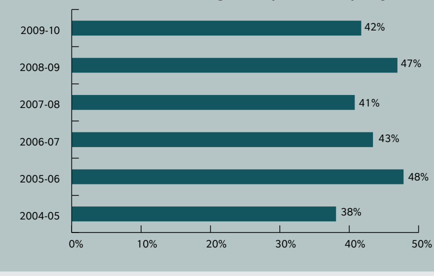
Dividend and Earnings per Share



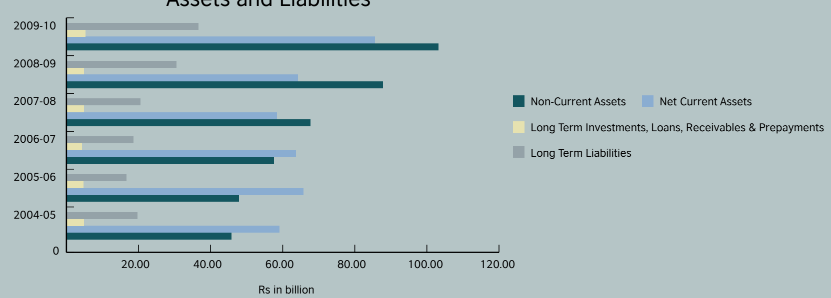
Return on Assets



Return on Average Capital Employed



Assets and Liabilities



Vertical / Horizontal Analysis

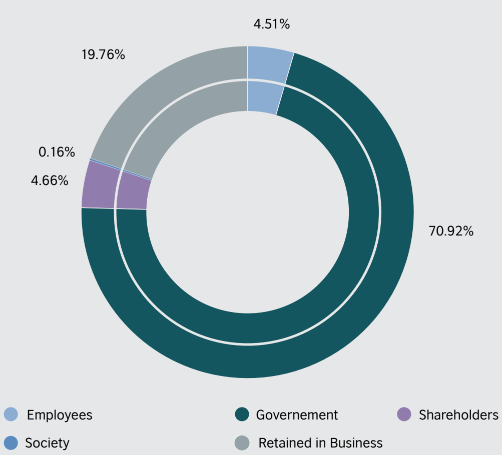
Vertical Analysis	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Profit and Loss Account						
Net Sales	100.0	100.0	100.0	100.0	100.0	**100.0**
Royalty	(11.0)	(11.2)	(10.9)	(13.8)	(11.6)	**(11.7)**
Operating Expenses	(17.1)	(16.3)	(19.0)	(15.6)	(17.3)	**(16.6)**
Transportation Charges	(1.0)	(1.0)	(1.1)	(1.2)	(1.2)	**(1.0)**
Gross Profit	**70.9**	**71.5**	**69.0**	**69.4**	**69.9**	**70.7**
Other Income	3.0	4.5	4.0	3.1	2.6	**2.3**
Exploration and Prospecting Expenditure	(3.6)	(3.8)	(7.4)	(5.3)	(5.7)	**(5.5)**
General & Administration Expenses	(1.3)	(1.1)	(1.3)	(1.0)	(1.0)	**(1.1)**
Provision for Impairment Loss	-	-	(0.4)	(0.3)	-	**-**
Finance Cost	(0.0)	(0.0)	(0.5)	(0.4)	(0.7)	**(0.9)**
Workers' Profit Participation Fund	(3.5)	(3.6)	(3.2)	(3.5)	(3.3)	**(3.3)**
Share of Profit in Asscociate	0.0	0.0	0.0	0.0	0.0	**0.0**
Profit before Taxation	**65.6**	**67.6**	**60.3**	**62.2**	**61.9**	**62.1**
Taxation	(21.5)	(20.5)	(15.4)	(27.0)	(19.4)	**(20.6)**
Profit for the Year	**44.1**	**47.1**	**44.9**	**35.2**	**42.5**	**41.5**
Balance Sheet						
Share Capital & Reserves	73.1	78.5	78.2	72.5	70.9	**68.8**
Non-Current Liabilities	15.9	12.9	13.6	13.4	17.1	**16.0**
Current Liabilities	11.0	8.6	8.2	14.1	12.0	**15.2**
Total Equity and Liabilities	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Non-Current Assets	41.0	40.5	45.2	47.6	52.0	**47.4**
Current Assets	59.0	59.5	54.8	52.4	48.0	**52.6**
Total Assets	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Horizontal Analysis	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Profit and Loss Account						
Net Sales	100.0	130.0	134.6	168.2	174.8	**190.5**
Royalty	100.0	132.6	132.5	209.8	183.6	**202.7**
Operating Expenses	100.0	123.8	150.0	153.5	177.4	**185.7**
Transportation Charges	100.0	124.0	143.1	193.7	200.3	**196.3**
Gross Profit	**100.0**	**131.2**	**131.1**	**164.9**	**172.4**	**189.6**
Other Income	100.0	196.7	179.7	174.2	151.9	**148.8**
Exploration and Prospecting Expenditure	100.0	137.8	277.3	247.6	279.3	**295.8**
General & Administration Expenses	100.0	114.7	137.4	133.0	142.0	**170.2**
Provision for Impairment Loss	-	-	100.0	85.1	-	**-**
Finance Cost	100.0	163.9	8,748.1	8,815.9	15,208.2	**20,911.7**
Workers' Profit Participation Fund	100.0	134.2	123.9	169.2	164.3	**179.7**
Share of Profit in Asscociate	100.0	107.2	137.1	138.2	177.9	**198.4**
Profit before Taxation	**100.0**	**133.9**	**123.7**	**159.5**	**164.8**	**180.4**
Taxation	100.0	124.0	96.3	211.1	157.8	**182.6**
Profit for the Year	**100.0**	**138.8**	**137.1**	**134.3**	**168.3**	**179.3**
Balance Sheet						
Share Capital & Reserves	100.0	112.7	118.7	122.6	140.1	**174.7**
Non-Current Liabilities	100.0	84.9	94.5	104.2	155.6	**186.7**
Current Liabilities	100.0	81.7	82.9	157.8	156.7	**256.5**
Total Equity and Liabilities	**100.0**	**104.8**	**110.9**	**123.5**	**144.4**	**185.7**
Non-Current Assets	100.0	103.6	122.3	143.3	183.0	**214.4**
Current Assets	100.0	105.7	103.0	109.8	117.5	**165.6**
Total Assets	**100.0**	**104.8**	**110.9**	**123.5**	**144.4**	**185.7**

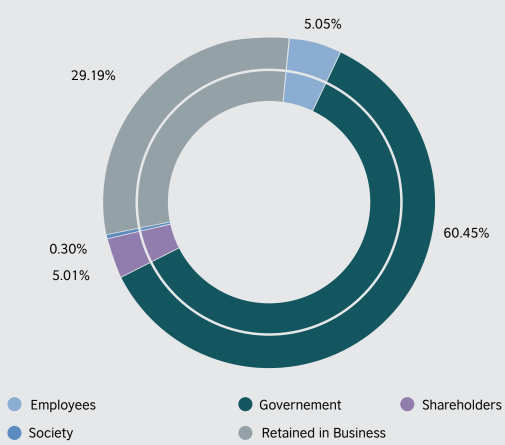
Statement of Value Addition

	2008-09	2009-10
	(Rs in Million)	
Gross Revenue	142,913	**155,792**
Less:		
Operating, General & Administration, Transportation and Exploration Expenses	17,507	**17,430**
	125,407	**138,362**
Add:		
Income from Financial Assets	2,539	**2,512**
Income from Non-Financial Assets	832	**788**
Other	58	**64**
Less:		
Other Expenses	926	**1,273**
Total Value Added	127,909	**140,453**
Distribution:		
Employees as		
Remuneration	5,768	**7,091**
Governement as		
Corporate Tax	25,388	**29,376**
Dividends	33,824	**20,917**
Levies - Sales Tax	10,534	**11,735**
Excise Duty	1,505	**1,461**
Development Surcharge	45	**24**
Royalty	15,156	**16,729**
Workers' Profit Participation Fund	4,259	**4,661**
	90,711	**84,903**
Shareholders other than the Government as		
Dividends	5,960	**7,039**
To Society	200	**419**
Retained in Business		
Capital Reserve	155	**201**
Depreciation	3,306	**3,323**
Amortization	6,208	**6,457**
Net Earning /Unappropriated Profit	15,601	**31,020**
	25,270	**41,001**
Total Value Added	127,909	**140,453**

Distribution of Value Added 2008-09



Distribution of Value Added 2009-10



Directors' Report

On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report of Oil & Gas Development Company Limited (OGDCL) and the audited financial statements for the year ended 30 June 2010, together with Auditors' Report thereon.

During the year under review, the Company has witnessed improved financial results despite decline in crude oil, gas and LPG production, issue of inter-corporate debt, and law & order situation in some of the Company's operational areas. Company's sales revenue and profit after taxation increased by 9.0% and 6.5% to Rs 142.572 billion and Rs 59.177 billion respectively resulting in Earnings per Share (EPS) of Rs 13.76 compared to Rs 12.91 during the preceding year. These results are primarily due to higher realized prices of crude oil, gas and LPG and favourable financial impact of Qadirpur gas price revision with effect from 01 January 2008.

It is also pleasing to report that during the year, Company's exploratory efforts resulted in six (6) new oil and gas / condensate discoveries leading to addition of 14.07 million barrels of oil and 161.10 billion cubic feet of gas to the Company's reserves base. Subsequently, in July 2010, another gas discovery has also been made by the Company at Sheikhan-1 (Kohat E.L.). In addition, three new wells namely Nashpa-1, Pakhro-1 and Baloch-1 were brought into production. The Company during the year was able to acquire 2,493 L. Kms of 2-D and 290 Sq. Kms of 3-D seismic survey in various concessions operated by OGDCL and spudded twenty six (26) new wells including fifteen (15) exploratory / appraisal and eleven (11) development wells. Workover jobs on another eleven (11) wells have also been carried out during the year. OGDCL's production on working interest basis averaged 38,075 barrels of oil per day (bopd), 976 MMcfd of gas, 202 M.Tons/day of LPG and 70 M.Tons/day of sulphur. However, crude oil net production as on 30 June 2010 reached 41,385 bopd after commencement of production from Nashpa-1 in May 2010.

These operational and financial results have been possible largely due to the dedicated efforts of the Company's employees under the able guidance of the Management, Board of Directors and support of Ministry of Petroleum & Natural Resources. Considering the achievements made by the Company during the year together with favourable price environment, speedy development of recently discovered fields and aggressive exploration & development programme, we remain confident of the Company's growth and success in the years ahead.

Benazir Employees Stock Option Scheme (BESOS)

On 14 August 2009, the Government of Pakistan (GoP) launched Benazir Employees Stock Option Scheme (BESOS) whereby the GoP transferred 438,815,774 shares to OGDCL Employees Empowerment Trust without any payment by the eligible employees subject to transfer back of these shares to the GoP as provided in the Trust Deed. Accordingly, the GoP's shareholding in the Company is reduced to 74.82% from 85.02% with effect from 14 August 2009. As per the Trust Deed such shares have been allocated through Unit Certificates to eligible employees in proportion to their entitlement on the basis of length of service. The Trust is entitled to receive dividends declared on or after 14 August 2009 and 50% of such dividends is being distributed among employees on the basis of units held while the balance 50% is being transferred to the Privatization Commission of Pakistan for payment to employees against their surrendered units.

"Company's exploratory efforts resulted in six (6) new oil and gas / condensate discoveries leading to addition of 14.07 million barrels of oil and 161.10 billion cubic feet of gas to the reserves base."

Syed Naveed Qamar, Federal Minister for Petroleum & Natural Resources, distributing unit certificates to employees under BESOS

Awards Conferred

KSE Top Twenty Five Companies Award

We are pleased to inform that OGDCL has been ranked amongst the "Top Twenty Five Companies" on the Karachi Stock Exchange (KSE) for the fifth consecutive year (2004-2008). The selection for the award reflects our dedication and commitment to the best practices of corporate governance in addition to meeting the prerequisites laid down by the KSE Board for listed companies and marks obtained on the basis of dividend payout, return on equity and compliance with listing regulations.

Environment Excellence Award 2010

OGDCL won the Seventh National Forum for Environment and Health (NFEH) Environment Excellence Award 2010 for its excellent environmental initiatives and successful implementation of environmental management systems at major sites. NFEH organized the Seventh Annual Environment Excellence Awards 2010. NFEH is affiliated with the United Nations Environment Programme (UNEP) and is supported by Ministries of Environment, Government of Pakistan & Sindh province and Federation of Pakistan Chambers of Commerce and Industry. The Seventh Annual Environment Excellence Awards have been awarded to the best environment friendly companies of Pakistan.

Financial Results

During the year, Company witnessed 9.0% growth in its sales revenue over the last year mainly due to higher realized prices of crude oil, gas and LPG. However, financial performance was negatively impacted by decline in production of crude oil, gas & LPG and price adjustment of crude oil & gas from Bobi and Kadanwari fields. Products sales revenue during the period under review of Rs 142.534 billion (2008-09: Rs 130.794 billion) is inclusive of favourable financial impact of Rs 5.461 billion pertaining to the prior periods on account of price revision of Qadirpur gas w.e.f. 01 January 2008 and unfavourable financial impact of Rs 1.663 billion due to price adjustment of crude oil and gas from Bobi and Kadanwari fields.

Company's sales revenue and profit after taxation increased by 9.0% and 6.5% to Rs 142.572 billion and Rs 59.177 billion respectively resulting in Earnings per Share (EPS) of Rs 13.76 compared to Rs 12.91 during the preceding year.

Net realized prices of crude oil, gas and LPG averaged at US$ 61.37/bbl, Rs 186.47/Mcf and Rs 51,415/M.Ton respectively compared to US$ 55.53/bbl, Rs 174.78/Mcf and Rs 36,935/M.Ton respectively during the last year.

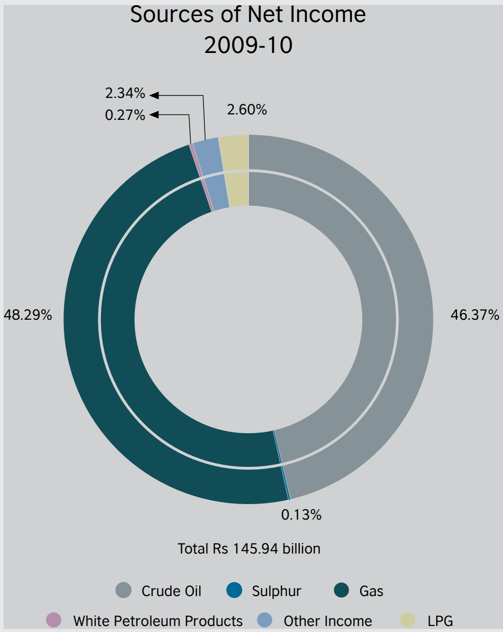
Profit before taxation for the year was Rs 88.553 billion compared to Rs 80.928 billion during the previous year, reflecting 9.4% increase in the Company's earning performance. However, OGDCL recorded profit after taxation of Rs 59.177 billion compared to Rs 55.540 billion in the last year resulting in increase in Earnings per Share (EPS) by 6.5% to Rs 13.76 (2008-09: Rs 12.91).

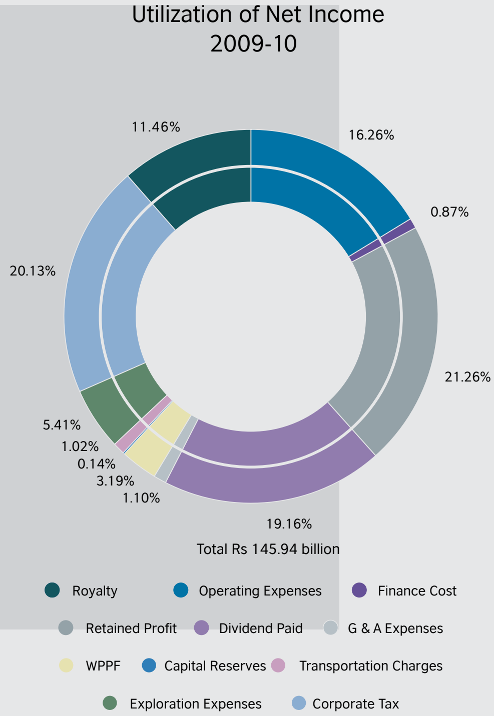
Cash flow from operations for the period was Rs 61.506 billion (2008-09: Rs 52.979 billion). After investing and financing activities of Rs 53.292 billion (cash outflows) and Rs 1.683 billion (cash inflows) respectively, the Company's cash and cash equivalent increased by Rs 9.897 billion with ending balance of Rs 18.837 billion as on 30 June 2010.

The prevailing inter-corporate debt issue in the industry is negatively impacting OGDCL as its trade debts on 30 June 2010 include overdue receivable of Rs 58.159 billion from refineries and gas companies. The Management of the Company has already taken up this issue with the Government of Pakistan and position of receivables is being reported to the Government on daily basis. Early resolution of this issue is critical to ensure smooth running of Company's operations, maintaining adequate liquidity position, carrying out Company's exploration and development programme and timely discharge of statutory obligations including payment of royalty, duties/taxes and dividends etc. Nevertheless, if the existing trend persists, the Company may face liquidity concerns triggering borrowing requirements which in turn, will affect the Company's financial risk profile.

Financial results for the year ended 30 June 2010 are summarized below:

				(Rs in billion)
Profit before taxation				88.553
Taxation				(29.376)
Profit for the year				**59.177**
Unappropriated profit brought forward				79.504
Profit available for appropriations				**138.681**
Appropriations:				
Transfer to capital reserves				(0.201)
Distribution through Dividends:				
Final dividend 2008-09	@	Rs 2.50 per share (25.00%)	(10.753)	
First interim dividend 2009-10	@	Re 1.00 per share (10.00%)	(4.301)	
Second interim dividend 2009-10	@	Rs 1.50 per share (15.00%)	(6.451)	
Third interim dividend 2009-10	@	Rs 1.50 per share (15.00%)	(6.451)	(27.956)
Unappropriated profit carried forward				**110.524**





Final Dividend

The Board of Directors has recommended a final cash dividend @ 15% (Rs 1.50 per share). This is in addition to three interim cash dividends @ 40% (Rs 4.00 per share) already declared and paid during the year. This makes a total of 55% (Rs 5.50 per share) for the year ended 30 June 2010.

Contribution to National Exchequer

Being a leading exploration and production company in Pakistan, OGDCL is contributing significant amount towards the national exchequer on account of corporate tax, royalty, general sales tax, excise duty, development surcharge and dividend. During the year 2009-10, OGDCL contributed around Rs 80.24 billion (2008-09: Rs 86.45 billion) to the national exchequer. In addition, Company's oil and gas production is contributing considerably towards foreign exchange savings as import substitution.

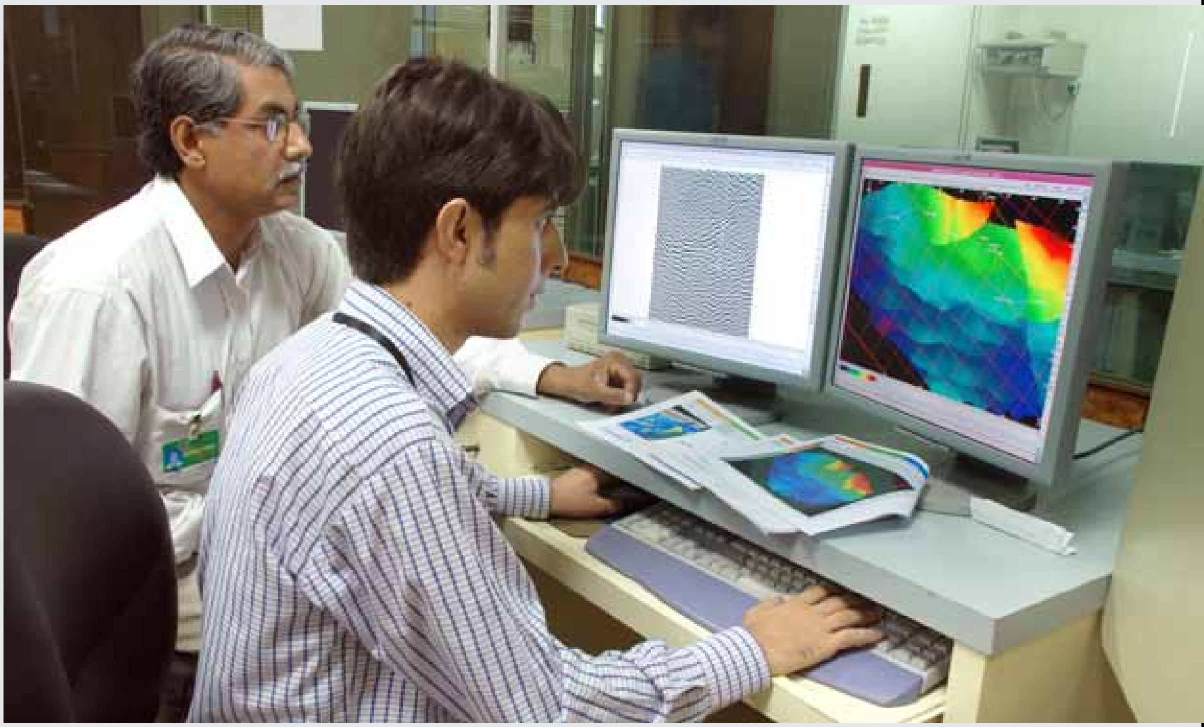
Exploration and Development

The year 2009-10 was another year of successful operations for the Company by making efforts to explore old areas with new ideas & innovations and new areas with well established concepts to maintain acceptable success ratio for reserves addition. OGDCL, during the year, has continued its aggressive exploration programme and strategies of exploiting exploration opportunities by building the Company's reserves portfolio through its large onshore exploration acreage. It has further enhanced its portfolio and during the year 2009-10 acquired four new exploration blocks namely Channi Pull, Mari East, Jandran West and Lakhi Rud covering an area of 4,795.70 Sq. Kms. However, three exploration licenses namely Thatta, Thatta East and Khiranwala were relinquished/surrendered and operatorship of Offshore Indus-S was transferred to M/s BP Alpha.

Presently, OGDCL is operating in thirty five (35) exploration blocks (twenty two (22) blocks with 100% share and thirteen (13) blocks as operated Joint Ventures (JV) including three (3) offshore blocks) covering an area of 63,581.12 Sq. Kms. In addition, OGDCL also holds working interest in another eight (8) exploration licenses operated by JV partners. Being the largest E & P Company of the Country, OGDCL has its own geological survey crew which carried out 380 L. Kms in Channi Pul E.L. and working along regional traverses in Potohar area during the year and collected 310 samples for reservoir/source studies.

"The Company managed to drill more than one third of the total wells drilled in the Country."

OGDCL is running five (5) seismic crews having latest acquisition technologies with the capability of 2-D and 3-D seismic surveys, equipped with on-site data processing facilities and latest quality control software. These capabilities have played a major role in enhancing the exploration activities of the Company. During the year under review, OGDCL acquired 2,493 L. Kms of 2-D seismic data in Bagh South, Guddu, Mari East, Bitrism, Thal, Mianwali, Dakhni, Tando Allah Yar, Thano Beg, Nim, and Nashpa concessions and 290 Sq. Kms of 3-D seismic data in Soghri concession and Toot Mining Lease (M.L.).



In-house data processing facilities of the Company along with availability of highly skilled professionals provide an edge to OGDCL to timely and accurately process seismic data. Through these facilities, the Company has carried out processing of 3,414.78 L. Kms of 2-D seismic data to facilitate and expedite the prospect generation work. In addition, 5,474.45 L. Kms of 2-D seismic data (2,374.45 L. Kms onshore and 3,100 L. Kms offshore) and 2,377 Sq. Kms of 3-D seismic onshore data was also processed/reprocessed by out-sourcing to renowned companies of international repute.

During the year, forty (40) well locations were marked on ground and twenty six (26) wells including thirteen (13) exploratory, two (2) appraisal and eleven (11) development wells were spudded. Following the new approach and concepts in prospect generation, sustained and aggressive efforts along with the interpreter's high level of expertise and experience, the Company managed to drill more than one third of the total wells drilled in the Country. In addition to that, OGDCL was also joint venture partner in sixteen (16) wells drilled by other operators. OGDCL is also committed to acquire more exploration acreage and to extend its exploration activities overseas wherever a technically and commercially viable potential is identified.

Discoveries

During 2009-10, Company's exploratory efforts yielded six (6) new oil and gas/condensate discoveries namely Nashpa-1 (Nashpa E.L.), Reti-1A & Maru-1 (Guddu E.L.), Baloch-1 (Sinjhoro E.L.), Shah-1 (Tando Allah Yar E.L.) and Dakhni-11 (Dakhni M.L.). Subsequently, in July 2010, another gas discovery has also been made by the Company at Sheikhan-1 (Kohat E.L.). The discoveries have been tested to produce 5,080 bopd, 1,465 barrels per day of condensate and 67 MMcfd of gas.

Development Projects

Qadirpur Compression Project

OGDCL is the operator of Qadirpur gas field, which is the third largest gas field in Pakistan, with 75% working interest. The field is located in district Ghotki of Sindh province and is on production since 1995. Production rate from the Qadirpur field has been on the decline due to decrease in reservoir pressure. To arrest the natural decline in the field, OGDCL Management has undertaken to install fourteen (14) reciprocating compressors and later relocation of three (3) more compressors from Pirkoh gas field. All the fourteen (14) compressors were planned to be installed and commissioned at the field during Annual Turn Around (ATA) in June - July, 2010. However, keeping in view the overall energy demand in the Country, Government of Pakistan (GoP) decided to postpone Qadirpur plant ATA to 11 - 22 September 2010. It is now anticipated that after commissioning of the compression system in September 2010, the field deliverability of raw gas will be 650 MMcfd.

"To arrest the natural decline fourteen (14) reciprocating compressors have been installed at Qadirpur gas proccessing plant. After commissioning of the compression system field deliverability of raw gas will be 650 MMcfd."

Reciprocating compressors recently installed at Qadirpur gas processing plant

UCH-II Development Project

The Uch gas field is located about 67 Kms South-East of Dera Bugti in Balochistan province. OGDCL has drilled fifteen (15) wells and is supplying 72,000 million Btu gas per day to Uch Power Limited (UPL). After carrying out detailed study of Uch gas field, it was envisaged that OGDCL can commit an additional 160 MMcfd of gas for 25 years to a power producer. Hence, Uch-II Development Project is planned by the Company. Basic Engineering and tender documents to engage Engineering, Procurement, Construction and Commissioning (EPCC) contractor have been completed and Gas Sale Agreement (GSA) is being finalized between OGDCL and UPL. EPCC contract has been press tendered based on the revised criteria approved by the Board of Directors. Five (5) development wells have already been drilled out of total fifteen (15) wells needed for the project. Completion period of the project is 18 months after award of the contract. After completion of the project, the sale gas from Uch gas field will be enhanced from 250 MMcfd to 410 MMcfd.

Dakhni Expansion Project

Dakhni gas processing plant started commercial production in early 1990 with a design capacity of 30 MMcfd of sour feed gas. Over the years, the composition of H_2S contents of raw gas has increased considerably resulting in processing limitation on the existing plant. Due to this change the existing plant is currently processing 24 MMcfd of sour feed gas. As part of Dakhni Expansion Project, contract for the supply of Sulphur Recovery Unit (SRU) was signed in May 2008. Complete delivery of the unit has been received at site in February/March 2010. All other equipment/material except Refrigeration Package and Gas Power Turbine have been received/installed at site. The tender documents for Refrigeration Package and hiring of services for Procurement, Construction & Commissioning (PCC) contractor for the installation/erection of SRU have been finalized for press tendering. The tender documents for Gas Power Turbine are under review by OGDCL and will soon be press tendered. Project is expected to be completed by October 2011. The incremental production after the expansion will be sales gas: 12 MMcfd, condensate: 720 barrels per day, sulphur: 80 M. Tons/day and LPG: 12 M. Tons/day.

Sinjhoro Development Project

The Project is located in district Sanghar, Sindh. The surface facilities to be installed by the Company include gas gathering system for fourteen (14) wells, sales gas line from Sinjhoro to Bobi field, gas treatment plant, LPG recovery and compression system etc. However, OGDCL Management has decided to develop the field on its own by relocating Dhodak plant to Sinjhoro. The Consultant after carrying out preliminary study for compatibility of Dhodak plant with Sinjhoro fluids has confirmed that same can be used with some modifications. The project is expected to be completed by June 2011. After completion, the project will enhance Company’s production capacity by 3000-3500 bopd, 25-30 MMcfd of gas and 120-140 M.Tons/day of LPG.

Kunnar & Pasahki Deep (KPD)/Tando Allah Yar (TAY) Integrated Development Project

The fields are located about 25 Kms from Hyderabad city, Sindh province. KPD-TAY Integrated Development Project will be developed by OGDCL. The objective of the project is to install gas processing facility to process raw gas from Kunnar & Pasahki Deep (KPD) and Tando Allah Yar (TAY) gas/condensate fields to supply processed sale gas to Sui Southern Gas Company Limited (SSGCL) and to extract condensate and LPG. The gas processing plant will be installed adjacent to Company’s existing Kunnar LPG Plant. OGDCL Management has decided to go for KPD-TAY Integrated Development Project vide press advertisement on EPCC basis with LPG extraction plant. The tender notice for hiring of EPCC contractor for KPD-TAY Development Project has been released in press on 14 July 2010 with bid submission date of 30 August 2010. The project is expected to be completed by May 2012 and expected production will be: 284 MMcfd of gas, 4,400 bopd and 387 M.Tons/day of LPG.

Jhal Magsi Project

Jhal Magsi field located in Dera Murad Jamali, was discovered in 2003. It is a joint venture among OGDCL, GHPL and POL. Three (3) wells have been drilled, out of which two (2) wells are producers. DGPC has approved the development plan on 25 July 2009. OGDCL Management and JV partners have approved the engagement of Engineering Consultant for preparation of Basic Design Engineering Package and Instruction to Bidders (ITB) documents. The Consultant has prepared the tender documents for hiring services of EPCC contractor. The tender notice was issued in the press on 22 July 2010 for pre-bid meeting on 06 September 2010 and bid submission on 15 September 2010. The project is expected to be completed by March 2012 and will produce 15 MMcfd of gas.

Oil and Gas Reserves

During the year, the estimate for gas reserves of Nandpur gas field was revised upward from 107 Bcf to 175 Bcf to cater its production profile for the remaining years. The reserves are reassessed upward for Sari gas field and Dhamraki gas/condensate field due to better production performance of these fields during the year under review. The probable reserves of Mithrao (Chak 5 Dim), Chak 5 Dim South, Kunnar, Pasahki NE & Pasahki fields are shifted to the proved reserves category. There is no downward revision in the reserves during the period. However, revision/certification of total OGDCL reserves is presently underway by reputable independent third party International Consultant. OGDCL's remaining recoverable reserves as of 30 June 2010 stood at 142.669 million barrels of oil and 9,967.594 billion cubic feet of gas.

Production

Company's production activities are focused towards acceleration of oil and gas enhancement by implementing innovative techniques. In addition, OGDCL is fully committed for seamless development of new discoveries to ensure sale of oil and gas within shortest possible time frame. OGDCL has been successful in keeping the natural decline to a minimum through rigless and with rig workovers, stimulation, and other innovative techniques as most of the wells in Southern region are on artificial lift. On the development front, OGDCL has been successful in developing some of newly discovered fields at its own. In this regard, Nashpa and Pakhro fields have been developed utilizing seamless development strategy and the Company is also in the process of developing Bahu, Nim West and Sheikhan (Extended Well Testing) fields using indigenous resources.

"OGDCL's remaining recoverable reserves as of 30 June 2010 stood at 142.669 million barrels of oil and 9,967.594 billion cubic feet of gas."

Nashpa oil field

OGDCL during the year has added 10 MMcfd gas from its Dakhni field and 4 MMcfd from Nandpur gas field. Moreover, 350 barrels per day of condensate has been added from Dakhni field. After the discovery at Nashpa, OGDCL using indigenous resources, put the field on Extended Well Testing (EWT) before one month of the target date producing 4,500 bopd and 15 MMcfd gas. The gas is being supplied to SNGPL and crude oil is being transported to Attock Refinery Limited (ARL). Rajian-5A, a development well, was successfully completed and brought on production in a record time of five days. The well is producing 1,000 bopd of crude oil and 0.8 MMcfd gas.

Gas compression recently installed at Chanda field

As part of improving operational efficiencies of the producing fields, gas compression has been installed at Chanda oil field to meet the pressure requirement of SNGPL and the Company carried out ATA of plants at Bobi, Dakhni, Uch, and Kunnar. In order to dispose off the produced water, forced evaporation system has been installed at Fimkassar and Tando Alam oil fields.

Sale of gas at wellhead for four dormant gas fields namely Nur, Bagla, Jandran and Sara West has been finalized and Letter of Intent (LOI) has been issued to successful bidders. Upon completion of these projects, about 80 MMcfd of gas would be supplied for power generation. In addition, substantial enhancement in crude oil production is expected from newly discovered fields/development wells like Nashpa-1, Mela-3 and Baloch-1. Similarly, around 147 MMcfd of additional gas production is expected from Qadirpur (Compression), Dakhni, Mela, Nim West, Sinjhoro, Nur, Bagla and Bahu projects.

During the year, OGDCL's average daily production on working interest basis was as follows:

Products	100% Owned Fields	Share in Operated JVs	Share in Non-Operated JVs	Total
Crude Oil (bopd)	24,100	7,930	6,045	38,075
Gas (MMcfd)	338	389	249	976
LPG (M. Tons/day)	104	11	87	202
Sulphur (M. Tons/day)	70	-	-	70

- Daily production for the year 2009-10 has been worked out at 365 days per annum

Compared with preceding year, crude oil production from the Company's 100% owned fields and share in operated JV fields decreased by 11.3% mainly due to natural decline in Southern region fields like Kunnar, Pasahki, Bobi, Lashari, Moolan North and Sono, partially offset by increase in production from Thora, Dakhni and start of production from Nashpa and Baloch fields. Share of crude oil production from non-operated JV fields (Badin-II, Adhi, Pindori & Manzalai fields) increased by 23.3% which resulted in net decrease of crude oil production by 7.2%. Company's gas production from 100% owned fields and share in operated JV fields decreased by 7.6% mainly due to decrease in production from Uch, Pirkoh, Dhodak, Nandpur and Qadirpur fields. This decrease in production was partially offset by increase in share of gas production from non-operated JV fields resulted in net decrease of gas production by 2.6%. LPG production during the year decreased by 7.4% mainly due to water break-through at Dhodak field and operational problems at Bobi Plant. However, share of LPG production from non-operated JV fields was higher than last year.

"After the discovery at Nashpa, OGDCL using indigenous resources, put the field on Extended Well Testing (EWT) before one month of the target date producing 4,500 bopd and 15 MMcfd gas."

Non-Operated Joint Ventures

Adhi Field

Pakistan Petroleum Limited is the operator and OGDCL holds 50% stake. Eleven (11) wells are on production in Adhi field. Currently, the field is producing 3,556 barrels per day of condensate, 28 MMcfd of gas and 79 M.Tons/day of LPG.

TAL Block

MOL Pakistan is the operator of the TAL Block. OGDCL working interest is 27.76%. During the year under review, five (5) wells including three (3) exploratory and two (2) development were drilled. Eight (8) wells were put on commercial production. Currently TAL Joint Venture is producing 6,634 barrels per day of condensate and 286 MMcfd of pipeline quality gas which is being injected into SNGPL gas transmission network. The producing fields of the TAL Block are Manzalai, Makori and Mamikhel.

Pindori Field

Pakistan Oilfields Limited is the operator and OGDCL holds 50% working interest in the field. During the year the field produced 1,316 barrels per day of condensate, 4 MMcfd of gas and 26 M.Tons/day of LPG.

Miano Field

OMV is the operator and OGDCL holds 52% stake in the field. During the year three (3) wells; Miano-11, 13 and Khipro ST were put on production. Currently, the average daily production is 58 barrels of condensate and 69 MMcf of gas. Miano Joint Venture has planned to drill Miano-14 for production enhancement of the field.

Kadanwari, Bhit & Badhra Fields

Kadanwari, Bhit & Badhra fields are being operated by ENI and OGDCL working interest is 50%, 20% & 20% respectively. Two (2) more wells namely K-21 and K-23 were brought on production while K-25 is under drilling. Currently, Badhra is producing 14 barrels per day of condensate and 19 MMcfd of gas whereas production from Bhit is 296 barrels per day of condensate and 377 MMcfd of gas. However, the production of Kadanwari field is 33 barrels per day of condensate and 71 MMcfd of gas.

Dhurnal, Bangali and Ratana Fields

These fields are being operated by M/s OPII and OGDCL working interest is 20%, 50% & 25% respectively. Currently, Dhurnal is producing 149 bopd and 1 MMcfd of gas while Ratana is producing 567 bopd, 14 MMcfd of gas and 7.5 M.Tons/day of LPG. Work-over/deepening activities are being carried out at Bangali field.

Badar Field

PEL is the operator of the field and OGDCL working interest is 50% in it. The current production of the field is 14 MMcfd of gas.

Sara and Suri Fields

Tullow Pakistan is the operator of these fields. OGDCL holds 40% stake in these fields. The gas is being supplied to Wapda Guddu Thermal Power Station (GTPS). Currently, Suri field is producing 1 MMcfd of gas. These fields came on commercial production in 1999.

Badin-II, Badin-II Revised and Badin-III Fields

BP Pakistan is the operator of the Badin-II, Badin II-Revised and Badin-III. OGDCL holds 49%, 24% & 15% stake respectively. Currently, Badin-II is producing 2,310 bopd and 80 MMcfd of gas whereas Badin II-Revised is producing 301 bopd and 1 MMcfd of gas. However, Badin-III is producing 33 bopd and 4.5 MMcfd of gas.

Board of Directors

The Board of Directors comprises eleven (11) Directors including the Chairman and MD & CEO. On resignation of Mr. Zahid Hussain w.e.f. 20 February 2010, Mr. Shah Mahboob Alam, Executive Director (Security) is the officiating MD & CEO from 21 February 2010. During the year under review, composition of the Board has also changed due to appointment of Mr. Fahd Shaikh, Dr. Kaiser Bengali, Syed Masieh-ul-Islam, and Senator Mir Wali Muhammad Badini on 30 December 2009 in place of Mr. Waqar A. Malik, Mr. Rafiq Dawood, Mr. Tariq Iqbal Khan and Mr. Iskandar Mohammed Khan. Further, Syed Amir Ali Shah was appointed on 24 June 2010 in place of Miss Shagufta Jumani. On the sad demise of Mr. Sikandar Hayat Jamali (May Allah bless his soul and grant him eternal peace), Mr. Nasir Mahmood Khosa, Chief Secretary Balochistan (by designation) was appointed as Director on 30 December 2009 and on his transfer, Mr. Ahmad Bakhsh Lehri, Chief Secretary Balochistan became Director on the OGDCL Board w.e.f. 24 February 2010. The Board recorded its appreciation for the contribution and services rendered by the outgoing Directors during their tenure and welcomed the new members. Consequent upon the resignation of Mr. Farooq Rahmatullah, Director/Chairman, on 13 May 2010, Mr. Kamran Lashari has been appointed as Director/Chairman. The Board appreciated the professional acumen, guidance and services rendered by the outgoing Chairman and also extended warm welcome to the newly appointed Chairman.

The Board is presently comprised of the following Directors:

Mr. Kamran Lashari	Chairman
Mr. Shah Mahboob Alam	Managing Director & CEO
Senator Mir Wali Muhammad Badini	Director
Syed Amir Ali Shah	Director
Mr. Ahmad Bakhsh Lehri	Director
Mr. Muhammad Ejaz Chaudhry	Director
Dr. Kaiser Bengali	Director
Mr. Wasim A. Zuberi	Director
Mr. Tariq Faruque	Director
Syed Masieh-ul-Islam	Director
Mr. Fahd Shaikh	Director

Meetings of the Board

Nine (9) meetings of the Board of Directors were held between 01 July 2009 to 30 June 2010 and the attendance of each Director is given below:

S.No.	Name of the Directors	Total No. of meetings*	Meetings attended
1	Mr. Kamran Lashari, Chairman	1	1
2	Mr. Shah Mahboob Alam, MD & CEO	4	4
3	Senator Mir Wali Muhammad Badini	5	3
4	Syed Amir Ali Shah	1	1
5	Mr. Ahmad Bakhsh Lehri	5	0
6	Mr. Muhammad Ejaz Chaudhry	9	8
7	Dr. Kaiser Bengali	5	3
8	Mr. Wasim A. Zuberi	9	6
9	Mr. Tariq Faruque	9	6
10	Syed Masieh-ul-Islam	5	5
11	Mr. Fahd Shaikh	5	5
12	Mr. Farooq Rahmatullah, (former Chairman)	8	5
13	Mr. Zahid Hussain, (former MD & CEO)	6	6
14	Miss Shagufta Jumani, (former Director)	8	4
15	Mr. Nasir Mehmood Khosa, (former Director)	4	1
16	Mr. Iskander Mohammed Khan, (former Director)	4	1
17	Mr. Rafique Dawood, (former Director)	4	3
18	Mr. Tariq Iqbal Khan, (former Director)	4	3
19	Mr. Waqar A. Malik, (former Director)	4	2

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

The Company is committed to high standards of corporate governance to ensure business integrity and upholding the confidence of all the stakeholders.

Committees of the Board

In order to ensure effective implementation of a sound internal control system and compliance with the Code of Corporate Governance, the Board has constituted various committees. Composition of committees and their terms of reference are shown on pages from 13 to 15 of the Annual Report.

Corporate Governance

The Company is committed to high standards of corporate governance to ensure business integrity and upholding the confidence of all the stakeholders. The Board of Directors is accountable to the shareholders for good corporate governance and the Management of the Company 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 Exchanges, which clearly defines the role and responsibilities of Board of Directors and the Management. Vision & Mission statements, Core values and Statement of Ethics & Business Practices have been prepared and approved by the Board. Significant policies as required under the Code of Corporate Governance have been framed and are under review of the Board.

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 judgement.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.
- There are no 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 six (6) years in summarized form is annexed.
- Information about outstanding taxes and levies is given in the notes to the financial statements.
- Value of investments, including bank deposits, of various funds based on the latest audited accounts as of 30 June 2009 are as follows:

-	Pension and Gratuity Fund	Rs 11,370.989 million
-	General Provident Fund	Rs 1,680.873 million

Auditors

The present auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants and M/s M. Yousuf Adil Saleem & Co., Chartered Accountants have completed their assignment for the year ended 30 June 2010 and shall retire on the conclusion of Thirteenth Annual General Meeting. In accordance with the Code of Corporate Governance, the Audit Committee considered and recommended the re-appointment of M/s KPMG Taseer Hadi & Co., Chartered Accountants and M/s M. Yousuf Adil Saleem & Co., Chartered Accountants, as joint statutory auditors for the year 2010-11 and the Board of Directors also endorsed the recommendations of the Audit Committee.

Pattern of Shareholding

The pattern of shareholding as on 30 June 2010 is shown on the page 50 of the Annual Report.

Internal Control and Audit

OGDCL has an independent Internal Audit Department. The scope and role of the Internal Audit Department has been duly approved by the Board. This role corresponds to the responsibilities envisaged for the internal audit function under the Code of Corporate Governance. The Head of Internal Audit Department is a qualified Chartered Accountant, possessing other international qualifications also. As per corporate legislature, he has been appointed by the Board and has functional reporting directly to the Audit Committee of the Board. The Audit Committee comprises all five (5) Non-Executive Directors.

During the fiscal year 2009-10, significant steps have been taken to revamp the internal audit function of the Company. These efforts are aimed to address the emerging challenges and contemporary issues being countered by the Company. These measures have started to yield encouraging results in the shape of more effective review of accounting and internal control functions and closer monitoring of important operations of the Company. During the year separate devoted sections have been established with focus on IT Audits and corporate legislature compliance audits. Likewise compliance with the accounting standards, listing regulations and other statutory and regulatory requirements are also part of overall audit plan of the Company.

The Internal Audit function is also serving as an effective appraisal of internal controls which are meant to have methods and measures in place to safeguard the assets, monitoring compliance with the best practices of Corporate Governance, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to the prescribed managerial policies. The internal controls are characterized as either administrative or accounting. Administrative controls relate to the internal control objectives of efficient operations and adherence to managerial policies. Accounting controls, on the other hand, relate to safeguarding of assets and reliability of financial information.

The function of Internal Audit Department includes independent assurance that controllable business risks are effectively managed to ensure that adequate controls exist within the Company's systems and activities by having continuous reviews, bringing deficiencies and weaknesses in the system and procedures to the notice of the Management and the Audit Committee and suggest remedial steps to address those weaknesses, recommend changes in the policies, systems and procedures in order to ensure systems and activities achieve their objectives. Follow up the implementation of agreed actions, advise management regarding cost effective controls and highlight opportunities to reduce cost through greater economy and efficiency within systems and activities. Facilitate the annual risk analysis and assist management in the corporate governance reporting process, carry out special audit and investigations advised as and when required by the Audit Committee and the Management.

In addition to the Audit Committee there is another oversight mechanism over the Company's operation through Government Audit. Internal Audit has been entrusted by the Management with the responsibility of coordination and liaison with the Government Audit functionaries. A complete section exists in the Internal Audit Department to coordinate and facilitate this process. Periodic meetings of Public Accounts Committee (PAC) and Departmental Accounts Committee (DAC) are also coordinated and duly represented by Audit Department along with Finance Department of the Company.

Considerable aspects of exploration and production activities of OGDCL are carried out under joint ventures with other local and multinational companies operative in Pakistan. These operations have a significant impact on the overall financial results of the Company. The audit collaborations and assessment of common goals and targets with Joint Venture

"The Internal Audit function is also serving as an effective appraisal of internal controls which are meant to have methods and measures in place to safeguard the assets, monitoring compliance with the best practices of Corporate Governance, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to the prescribed managerial policies."

partners is an area which is now being given due consideration it deserves. Strategic alliances are being sought on developing standardized periodic audit operations and hopefully stakeholders' expectations shall be met through joint assessment of common goals and targets under Joint Venture operations.

"HR function is committed to implement a corporate human resource strategy which supports the Company's Business Plan by effectively and efficiently serving the needs and interests of the Company's line departments in a transparent, fair and consistent manner through the development and implementation of appropriate policies, procedures and programmes."

Human Resource (HR)

OGDCL with human strength of over 10,000 employees is involved in translating its strength into tangible results. The workforce is spread all across the Country and playing crucial role to achieve its targets.

Human Resource (HR) function in OGDCL is playing a proactive role to ensure the efficiency of available human resources, manages the organizational structure, selection and placement of competent personnel, cultivates a culture of learning, designs and develops jobs and careers. These services are provided by creating an organization-wide consensus about positive values and attitudes demonstrated through a system whereby trust and openness and commitment to innovation are encouraged. HR function is also committed to implement a corporate human resource strategy which supports the Company's Business Plan by effectively and efficiently serving the needs and interests of the Company's line departments in a transparent, fair and consistent manner through the development and implementation of appropriate policies, procedures and programmes. The ultimate objective is to have the right people in the right place, at the right time with the right pay and the working environment to enhance creativity and productivity in the workplace. In any company, the performance management system is the cornerstone of an integrated, coherent human resource system. Result based management culture in the Company has undergone extensive improvement in order to address executive and staff development and career advancement in the light of performance. Long term career advancement and succession planning for employees is carried out, keeping in view a number of parameters such as vacancies, competence, relevant experience etc.

During the year, human resource development remained the main focus of the Company in order to motivate its employees through recognition, effective appraisal, proper placement and promoting employees skill development programme. Various human resource policies have been reviewed and rationalized to bring about effective change and to meet future challenges. Management's relations with CBA remained friendly and industrial peace prevailed at all the locations during the year. The Management successfully concluded 20th Memorandum of Settlement (MOS) with CBA for period of two years from 07 February 2009 to 06 February 2011.

Training and Development

As a leading Exploration & Production Company of Pakistan, OGDCL is committed towards professional grooming of its human resource. The objective of continuous training and development of these professionals is achieved through Oil and Gas Training Institute (OGTI). OGTI works closely with various departments of OGDCL and other E & P companies to help meet their training requirements. The training programs are developed and delivered by renowned trainers from within OGDCL as well as experts from the local and foreign petroleum industry. In addition to technical training, the Institute is now imparting education and training in Health, Safety & Environment, Information Technology and Petroleum Management as well.

"OGDCL is committed towards professional grooming of its human resource. The objective of continuous training and development of these professionals is achieved through Oil and Gas Training Institute (OGTI)."

During the year 2009-10, a total of 92 training programmes were conducted at OGTI. 937 professionals from OGDCL and 123 from other E & P companies benefited from these programmes. These programmes included courses on technical subjects, Health, Safety & Environment, Information Technology and Petroleum Management.

OGTI arranged many tailor-made training programs for professionals of E & P companies/ organizations working in Pakistan. These included "Safe Practices in Mid & Downstream Petroleum Sector" for OGRA, "Flowing Well Performance" and "Process Instrumentation" for OMV and "Natural Gas Treatment & Monitoring" for ESBI.

A group of officers including senior management pose for a photo with Mr. WIlliam Hasket, instructor for the Corporate Strategic Planning master class held at OGTI, Islamabad

Mr. William Hasket of Marcus Evans, USA, delivered a course titled "Corporate Strategy, Business Planning & Implementation" to a group of 25 officers including senior management of OGDCL.

A seminar on "Coal Bed Methane and Underground Coal Gasification" was arranged at OGTI in collaboration with M/s Weatherford. Mr. Robert H. Gales, VP Geosciences, Weatherford presented the seminar. The seminar was attended by more than 100 participants from OGDCL and other E & P companies.

Information Technology (IT)

"Company's central data centre has completely been re-vamped in terms of infrastructure, environment & technologies."

As part of Company's continued efforts to enhance and improve in-house Financial Management Systems, additional application modules were inducted. Implementation of Budget Preparation and Control module was completed that has automated the process of preparation of Company's annual Business Plan. The module has also facilitated the enforcement of necessary controls on utilization of the allocated budgets. Requirement for automation of Joint Venture Accounting was also identified and an acquisition process has been started. This project is expected to be completed within next year.

The Company's central data centre has completely been re-vamped in terms of infrastructure, environment and technologies. The new state-of-the-art data centre has provided a reliable infrastructure foundation for existing IT Systems and services as well as planned future expansions. The project completed by M/s IBM consists of new technologies in terms of Blade Servers, Storage Area Network (SAN), Network Infrastructure including Network Security firewalls and equipment related to surveillance & environmental controls.

Network connectivity (LAN/WAN) was expanded to cover various Company offices situated in Karachi. The exercise has provided Local Area Network (LAN) facility to these offices and also a faster WAN (Wide Area Network) link with the Head Office facilitating efficient and timely exchange of operational information.

A consultancy project has been started for developing and implementing an Information Security Management System (ISMS) for the Company. The objective is to ensure security of the Company's Information Assets. The project has been awarded to a local expert consultant firm through competitive bidding and will be completed in about six months time. The exercise will facilitate the Company to align itself with international best practices related to Information Security and achieve compliance on prevailing Information Security Standard (ISO- 27001).

Health, Safety, Environment & Quality (HSEQ)

OGDCL has always contributed to the environment where it works in and contributed to the welfare of the people of the area also. We ensure that our products are supplied to the market, consumers and other stakeholders only after having properly processed i.e. with minimum (allowable) potential for pollution. In addition to the contemporary solutions, modern processes are being carried out as company policy which shows sustainability towards protection of the environment, our workforce and assets. On the more visible side, plantation of trees in our operating fields and plants is a routine measure to compensate the emissions from different activities carried out in the fields.

It is a feast to mark that for the third time OGDCL won the Seventh National Forum for Environment and Health (NFEH) Excellence Award 2010 on account of its excellent environmental initiatives and successful implementation of environmental management systems at major sites. There is another feather in Health, Safety, Environment and Quality Control function of the Company that its first Certificate Audit of Dhodak and Qadirpur operating fields against ISO 14001:2004 and OHSAS 18001:2007 standards conducted from 13 to 17 July 2009. Business Assurance Wing of M/s DNV has pronounced that the HSE System at these two key locations is at par with the requirements of HSE management standards.

In compliance to legislative requirements, OGDCL was granted No Objection Certificates (NOCs) by EPA to carry out E & P activities in Samandar E.L. (which fall in the south-eastern corner of Hingol National Park) and Dakhni Expansion Project. Prior to start of the project activities, OGDCL engaged the services of an independent consultant to conduct an Environmental Impact Assessment (EIA). The public hearings were held on 03 March 2010 at Hub Balochistan and on 25 July 2009 at Dakhni Punjab. The environmental studies of new seismic and drilling projects were also conducted utilizing the internal resources and the reports were timely submitted to the relevant Environment Protection Agencies for acquisition of NOC to formally commence the project activities.

HSE awareness event held at Qadirpur gas field

In order to promote best HSE practices and acknowledge existing ones; to reinforce HSE messages and increase awareness; to promote a healthy work-style; to provide better communication opportunities on the issues of work and safety; and to enable learning through fun among the employees, HSE Awareness Events are being arranged as a regular corporate feature now in the Company. During 2010, these events were organized with zeal and fervor at Qadirpur gas field (13 to 15 March 2010), Dakhni gas field (01 to 02 May 2010), Kunnar LPG plant (17 to 18 June 2010) and Bobi oil complex (19 to 20 June 2010).

In addition, workshops on health, safety, environment, and quality related issues were also custom designed and conducted utilizing the platform of Oil & Gas Training Institute (OGTI), Islamabad. An important five-day workshop on Safe Practices in Mid & Downstream Petroleum Sector was held from 26 to 30 October 2009 on the scope and objectives orchestrated by OGRA and an in-house advance (certificate) level training on “Auditing Process for Occupational Health, Safety and Environment Management System” was arranged at Qadirpur gas processing plant from 28 to 30 June 2010.

“OGDCL is committed to act ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local communities and society at large.”

Corporate Social Responsibility (CSR)

Being socially responsible corporate entity of E & P community, OGDCL is committed to act ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local communities and society at large. In this regard, OGDCL is fully aware of its obligations and is continuing to proactively promote, develop and maintain social welfare schemes for the benefit of the local communities in and around the areas of its operations.

In implementing the social welfare programme, we at OGDCL, strive to ensure that we:

- Promote an enabling environment, by engaging regularly, openly and honestly with the communities affected by our operations and take their opinions and concerns into account before implementing a community development project.
- Execute and implement projects that contribute towards alleviation of poverty and foster economic benefits.
- Continue to execute, develop, implement and wherever required, maintain systems for health, infrastructure, education and water supply.
- While executing our social welfare projects, abide by and observe traditional and ethnic customs & practices, out of mutual respect for social and cultural differences.
- Support good social causes and charities.
- Maintain in good order, the property we are privileged to use, taking care to protect the environment and natural resources.
- Contributing to society through our business by allocating funds for all Petroleum

Concession Agreement (PCA) obligations as well as all other external and internal CSR activities.

- Encourage civic improvement and better health and education.
- Vigorously pursue our objective of being a responsible corporate citizen, by funding and promoting projects which will include, but not be limited to;

Health Care

In health care, in addition to the free services of doctors, free medicines in dispensaries and ambulance services, OGDCL is operating thirteen (13) social welfare dispensaries, organizing free eye camps, where free cataract operations are performed and free vision glasses are given. Our annual expenditure exceeds Rs 57 million under this head. Besides these OGDCL has also developed a Trauma Centre at Ghotki, presently at furnishing stage.

Free eye camp
organized by OGDCL

Education

In education, OGDCL has two technical training institutes at Karak, KPK province and at Quetta, Balochistan province where local boys are being provided training in the field of petroleum industry, with an annual expenditure of about Rs 10 million. In these institutions, about 200 students are being annually trained in the various fields of oil and gas industry and subsequently they are being provided assistance for getting jobs in oil and gas related industry. Construction of new schools and providing support to government schools in our concession areas is also a part of our CSR activity.

Water Supply

OGDCL is spending around Rs 30 million per annum in its locations in KPK, Balochistan, Sindh and Punjab where water is being supplied through bouzers, tractor trolleys to the locals to meet their water supply needs. Projects like installation of hand pumps in Kohat and Gurgalot concessions are also underway.

Infrastructure

In infrastructure, OGDCL is assisting local governments in building new roads, repairing old roads, providing funds for installation of gas supply to locals where gas is produced.

This is the beginning of a new chapter in CSR of OGDCL, where we have plans for building and operating new hospitals, dispensaries, mother child care centres, blood banks, Thalassemia centres, holding free medical surgical camps, donations for life threatening diseases, establishing and operating model schools, establishment of chair at different universities for talented students, national level funding for sports through creation of OGDCL's sports wing, forestation and habitat sanctuary protection.

"The Management is committed to cope with the business risks & challenges within its ambit of controls with its strong core of trained and experienced professionals, sound equipment base and sound financial position."

Business Risks and Challenges

Being an exploration and production company, OGDCL is exposed to operational and non-operational risks associated with E & P business which may unfavourably affect its operations and financial performance. The Management and the Board of Directors are well aware of their responsibilities in this regard and ensure that an appropriate system exists in the Company for the identification and management of the business risks.

Internal Audit function also exists in the Company serving as an effective appraisal of internal controls which are meant to have methods and measures in place to safeguard the assets, monitoring compliance with the best practices of Corporate Governance, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to the prescribed managerial policies.

Audit Committee of the Board in accordance with its terms of reference also ascertain that the internal control system including financial & operational controls and accounting system are adequate, effective and comply with applicable laws and regulations and professional best practices.

The Management of the Company also understand its role and responsibilities as leading national E & P Company with largest oil and gas reserves, strong production base and largest exploration acreage spread over all four provinces and off-shore. The Management is committed to cope with the given challenges within its ambit of controls with its strong core of trained and experienced professionals, sound equipment base and sound financial position.

Key operational and non-operational risks which can influence the operations of the Company are as follows:

Crude Oil Price

Crude oil pricing in Pakistan is based on a basket of Arabian crude oil prices adjusted for yield differential and freight adjustment. Change in international oil prices is largely uncontrollable and OGDCL is vulnerable to increase/decrease in such prices. Decline in prices of crude oil has a negative impact on the Company's earning performance. However, the gas sales which amount around 50% of the Company's revenue is less prone to this risk. In addition, gas prices of certain fields are capped at fixed crude oil/HSFO prices and are affected only in case the international crude oil price falls below the capped price.

Qadirpur gas
proccessing plant

Exchange Rate Risk

Rs/US$ parity decline has a positive impact on OGDCL's earnings, as crude revenue is tied to US$ based pricing mechanism derived from international crude prices with suitable yield differential and number of gas fields have wellhead pricing in US$ terms. Rs/US$ parity decline has a negative impact on the Company's earnings since most of the material including drilling material, plant & equipment used in oil and gas industry are imported to meet operational requirements.

Exploration and Drilling Risks

The different sedimentary basins in Pakistan represent very complex tectonics and deformation styles. The in-depth knowledge of petroleum systems present in these basins is imperative. The selection of potential exploration blocks, acquisition of geological and geophysical data, delineation of drillable prospects and their drilling are all important aspects in hydrocarbon exploration. To maintain a good success ratio is also a vital element which can only be achieved with efficient professional teams and systematic working. As easy-to-drill structures are vanishing, the drilling operations are also facing many challenges such as deep wells, lateral wells and drilling in complex geological settings.

Exploration risks include selection of incorrect exploration acreage, inaccuracies in acquisition, processing, interpretation of seismic data and selection of exploratory well site. The Company is also exposed to variety of hazards during the drilling process including well blow out, fishing, fire and other safety hazards. There is always a risk of success/failure in drilling exploratory wells. Risk of un-successful drilling has an adverse affect on Company's earnings and growth. Though this risk is reduced in case of development fields, expertise in reservoir engineering is in place to manage pertinent risks. The Management is well aware of these risks and is taking into consideration these facts while planning and executing the exploration and drilling plans. The Company is also utilizing experienced professionals and latest technologies in selection of acreage, acquisition and processing of seismic data etc.

Reserves Depletion and Under Performance of Oil & Gas Fields

Oil & gas production usually reflects a decline after reaching its peak production. Oil and gas reserves are assumed to produce 3/4th in case of gas with compression and around 1/4th of oil of the original reserves in place which can be further improved through Enhanced Oil Recovery (EOR) to around 1/3rd of total recoverable reserves over the reserve life. Some of the major oil and gas assets of OGDCL are mature fields which bear the risk of depletion at a faster than a predicted rate. In addition, OGDCL's investment decisions on development of newly discovered fields are made after extensive technical studies and assessment of reservoir. Reserve estimates of these fields are worked out in-house as well as are certified by reputable international consultants.

OGDCL has a strong vision and passion to contribute to the E & P sector to help enhance energy security of Pakistan.

Legislation

OGDCL's revenues are subject to change in Petroleum Policies, which are usually issued for a period of 5 years. These generally offer incentives to local and foreign E & P companies to increase exploration efforts. Petroleum Policy in effect at the time of a particular discovery determines the underlying revenues from such field. Changes in legislation, taxation, regulations, royalty and pricing mechanism may affect the Company's operational and financial performance.

Environmental Risks

OGDCL is vulnerable to environmental changes including earth quakes, heavy rains, floods etc. that may materially impact production at various fields resulting into adverse impact on Company's revenues and profitability. These risks are being addressed by the Management while making investment decisions, planning and executing Company's exploration and development plans. As the Company is committed to adhere to the best Health, Safety and Environment (HSE) practices, the compliance to changes in environmental regulations relating to HSE could result into higher cost to the Company.

Law and Order

Overall law and order situation in the country is not supportive to smooth running of the Company's operations particularly in the provinces of KPK and Balochistan. This is potentially detrimental to OGDCL's exploration, drilling and development activities causing hurdle to the Company's sustainable growth. The Management of the Company is well aware of these issues and a complete set-up for handling security situation is working in the Company. A strategy has been developed by the Company to avoid disruptions at all places of the Company's operations. In this regard, close contacts are being maintained with all the stakeholders at the existing work places as well as in the new areas of exploration, development and production activities.

Future Outlook

OGDCL has a strong vision and passion to contribute to the E & P sector to help enhance energy security of Pakistan. With a formidable presence in the length and breadth of the Country, OGDCL is looking beyond geographical boundaries for E & P opportunity. It plans to actively pursue overseas joint ventures.

With technical prowess in onshore exploration and production it has changed focus to a more challenging area i.e. offshore exploration. OGDCL is actively participating in national bid rounds for acquiring more acreages and gearing to participate in international bidding rounds to work towards international presence in line with its Vision. OGDCL also intends to enhance its reserves and to focus on and strengthen core business (E & P) functions by incorporating international best practices and innovative thinking in Company culture.

The Company plans to optimize its concessions portfolio to support aggressive exploration activities, which in turn will ensure continuous reserves additions. OGDCL is also looking at seamless development of new discoveries in shortest possible time which will add substantially to the production base of the Company. Efforts are continuing towards formulation of joint ventures with leading E & P companies both within the country and abroad.

Review and improvement of internal policies and processes is also on the agenda in addition to further enhancing corporate goodwill through focused CSR activities for the benefit of the communities that OGDCL interacts with.

Acknowledgments

The Company has come a long way from its beginning as a public sector corporation to a leading exploration and production company with its presence in all the provinces of the Country. OGDCL is now listed on all the three stock exchanges of Pakistan as well as on the London Stock Exchange. The success we achieved would not have been possible without unwavering support of our shareholders and all the stakeholders particularly the Ministry of Petroleum and Natural Resources, our business partners, customers, local communities and our dedicated and hardworking employees. I would like to record my heartfelt appreciation to the entire OGDCL family around the Country for their significant contributions to the Company. I would also like to express my sincere gratitude to the federal and provincial government departments and local communities for their support, our business partners, customers, suppliers/contractors for their cooperation and the Management & Members of the Board of Directors for their invaluable counsel and guidance. I look forward to their continuous support to ensure our future growth and success.

On behalf of the Board

(Kamran Lashari)
Chairman

12 August 2010

Pattern of Shareholding
as at 30 June 2010

Number of Shareholders	Shareholding From	Shareholding To	Shares held
1,442	1	100	67,581
11,700	101	500	5,594,458
7,308	501	1,000	7,131,795
4,770	1,001	5,000	10,602,085
634	5,001	10,000	4,747,508
339	10,001	20,000	4,915,194
143	20,001	30,000	3,596,450
48	30,001	40,000	1,703,970
54	40,001	50,000	2,463,936
37	50,001	75,000	2,295,611
29	75,001	100,000	2,615,918
32	100,001	150,000	4,016,681
17	150,001	200,000	2,925,997
15	200,001	250,000	3,342,066
8	250,001	300,000	2,256,969
7	300,001	400,000	2,444,167
5	400,001	500,000	2,358,946
8	500,001	600,000	4,379,780
9	600,001	700,000	5,884,246
3	700,001	800,000	2,290,310
5	800,001	900,000	4,295,751
2	900,001	1,000,000	1,922,732
5	1,000,001	1,500,000	5,990,153
2	1,500,001	2,000,000	3,194,577
6	2,000,001	3,000,000	14,670,513
3	3,000,001	5,000,000	10,420,940
1	5,000,001	8,000,000	7,624,179
1	8,000,001	9,000,000	8,039,600
1	9,000,001	10,000,000	9,375,514
4	10,000,001	25,000,000	61,317,326
1	25,000,001	50,000,000	30,726,600
2	50,000,001	100,000,000	123,923,413
1	100,000,001	300,000,000	286,995,314
1	300,000,001	500,000,000	438,815,774
1	500,000,001	4,000,000,000	3,217,982,346
26,644			**4,300,928,400**

Categories of Shareholders

as at 30 June 2010

Categories of Shareholders	Number of Shareholders	Shares held	Percentage
Individuals	26,091	43,516,992	1.01
Investment Companies	8	256,111	0.01
Insurance Companies	20	22,523,268	0.52
Joint Stock Companies	184	2,825,329	0.07
Banks, DFIs, NBFIs	13	5,523,795	0.13
Modarabas and Mutual Funds	9	648,491	0.02
Foreign Investors	104	495,581,666	11.52
Cooperative Societies	1	3	0.00
Charitable Trusts	45	2,794,887	0.06
Others	167	70,459,738	1.64
OGDCL Employees Empowerment Trust	1	438,815,774	10.20
Government of Pakistan	1	3,217,982,346	74.82
TOTAL	**26,644**	**4,300,928,400**	**100.00**

Pattern of Shareholding	Number of Shareholders	Shares held	Percentage
Associated Companies, Undertakings and Related Parties and Shareholders holding 10% and above shares			
Government of Pakistan	1	3,217,982,346	74.82
OGDCL Employees Empowerment Trust	1	438,815,774	10.20
NIT & ICP			
National Investment Trust Ltd (NIT)	1	688,944	0.02
National Bank of Pakistan Trustee Department	1	3,120,303	0.07
Directors, Chief Executive Officer and their spouses and minor children			
Executives	2	3,353	0.00
Investment Companies	8	256,111	0.01
Insurance Companies	20	22,523,268	0.52
Joint Stock Companies	184	2,825,329	0.07
Banks, DFIs, NBFIs	11	1,714,548	0.04
Modarabas and Mutual Funds	9	648,491	0.02
Foreign Investors	104	495,581,666	11.52
Cooperative Societies	1	3	0.00
Charitable Trusts	45	2,794,887	0.06
Individuals	26,089	43,513,639	1.01
Others	167	70,459,738	1.64
TOTAL	**26,644**	**4,300,928,400**	**100.00**

SHAREHOLDING:

Shares held by Government of Pakistan also include shares held in trust by the eleven elected Directors. Shares held by Mr. Aftab Ahmad, Executive Director (Strategic Business Planning) and his wife were purchased by them through Initial Public Offering by the Government at the rate of Rs 32 per share.

Review Report to the Members on Statement of Compliance with the Best Practices of 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 Karachi, Lahore and Islamabad 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 are not required to consider whether the Board's statement on internal control all risks and controls, or to form an opinion on the effectiveness of such controls, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii) of Listing Regulations 37 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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.

KPMG Taseer Hadi & Co.

KPMG TASEER HADI & Co.
Chartered Accountants

12 August 2010
Islamabad

M. Yousuf Adil Saleem & Co

M. YOUSUF ADIL SALEEM & Co.
Chartered Accountants

12 August 2010
Islamabad

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (the Code) 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 74.82% stake in the Company and nominates all the directors. All the directors except the Managing Director / CEO are non-executive directors.

2. The Directors of the Company have confirmed that none of them is serving as a director in ten or more listed companies, including this Company except Mr. Tariq Iqbal Khan for whom relaxation had been obtained by NIT and communicated to us vide NIT Letter No. NIT/SECP/16/CG-09/0929 dated 06 August 2009.

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. Vision, Mission statements have been prepared and approved by the Board.

5. Statement of Ethics and Business Practices is in place duly approved by the Board.

6. Significant policies as required under the Code of Corporate Governance have been framed and are under review of the Board.

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 wherever applicable and terms and conditions of employment of the CEO, CFO, Company Secretary, Head of Internal Audit and other Executive Directors have been taken ratified by the Board.

9. The meetings of the Board were presided over by the Chairman and held at least once in each quarter. The minutes of the meetings were appropriately recorded and circulated.

10. The Directors on the Board have adequate exposure of corporate matters and well aware of their duties and responsibilities. Orientation programs are also arranged for the Directors.

11. All material information as required under the relevant rules has been provided to the stock exchanges and to the Securities and Exchange Commission of Pakistan within the prescribed time limit.

12. Chief Financial Officer (CFO) and Head of Internal Audit were appointed during the year. Their appointments including their remuneration and terms and conditions of employment are approved by the Board.

13. 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.

14. The CEO and CFO have duly endorsed the financial statements of the Company before approval of the Board. The half yearly and annual accounts were also initialed by the external auditors before presentation to the Board.

15. 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.

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

17. The Audit Committee comprises five members, including the Chairman of the Committee. All members of the Committee including Chairman are non-executive directors.

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

19. 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.

20. 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.

21. 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.

22. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors to comply with the requirements of listing regulations of the Karachi Stock Exchange (Guarantee) Limited.

23. We confirm that all other material principles contained in the Code have been complied 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

(Kamran Lashari)
Chairman

12 August 2010

Statement of Compliance with the Best Practices on Transfer Pricing for the year ended 30 June 2010

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.

(Shah Mahboob Alam)
Managing Director / CEO

12 August 2010

Financial Statements
2010

Auditors' Report to the Members

We have audited the annexed balance sheet of Oil and Gas Development Company Limited ("the Company") as at 30 June 2010 and the related profit and loss account, statement of comprehensive income, 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 purposes 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.

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 includes 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 account 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 account and are further in accordance with accounting policies consistently applied, except for the change as mentioned in note 2.5 to the financial statements, 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, statement of comprehensive income, cash flow 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 30 June 2010 and of the profit, its cashflows 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.

Without qualifying our opinion, we draw attention to note 18.1 to the financial statements wherein it is stated that trade debts include an overdue amount of Rs 58,159 million receivable from oil refineries and gas companies. Though the recovery of these debts have been slow due to circular debt issue, the Company considers the amount as fully recoverble for the reason given in the note.

KPMG TASEER HADI & Co.
Chartered Accountants
Riaz Pesnani

12 August 2010
Islamabad

M. YOUSUF ADIL SALEEM & Co.
Chartered Accountants
Hafiz Mohammad Yousuf

12 August 2010
Islamabad

Balance Sheet
as at 30 June 2010

	Note	2010	2009
		(Rupees '000)	
SHARE CAPITAL AND RESERVES			
Share capital	4	**43,009,284**	43,009,284
Capital reserves	5	**3,859,682**	3,658,318
Unappropriated profit		**110,523,520**	79,503,794
		157,392,486	126,171,396
NON CURRENT LIABILITIES			
Deferred taxation	6	**21,499,184**	17,710,497
Deferred employee benefits	7	**2,699,773**	2,008,499
Provision for decommissioning cost	8	**12,435,365**	10,814,506
		36,634,322	30,533,502
CURRENT LIABILITIES			
Trade and other payables	9	**28,624,204**	18,747,328
Provision for taxation	10	**6,216,639**	2,540,170
		34,840,843	21,287,498
		228,867,651	177,992,396

CONTINGENCIES AND COMMITMENTS 11

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive

	Note	2010	2009
		(Rupees '000)	
NON CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	12	**34,998,898**	29,855,966
Development and production assets - intangibles	13	**58,630,857**	49,057,766
Exploration and evaluation assets	14	**9,551,394**	8,779,699
		103,181,149	87,693,431
Long term investments	15	**3,231,435**	2,903,133
Long term loans and receivable	16	**1,902,330**	1,849,707
Long term prepayments		**118,937**	85,357
		108,433,851	92,531,628
CURRENT ASSETS			
Stores, spare parts and loose tools	17	**14,527,278**	16,090,579
Stock in trade		**172,084**	108,301
Trade debts	18	**82,992,291**	56,140,092
Loans and advances	19	**2,216,881**	2,643,354
Deposits and short term prepayments	20	**616,641**	419,621
Interest accrued		**17,031**	27,156
Other receivables	21	**926,951**	969,930
Other financial assets	22	**11,120,823**	5,087,917
Cash and bank balances	23	**7,843,820**	3,973,818
		120,433,800	85,460,768
		228,867,651	177,992,396

Chairman

Profit and Loss Account
for the year ended 30 June 2010

	Note	2010	2009
		(Rupees '000)	
Sales - net	24	**142,571,863**	130,829,579
Royalty		**(16,728,843)**	(15,155,667)
Operating expenses	25	**(23,727,818)**	(22,673,893)
Transportation charges		**(1,492,267)**	(1,522,489)
		(41,948,928)	(39,352,049)
Gross profit		**100,622,935**	91,477,530
Other income	26	**3,300,214**	3,370,823
Exploration and prospecting expenditure	27	**(7,902,370)**	(7,459,560)
General and administration expenses	28	**(1,598,161)**	(1,332,982)
Finance cost	29	**(1,273,312)**	(926,027)
Workers' profit participation fund		**(4,660,671)**	(4,259,364)
Share of profit in associate - net of taxation	15.1	**64,118**	57,503
Profit before taxation		**88,552,753**	80,927,923
Taxation	30	**(29,375,628)**	(25,388,282)
Profit for the year		**59,177,125**	55,539,641
Earnings per share - basic and diluted (Rupees)	31	**13.76**	12.91

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive

Chairman

Statement of Comprehensive Income
for the year ended 30 June 2010

	2010	2009
	(Rupees '000)	
Profit for the year	**59,177,125**	55,539,641
Other comprehensive income - net of taxation	**-**	-
Total comprehensive income for the year	**59,177,125**	55,539,641

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive

Chairman

Cash Flow Statement
for the year ended 30 June 2010

	Note	2010	2009
		(Rupees '000)	
Cash flows from operating activities			
Profit before taxation		**88,552,753**	80,927,923
Adjustments for:			
Depreciation		**3,323,474**	3,306,407
Amortization of development and production assets		**6,457,068**	6,208,403
Royalty		**16,728,843**	15,155,667
Workers' Profit Participation Fund		**4,660,671**	4,259,364
Provision for employee benefits		**1,288,012**	1,712,815
Un-winding of discount on provision for decommissioning cost		**1,263,914**	911,683
Interest income		**(1,560,848)**	(1,775,671)
Un-realized (gain)/loss on investments at fair value through profit or loss		**(5,993)**	115,778
Dividend income		**(14,756)**	(29,512)
Gain on disposal of property, plant and equipment		**(75,086)**	(160,737)
Effect of fair value adjustment of long term receivable		**(25,620)**	(36,861)
Provision for slow moving, obsolete and in transit stores		**414,669**	251,868
Provision for doubtful claims		**1,050**	-
Share of profit in associate		**(64,118)**	(57,503)
Stores inventory written off		**8,206**	298,930
Provision for doubtful advances		**-**	(2,416)
Provision for doubtful debts		**82,808**	3,173
		121,035,047	111,089,311
Working capital changes			
(Increase)/decrease in current assets:			
Stores, spare parts and loose tools		**1,140,426**	(1,400,054)
Stock in trade		**(63,783)**	43,481
Trade debts		**(26,935,007)**	(15,437,966)
Deposits and short term prepayments		**(197,020)**	259,544
Advances and other receivables		**240,092**	(120,165)
(Decrease)/increase in current liabilities:			
Trade and other payables		**(1,018,159)**	3,683,603
Cash generated from operations		**94,201,596**	98,117,754
Royalty paid		**(5,019,832)**	(17,510,087)
Employee benefits paid		**(1,305,743)**	(1,232,760)
Payments to Workers' Profit Participation Fund - net		**(4,459,364)**	(4,902,992)
Income taxes paid		**(21,910,472)**	(21,492,595)
		(32,695,411)	(45,138,434)
Net cash from operating activities		**61,506,185**	52,979,320
Cash flows from investing activities			
Capital expenditure		**(24,211,339)**	(25,072,050)
Interest received		**1,530,839**	2,107,850
Dividends received		**67,676**	53,157
Purchase of investments		**(276,970)**	(188,183)
Proceeds from disposal of property, plant and equipment		**84,107**	165,946
Long term prepayments		**(33,580)**	23,581
Net cash used in investing activities		**(22,839,267)**	(22,909,701)
Cash flows from financing activities			
Dividends paid		**(28,770,003)**	(39,406,171)
Net cash used in financing activities		**(28,770,003)**	(39,406,171)
Net increase/(decrease) in cash and cash equivalents		**9,896,915**	(9,336,552)
Cash and cash equivalents at beginning of the year		**8,939,828**	18,276,380
Cash and cash equivalents at end of the year	33	**18,836,743**	8,939,828

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive

Chairman

Statement of Changes in Equity

for the year ended 30 June 2010

	Share capital	Capital reserves: Capital reserve	Capital reserves: Self insurance	Unappropriated profit	Total equity
			(Rupees '000)		
Balance at 01 July 2008	43,009,284	836,000	2,667,064	63,902,995	110,415,343
Transfer to capital reserve	-	-	155,254	(155,254)	-
Total comprehensive income for the year					
Profit for the year	-	-	-	55,539,641	55,539,641
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	55,539,641	55,539,641
Transactions with owners, recorded directly in equity					
Final dividend 2008: Rs 3.50 per share	-	-	-	(15,053,249)	(15,053,249)
First interim dividend 2009: Rs 2.00 per share	-	-	-	(8,601,857)	(8,601,857)
Second interim dividend 2009: Rs 1.75 per share	-	-	-	(7,526,625)	(7,526,625)
Third interim dividend 2009: Rs 2.00 per share	-	-	-	(8,601,857)	(8,601,857)
Total contributions by/(distributions to) owners	-	-	-	(39,783,588)	(39,783,588)
Balance at 30 June 2009	43,009,284	836,000	2,822,318	79,503,794	126,171,396
Balance at 01 July 2009	43,009,284	836,000	2,822,318	79,503,794	126,171,396
Transfer to capital reserve	-	-	201,364	(201,364)	-
Total comprehensive income for the year					
Profit for the year	-	-	-	59,177,125	59,177,125
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	59,177,125	59,177,125
Transactions with owners, recorded directly in equity					
Final dividend 2009: Rs 2.50 per share	-	-	-	(10,752,321)	(10,752,321)
First interim dividend 2010: Re 1.00 per share	-	-	-	(4,300,928)	(4,300,928)
Second interim dividend 2010: Rs 1.50 per share	-	-	-	(6,451,393)	(6,451,393)
Third interim dividend 2010: Rs 1.50 per share	-	-	-	(6,451,393)	(6,451,393)
Total contributions by/(distributions to) owners	-	-	-	(27,956,035)	(27,956,035)
Balance at 30 June 2010	**43,009,284**	**836,000**	**3,023,682**	**110,523,520**	**157,392,486**

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive

Chairman

Notes to the Financial Statements
for the year ended 30 June 2010

1 LEGAL STATUS AND OPERATIONS

Oil and Gas Development Company Limited (OGDCL), "the Company", was incorporated on 23 October 1997 under the Companies Ordinance, 1984. The registered office of the Company is located at OGDCL House, Plot No. 3, F-6/G-6, Blue Area, Islamabad, Pakistan. The Company is engaged in the exploration and development of oil and gas resources, including production and sale of oil and gas and related activities. The Company is listed on all the three stock exchanges of Pakistan and its Global Depository Shares (1GDS = 10 ordinary shares of the Company) are listed on the London Stock Exchange.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

2.2 BASIS OF MEASUREMENT

These financial statements have been prepared on the historical cost basis except for the following material items in the balance sheet;

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

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

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

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

2.4 SIGNIFICANT ESTIMATES

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

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

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

2.4.1 Property, plant and equipment

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

2.4.2 Exploration and evaluation expenditure

The Company's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalized for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalized the expenditure under the policy, a judgment is made that recovery of the expenditure is unlikely, the relevant capitalized amount will be written off to the profit and loss account.

2.4.3 Development and production expenditure

Development and production activities commence after project sanctioning by the appropriate level of management. Judgment is applied by the management in determining when a project is economically viable. In exercising this judgment, management is required to make certain estimates and assumptions similar to those described above for capitalized exploration and evaluation expenditure. Any such estimates and assumptions may change as new information becomes available. If, after having commenced development activity, a judgment is made that a development and production asset is impaired, the appropriate amount will be written off to the profit and loss account.

2.4.4 Estimation of oil and natural gas reserves

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

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

2.4.5 Provision for decommissioning cost

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

2.4.6 Employee benefits

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

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

2.4.7 Taxation

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

2.4.8 Stores and spares

The Company reviews the stores and spares for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores and spares with a corresponding effect on the provision.

2.4.9 Provision against trade debts, advances and other receivables

The Company reviews the recoverability of its trade debts, advances and other receivables to assess amount of bad debts and provision required there against on annual basis.

2.5 CHANGE IN ACCOUNTING POLICY

The Company applied revised IAS 1 "Presentation of Financial Statements", which became effective from 01 January 2009. Accordingly all owners' changes in equity are presented in the statement of changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.

Comparative information has been re-presented in conformity with the revised standard. The change in accounting policy impacts presentation only without any impact on earnings per share.

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

The following standards, interpretations and amendments to approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements except for amendments to IFRS 2 as mentioned in note 2.6.1 below;

IFRS 2 (amendments relating to group cash-settled share-based Payment transactions) - Share-based Payment (effective for annual periods beginning on or after 01 January 2010).

IFRS 5 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Non-Current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 01 January 2010).

IFRS 8 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Operating Segments (effective for annual periods beginning on or after 01 January 2010).

IFRS 9 - (Classification and Measurement) - Financial Instruments (effective for annual periods beginning on or after 01 January 2010).

IAS 1 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Presentation of Financial Statements (effective for annual periods beginning on or after 01 January 2010).

IAS 7 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Statement of Cash Flows (effective for annual periods beginning on or after 01 January 2010).

IAS 17 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Leases (effective for annual periods beginning on or after 01 January 2010).

IAS 24 (revised definition of related parties) - Related Party Disclosures (effective for annual periods beginning on or after 01 January 2011).

IAS 32 (amendments relating to classification of right issue) - Financial Instruments: Presentation (effective for annual periods beginning on or after 01 January 2010).

IAS 36 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Impairment of Assets (effective for annual periods beginning on or after 01 January 2010).

IAS 39 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 01 January 2010).

IFRIC 14 (IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction), amendment with respect to voluntary prepaid contributions is effective for annual periods beginning on or after 01 January 2011.

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 01 July 2010).

2.6.1 Amendments to IFRS 2

The Government of Pakistan (GoP) launched Benazir Employees Stock Option Scheme ("the Scheme") on 14 August 2009 whereby the GoP transferred 438,815,774 shares of the Company to OGDCL Employees Empowerment Trust (Refer note 4.2 to the financial statements).

The management believes that the above Scheme does not fall under the ambit of amended IFRS 2 and have written a detailed letter to Securities and Exchange Commission of Pakistan (SECP) to give a verdict on the applicability or otherwise of IFRS 2 to the Company. SECP directed the Company to approach the Institute of Chartered Accountants of Pakistan (ICAP) on a verdict on this. Presently, the matter is under deliberation with the ICAP.

Notwithstanding above, the amendments relating to IFRS 2 is effective for annual periods beginning on or after 01 January 2010 and hence no adjustments is required in these financial statements. The financial impact of amended IFRS 2 on ensuing financial statements cannot be quantified at this stage in the absence of clear interpretation of the applicability of IFRS 2 on various aspects of the Scheme.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company except as explained in note 2.5 which addresses change in accounting policy.

3.1 EMPLOYEE BENEFITS

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

3.1.1 Pension, post retirement medical benefits and accumulating compensated absences

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

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

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

The Company makes contributions to the above defined benefit plans on the basis of actuarial valuations, carried out annually by independent actuaries. The latest actuarial valuations were carried out as of 30 June 2010. The calculations of actuaries are based on the Projected Unit Credit Method, net of the assets guaranteeing the plan, if any, with the obligation increasing from year to year, in a manner that it is proportional to the length of service of the employees.

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

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

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

3.2 TAXATION

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

3.2.1 Current

Provision for current taxation is based on taxable income at the current rate of tax after taking into account applicable tax credits, rebates and exemptions available, if any, adjusted for payments to Government of Pakistan (GoP) for payments on account of royalty and any adjustment to tax payable in respect of previous years.

3.2.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investment in jointly controlled entities to the extent that it is probable that they will not reverse in a foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the reporting date, adjusted for payments to GoP on account of royalty.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

3.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for freehold land and capital work in progress, which are stated at cost less impairment loss, if any. Cost in relation to property, plant and equipment comprises acquisition and other directly attributable costs and decommissioning cost as referred in the note 3.4.4 to the financial statements. The cost of self constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use. Software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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

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

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

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

Impairment tests for property, plant and equipment are performed when there is an indication of impairment. At each year end, an assessment is made to determine whether there are any indications of impairment. The Company conducts annually an internal review of asset values which is used as a source of information to assess for any indications of impairment. External factors such as changes in expected future prices, costs and other market factors are also monitored to assess for indications of impairment. If any such indication exists, an estimate of the asset's recoverable amount is calculated being the higher of the fair value of the asset less cost to sell and the asset's value in use.

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

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

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

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

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

3.4 OIL AND GAS ASSETS

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

3.4.1 Pre license costs

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

3.4.2 Exploration and evaluation assets

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

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

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

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

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

3.4.3 Development and production assets - intangible

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

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

3.4.4 Decommissioning cost

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

Liabilities for decommissioning cost are recognized when the Company has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reliable estimate of that liability can be made. The Company makes provision in full for the decommissioning cost on the declaration of commercial discovery of the reserves, to fulfill the obligation of site restoration and rehabilitation. Where an obligation exists for a new facility, such as oil and natural gas production or transportation facilities, this will be on construction or installation. An obligation for decommissioning may also crystallize during the period of operation of a facility through a change in legislation or through a decision to terminate operations. The amount recognized is the estimated cost of decommissioning, discounted to its net present value and the expected outflow of economic resources to settle this obligation is up to next twenty four years. Decommissioning cost, as appropriate, relating to producing/shut-in fields and production facilities is capitalized to the cost of development and production assets and property, plant and equipment as the case may be. The recognized amount of decommissioning cost is subsequently amortized/depreciated as part of the capital cost of the development and production assets and property, plant and equipment.

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

3.4.5 Impairment of oil and gas assets

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

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

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

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

3.5 INVESTMENTS

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

3.5.1 Investments in associate

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

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

3.5.2 Investments held to maturity

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

3.5.3 Investments at fair value through profit or loss

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

3.6 STORES, SPARE PARTS AND LOOSE TOOLS

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

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

3.7 STOCK IN TRADE

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

3.8 INTANGIBLES

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

3.9 REVENUE RECOGNITION

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

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

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

3.10 FINANCE INCOME AND EXPENSE

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

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

3.11 JOINT VENTURE OPERATIONS

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

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

3.12 FOREIGN CURRENCIES

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

3.13 PROVISIONS

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

3.14 FINANCIAL INSTRUMENTS

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

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

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

3.15 OFFSETTING

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

3.16 TRADE DEBTS AND OTHER RECEIVABLES

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

3.17 TRADE AND OTHER PAYABLES

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

3.18 CASH AND CASH EQUIVALENTS

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

3.19 DIVIDEND

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

3.20 SELF INSURANCE SCHEME

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

3.21 IMPAIRMENT

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

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

4 SHARE CAPITAL

Issued, subscribed and paid up capital

2010	2009		2010	2009
Numbers			(Rupees '000)	
1,075,232,100	1,075,232,100	Ordinary shares of Rs 10 each issued for consideration other than cash (note 4.1)	**10,752,321**	10,752,321
3,225,696,300	3,225,696,300	Ordinary shares of Rs 10 each issued as fully paid bonus shares	**32,256,963**	32,256,963
4,300,928,400	4,300,928,400		**43,009,284**	43,009,284

4.1 In consideration for all the properties, rights, assets, obligations and liabilities of Oil and Gas Development Corporation (OGDC) vested in the Company, 1,075,232,100 Ordinary fully paid shares of Rs 10 each were issued to GoP on 23 October 1997. Currently, the GoP holds 74.82% (2009: 85.02%) of paid up capital of the Company.

4.2 On 14 August 2009, the GoP launched Benazir Employees Stock Option Scheme (BESOS) whereby the GoP transferred 438,815,774 shares to OGDCL Employees Empowerment Trust ("the Trust") without any payment by the eligible employees subject to transfer back of these shares to the GoP as provided in the Trust Deed. Accordingly, the GoP's shareholding in the Company is reduced to 74.82% from 85.02% with effect from 14 August 2009. As per the Trust Deed such shares have been allocated through Unit Certificates to eligible employees in proportion to their entitlement on the basis of length of service. The Trust is entitled to receive dividends declared on or after 14 August 2009 and 50% of such dividends is being distributed among employees on the basis of units held while the balance 50% is being transferred to the Privatization Commission of Pakistan for payment to employees against their surrendered shares/units.

Authorized share capital
This represents 5,000,000,000 (2009: 5,000,000,000) Ordinary shares of Rs 10 each.

		Note	2010	2009
			(Rupees '000)	
5	**CAPITAL RESERVES**			
	Capital reserve	5.1	**836,000**	836,000
	Self insurance reserve	5.2	**3,023,682**	2,822,318
			3,859,682	3,658,318

5.1 This represents bonus shares issued by former wholly owned subsidiary- Pirkoh Gas Company (Private) Limited (PGCL) prior to merger.

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

		2010	2009
		(Rupees '000)	
6	**DEFERRED TAXATION**		
	The balance of deferred tax is in respect of following temporary differences:		
	Accelerated depreciation on property, plant and equipment	**6,378,894**	4,726,835
	Expenditure of exploration and evaluation, development and production assets	**19,006,585**	16,726,496
	Provision for decommissioning cost	**(3,348,310)**	(3,329,751)
	Long term receivable	**(4,550)**	(12,620)
	Long term investment in associate	**44,318**	42,322
	Provision for doubtful debts and advances	**(117,752)**	(95,738)
	Provision for slow moving and obsolete stores	**(460,001)**	(347,047)
		21,499,184	17,710,497

Deferred tax has been calculated at the current effective tax rate of 29.92% (2009: 30.91%) after taking into account depletion allowance and set offs, where available, in respect of royalty payments to the GoP.

		Note	2010	2009
			(Rupees '000)	
7	**DEFERRED EMPLOYEE BENEFITS**			
	Post retirement medical benefits	7.1	**1,580,886**	1,187,744
	Accumulating compensated absences	7.2	**1,118,887**	820,755
			2,699,773	2,008,499

7.1 Post retirement medical benefits

The amount recognized in the balance sheet is as follows:

	2010	2009
Present value of defined benefit obligation	**2,575,373**	2,186,605
Un recognized actuarial loss	**(994,487)**	(998,861)
Net liability at end of the year	**1,580,886**	1,187,744

	2010	2009
	(Rupees '000)	
Movement in the present value of defined benefit obligation is as follows:		
Present value of defined benefit obligation at beginning of the year	**2,186,605**	1,901,688
Current service cost	**94,472**	96,061
Interest cost	**288,579**	228,203
Benefits paid	**(101,366)**	(102,716)
Actuarial loss	**107,083**	63,369
Present value of defined benefit obligation at end of the year	**2,575,373**	2,186,605
Movement in liability recognized in the balance sheet is as follows:		
Opening liability	**1,187,744**	841,975
Expense for the year	**494,508**	448,485
Benefits paid	**(101,366)**	(102,716)
Closing liability	**1,580,886**	1,187,744
Expense recognized in profit and loss account is as follows:		
Current service cost	**94,472**	96,061
Interest cost	**288,579**	228,203
Net actuarial loss recognized	**111,457**	124,221
	494,508	448,485
The expense is recognized in the following line items in profit and loss account:		
Operating expenses	**249,267**	224,428
General and administration expenses	**68,586**	66,151
Technical services	**176,655**	157,906
	494,508	448,485

	2010	2009
Significant actuarial assumptions used were as follows:		
Discount rate per annum	**14%**	13%
Medical inflation rate per annum	**9%**	8%
Inflation rate per annum	**3%**	3%
Mortality rate	**61-66 years**	61-66 years

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

	2010 (Rupees '000)	
	1% increase	**1% decrease**
Present value of medical obligation	**2,987,823**	**2,239,777**
Current service cost and interest cost	**550,928**	**403,453**

Comparison of present value of defined benefit obligation and experience adjustments of medical benefits is as follows:

	2010	2009	2008	2007	2006
			(Rupees '000)		
Present value of obligation	**2,575,373**	2,186,605	1,901,688	608,371	538,594
Actuarial loss/(gain) on obligation	**107,083**	63,369	1,238,985	46,135	(43,907)

The expected medical expense for next financial year is Rs 590.093 million.

	2010	2009
	(Rupees '000)	
7.2 Accumulating compensated absences		
Present value of defined benefit obligation	**820,755**	686,469
Charge for the year-net	**298,132**	134,286
Net liability at end of the year	**1,118,887**	820,755

The rates of discount and salary increase were assumed at 14% (2009: 13%) each per annum.

	Note	2010	2009
		(Rupees '000)	
8 PROVISION FOR DECOMMISSIONING COST			
Balance at beginning of the year		**10,814,506**	6,795,141
Provision made during the year		**356,945**	3,107,682
		11,171,451	9,902,823
Unwinding of discount on provision for decommissioning cost	29	**1,263,914**	911,683
Balance at end of the year		**12,435,365**	10,814,506
The above provision for decommissioning cost is analyzed as follows:			
Development and production wells		**8,109,239**	7,919,805
Production facilities		**1,096,044**	928,533
Unwinding of discount on provision for decommissioning cost			
Development and production wells		**2,868,721**	1,748,452
Production facilities		**361,361**	217,716
		3,230,082	1,966,168
		12,435,365	10,814,506

	2010	2009
Significant assumptions used were as follows:		
Discount rate per annum	**11.99%**	11.99%
Inflation rate per annum	**9.46%**	9.46%

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	Note	2010 (Rupees '000)	2009
9 TRADE AND OTHER PAYABLES			
Creditors		**206,904**	814,714
Accrued liabilities		**6,500,721**	6,952,534
Royalty payable		**16,018,921**	4,309,910
Excise duty payable		**92,490**	114,614
General sales tax payable		**888,994**	805,044
Payable to joint venture partners		**2,891,948**	3,152,520
Retention money		**374,746**	266,371
Trade deposits		**137,981**	134,481
Employees' pension trust	9.1	**-**	-
Un-paid dividend		**997,631**	1,816,304
Un-claimed dividend		**119,297**	114,592
Advances from customers		**186,955**	184,559
Other payables		**207,616**	81,685
		28,624,204	18,747,328

9.1 Employees' pension trust

The amount recognized in the balance sheet is as follows:

	2010	2009
Present value of defined benefit obligation	**17,529,400**	12,293,631
Fair value of plan assets	**(12,845,226)**	(11,512,672)
Deficit of the fund	**4,684,174**	780,959
Unrecognized actuarial gain	**(4,684,174)**	(780,959)
Net liability at end of the year	**-**	-

The movement in the present value of defined benefit obligation is as follows:

	2010	2009
Present value of defined benefit obligation at beginning of the year	**12,293,631**	11,262,067
Current service cost	**592,713**	682,418
Interest cost	**1,851,204**	1,351,448
Benefits paid	**(454,045)**	(410,732)
Actuarial loss/(gain)	**3,245,897**	(591,570)
Present value of defined benefit obligation at end of the year	**17,529,400**	12,293,631

The movement in the fair value of plan assets is as follows:

	2010	2009
Fair value of plan assets at beginning of the year	**11,512,672**	10,024,651
Expected return on plan assets	**1,496,917**	1,202,958
Contributions	**947,000**	843,265
Benefits paid	**(454,045)**	(410,732)
Actuarial loss	**(657,318)**	(147,470)
Fair value of plan assets at end of the year	**12,845,226**	11,512,672

The movement in liability recognized in the balance sheet is as follows:

	2010	2009
Opening liability	**-**	-
Expense for the year	**947,000**	843,265
Payments to the fund during the year	**(947,000)**	(843,265)
Closing liability	**-**	-

	2010	2009
	(Rupees '000)	
Expense recognized in profit and loss account is as follows:		
Current service cost	**592,713**	682,418
Interest cost	**1,851,204**	1,351,448
Expected return on plan assets	**(1,496,917)**	(1,202,958)
Actuarial loss recognized	**-**	12,357
	947,000	843,265
Plan assets comprise:		
Bonds	**12,126,147**	7,206,662
Equity	**557,739**	507,410
Cash and bank balances	**161,340**	3,798,601
	12,845,226	11,512,673
The expense is recognized in the following line items in profit and loss account:		
Operating expenses	**418,179**	374,044
General and administration expenses	**192,322**	164,730
Technical services	**336,499**	304,491
	947,000	843,265
Actual return on plan assets	**839,599**	1,055,488

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

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

	2010	2009	2008	2007	2006
			(Rupees '000)		
Present value of defined benefit obligation	**17,529,400**	12,293,631	11,262,067	9,320,649	7,622,259
Fair value of plan assets	**(12,845,226)**	(11,512,672)	(10,024,651)	(9,179,845)	(8,340,395)
Deficit/(surplus)	**4,684,174**	780,959	1,237,416	140,804	(718,136)
Experience adjustments on obligation	**(3,245,897)**	591,570	(851,946)	(790,131)	704,756
Experience adjustments on plan assets	**(657,318)**	(147,470)	(244,666)	(68,809)	(35,493)

Significant actuarial assumptions used were as follows:

	2010	2009
Discount rate per annum	**14%**	13%
Rate of increase in future compensation levels per annum	**14%**	13%
Expected rate of return on plan assets per annum	**14%**	13%
Indexation rate per annum	**7%**	6%

The Company expects to make a contribution of Rs 418.748 million to the employees' pension trust during the next financial year.

	Note	2010	2009
		(Rupees '000)	
10 PROVISION FOR TAXATION			
Tax payable at beginning of the year		**2,540,170**	4,223,048
Income tax paid during the year		**(21,910,472)**	(21,492,595)
Provision for current taxation - for the year	30	**23,127,095**	16,799,082
Provision for taxation - prior years	30	**2,459,846**	3,010,635
Tax payable at end of the year		**6,216,639**	2,540,170

11 CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

11.1.1 Claims against the Company not acknowledged as debts amounted to Rs 3,246.112 million at year end (2009: Rs 210.553 million).

11.1.2 Certain banks have issued guarantees on behalf of the Company in ordinay course of business aggregating Rs 106.133 million (2009: Rs 106.133 million) (refer note 23.1 to the financial statements).

11.1.3 The Company's share of associate contingencies based on the financial statements of associate for nine months period ended 31 March 2010 (2009: 31 March 2009) are as follows;

- Indemnity bonds given to Collector of Customs against duty concessions on import of equipment and materials amounted to Rs 8.428 million (2009: Rs 11 million).

11.2 Commitments

11.2.1 Commitments outstanding at year end amounted to Rs 11,164.797 million (2009: Rs 7,263.576 million). These included amounts aggregating to Rs 5,673.692 million (2009 : Rs 3,337.170 million) representing the Company's share in the minimum work commitments related to operated/non-operated concessions.

11.2.2 Letters of credit issued by various banks on behalf of the Company in ordinary course of the business, outstanding at the year end amounted to Rs 3,662.399 million (2009: Rs 5,342.996 million).

11.2.3 The Company's share of associate commitments based on the financial statements of associate for nine months period ended 31 March 2010 (2009: 31 March 2009) are as follows;

	2010	2009
	(Rupees '000)	
Capital expenditure:		
Share in joint ventures	**630,756**	186,216
Others	**53,535**	139,243
	684,291	325,459
Operating lease rentals due:		
Less than one year	**3,769**	3,370
More than one year but less than five years	**6,567**	8,007
	10,336	11,377
	694,627	336,836

12 PROPERTY, PLANT AND EQUIPMENT

Description	Freehold land	Leasehold land	Buildings, offices and roads on freehold land	Buildings, offices and roads on leasehold land	Plant and machinery	Rigs	Pipelines	Office and domestic equipment	Office and technical data computers	Furniture and fixtures	Aircraft	Vehicles	Decom-missioning cost	Capital works in progress (Note 12.3)	Stores held for capital expenditure	Total
																(Rupees '000)
Cost																
Balance as at 01 July 2008	157,130	467,294	2,209,514	818,335	37,626,624	1,114,679	8,833,640	515,239	441,135	46,620	19,855	3,123,477	671,471	2,365,669	1,295,891	59,706,573
Additions	6,780	1,935	70,633	10,998	5,646,337	129,184	138,878	84,295	69,364	9,487	-	966,145	257,062	1,681,383	1,891,966	10,964,447
Disposals / transfers	-	-	-	-	(73,258)	(1,799)	-	(4,881)	(11,247)	-	(19,855)	(73,741)	-	(48,048)	(426,787)	(659,616)
Balance as at 30 June 2009	163,910	469,229	2,280,147	829,333	43,199,703	1,242,064	8,972,518	594,653	499,252	56,107	-	4,015,881	928,533	3,999,004	2,761,070	70,011,404
Balance as at 01 July 2009	163,910	469,229	2,280,147	829,333	43,199,703	1,242,064	8,972,518	594,653	499,252	56,107	-	4,015,881	928,533	3,999,004	2,761,070	70,011,404
Additions	20,973	28,505	228,959	19,969	3,078,393	144,995	287,615	27,235	21,543	31,384	-	495,868	167,510	5,059,595	1,642,362	11,254,906
Disposals / transfers	-	-	-	-	(17,733)	(13,572)	-	(4,165)	(2,421)	-	-	(155,312)	-	(145,357)	(1,975,903)	(2,314,463)
Adjustments	-	10,623	(632)	(10,623)	367	-	-	265	-	-	-	-	-	-	-	-
Balance as at 30 June 2010	**184,883**	**508,357**	**2,508,474**	**838,679**	**46,260,730**	**1,373,487**	**9,260,133**	**617,988**	**518,374**	**87,491**	**-**	**4,356,437**	**1,096,043**	**8,913,242**	**2,427,529**	**78,951,847**
Depreciation																
Balance as at 01 July 2008	-	147,156	649,578	478,428	26,479,235	639,252	4,612,580	358,291	355,113	25,286	17,869	2,169,198	294,972	-	249,984	36,476,942
Charge for the year	-	20,038	125,869	68,703	2,169,612	69,620	622,463	43,234	61,551	6,599	-	422,133	89,570	-	108,506	3,807,898
On disposals	-	-	-	-	(31,854)	(1,793)	-	(4,636)	(11,116)	-	(17,869)	(62,134)	-	-	-	(129,402)
Balance as at 30 June 2009	-	167,194	775,447	547,131	28,616,993	707,079	5,235,043	396,889	405,548	31,885	-	2,529,197	384,542	-	358,490	40,155,438
Balance as at 01 July 2009	-	167,194	775,447	547,131	28,616,993	707,079	5,235,043	396,889	405,548	31,885	-	2,529,197	384,542	-	358,490	40,155,438
Charge for the year	-	24,121	107,875	68,866	2,496,240	84,973	345,713	53,115	50,158	15,223	-	538,816	88,080	-	108,506	3,981,686
On disposals	-	-	-	-	(15,710)	(11,956)	-	(3,993)	(2,403)	-	-	(150,113)	-	-	-	(184,175)
Adjustments	-	(672)	612	-	(2,439,475)	-	2,439,437	98	-	-	-	-	-	-	-	-
Balance as at 30 June 2010	**-**	**190,643**	**883,934**	**615,997**	**28,658,048**	**780,096**	**8,020,193**	**446,109**	**453,303**	**47,108**	**-**	**2,917,900**	**472,622**	**-**	**466,996**	**43,952,949**
Carrying amount - 2009	163,910	302,035	1,504,700	282,202	14,582,710	534,985	3,737,475	197,764	93,704	24,222	-	1,486,684	543,991	3,999,004	2,402,580	29,855,966
Carrying amount - 2010	**184,883**	**317,714**	**1,624,540**	**222,682**	**17,602,682**	**593,391**	**1,239,940**	**171,879**	**65,071**	**40,383**	**-**	**1,438,537**	**623,421**	**8,913,242**	**1,960,533**	**34,998,898**
Rates of depreciation (%)	-	3.3~4	2.5~8	2.5~8	4~20	10	10	15	30	15	10	20	2.5~10	-	2.5~25	

12.1 Cost and accumulated depreciation as at 30 June 2010 include Rs 21,789.009 million (2009 : Rs 19,652.335 million) and Rs 11,610.070 million (2009 : Rs 9,783.874 million) respectively being the Company's share in property, plant and equipment relating to joint ventures operated by other working interest owners.

	Note	2010	2009
		(Rupees '000)	
12.2 The depreciation charge has been allocated to:			
Operating expenses	25	**3,200,766**	3,186,189
General and administration expenses	28	**122,708**	120,218
Technical services		**658,212**	501,491
		3,981,686	3,807,898
12.3 Capital works in progress			
Production facilities and other civil works in progress:			
Wholly owned		**2,498,361**	1,165,302
Joint ventures		**6,212,120**	2,741,709
		8,710,481	3,907,011
Construction cost of field offices and various bases/offices owned by the Company		**202,761**	91,993
		8,913,242	3,999,004

12.4 Details of property, plant and equipment sold:

	Cost	Book value	Sale proceeds
	---(Rupees)---		
Vehicles sold to following retiring employees as per Company's policy:			
Mr. Haider Wali	555,000	1,000	1,000
Mr. Azam Malik	943,000	73,263	73,263
Mr. Inayat Ullah Lund	555,000	1,000	1,000
Mr. Ghulam Mustafa	555,000	63,230	63,230
Mr. Abdul Waheed Butt	555,000	51,391	51,391
Mr. Muhammad Yousaf Tanveer	977,000	111,168	111,168
Mr. Afzal Chaudry	1,360,000	433,646	433,646
Mr. Waqar Ahmed Khan	969,000	320,307	320,307
Mr. Mian Ghulam Dastagir	555,000	1,000	1,000
Mr. S. Hyder Ali Shah	969,000	293,787	293,787
Mr. Shoukat Qazi	969,000	312,351	312,351
Mr. Zamurad Javed	555,000	34,999	34,999
Mr. Tanzeem Hussain Bhatti	969,000	371,227	371,227
Mr. Gul Zaman	969,000	385,018	385,018
Mr. Asif Zia	939,000	1,000	1,000
Mr. Zulfiqar Ahmad	519,244	290,933	290,933
Mr. Misal Khattak	555,000	11,625	11,625
Mr. Muhammad Amin	555,000	1,000	1,000
Mr. Shafiullah	555,000	1,000	1,000
Mr. Salis-ud-Din	969,000	203,087	203,087
Mr. Pervaiz Alam Sethi	969,000	268,327	268,327
Mr. Akhtar Hussain	969,000	232,790	232,790
Mr. M. Tariq Khan	969,000	242,867	242,867
Mr. Muzaffar-ul-Hasan	969,000	263,553	263,553
Mr. Farooq Mobin	559,244	192,791	192,791
Mr. Shahid Majeed	1,198,974	875,357	875,357
	21,181,462	5,037,717	5,037,717
Plant and machinery sold through public auction:			
Mr. Muhammad Tanveer	5,157,965	1,841,227	1,940,963
Drilling equipment sold through public auction:			
Mr. Muhammad Tanveer	3,260,712	1,578,117	1,711,321
Aggregate of other items of property, plant and equipment with individual book value not exceeding Rs 50,000, sold through public auction.	160,693,125	562,508	75,416,016
2010	**190,293,264**	**9,019,569**	**84,106,017**
2009	97,451,171	7,195,612	167,930,677

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13 DEVELOPMENT AND PRODUCTION ASSETS - INTANGIBLES

Description	Producing fields		Shut-in fields		Wells in progress (Note 13.1)	Sub total	Decom-missioning cost	Total
	Wholly owned	Joint ventures	Wholly owned	Joint ventures				
	(Rupees '000)							
Cost								
Balance as at 01 July 2008	26,906,636	22,820,629	2,662,446	5,299,174	5,059,833	62,748,718	5,069,185	67,817,903
Additions	4,011,245	6,900,958	1,900,157	2,032,957	13,569,303	28,414,620	2,850,620	31,265,240
Transfers	-	-	-	-	(12,807,112)	(12,807,112)	-	(12,807,112)
Balance as at 30 June 2009	30,917,881	29,721,587	4,562,603	7,332,131	5,822,024	78,356,226	7,919,805	86,276,031
Balance as at 01 July 2009	30,917,881	29,721,587	4,562,603	7,332,131	5,822,024	78,356,226	7,919,805	86,276,031
Additions	3,770,819	5,934,364	1,049,915	1,235,041	12,563,074	24,553,213	189,434	24,742,647
Transfers	-	-	-	-	(8,712,488)	(8,712,488)	-	(8,712,488)
Balance as at 30 June 2010	34,688,700	35,655,951	5,612,518	8,567,172	9,672,610	94,196,951	8,109,239	102,306,190
Amortization								
Balance as at 01 July 2008	15,934,637	11,166,169	372,739	141,292	-	27,614,837	3,395,025	31,009,862
Charge for the year	2,352,167	3,178,831	4,864	702	-	5,536,564	671,839	6,208,403
Balance as at 30 June 2009	18,286,804	14,345,000	377,603	141,994	-	33,151,401	4,066,864	37,218,265
Balance as at 01 July 2009	18,286,804	14,345,000	377,603	141,994	-	33,151,401	4,066,864	37,218,265
Charge for the year	2,857,574	3,148,317	-	-	-	6,005,891	451,177	6,457,068
Balance as at 30 June 2010	21,144,378	17,493,317	377,603	141,994	-	39,157,292	4,518,041	43,675,333
Carrying amounts - 2009	12,631,077	15,376,587	4,185,000	7,190,137	5,822,024	45,204,825	3,852,941	49,057,766
Carrying amounts - 2010	**13,544,322**	**18,162,634**	**5,234,915**	**8,425,178**	**9,672,610**	**55,039,659**	**3,591,198**	**58,630,857**

	2010	2009
	(Rupees '000)	
13.1 Wells in progress		
Wholly owned	4,244,185	2,361,021
Joint ventures	5,428,425	3,461,003
	9,672,610	5,822,024

Notes to the Financial Statements
for the year ended 30 June 2010

	Note	2010	2009
		(Rupees '000)	
14 EXPLORATION AND EVALUATION ASSETS			
Balance at beginning of the year		**4,942,575**	2,823,295
Additions		**7,769,503**	8,496,785
		12,712,078	11,320,080
Cost of dry and abandoned wells	27	**(4,535,186)**	(4,339,300)
Cost of wells transferred to development and production assets		**(3,277,651)**	(2,038,205)
		(7,812,837)	(6,377,505)
		4,899,241	4,942,575
Stores held for exploration and evaluation activities	14.1	**4,652,153**	3,837,124
Balance at end of the year		**9,551,394**	8,779,699
14.1 Stores held for exploration and evaluation activities			
Balance at beginning of the year		**3,837,124**	4,849,149
Additions		**1,862,158**	291,175
Issuances		**(1,047,129)**	(1,303,200)
Balance at end of the year		**4,652,153**	3,837,124

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

	Note	2010	2009
		(Rupees '000)	
Liabilities related to exploration and evaluation		**907,892**	1,151,081
Current assets related to exploration and evaluation		**340,610**	138,211
Exploration and prospecting expenditure	27	**7,902,370**	7,459,560
15 LONG TERM INVESTMENTS			
Investments in related party	15.1	**221,634**	210,436
Investments held to maturity	15.2	**3,009,801**	2,692,697
		3,231,435	2,903,133
15.1 Investment in related party-associate, quoted			
Mari Gas Company Limited (MGCL)			
Cost of investment (7,350,000 (2009: 7,350,000) fully paid ordinary shares of Rs 10 each)		**73,500**	73,500
Post acquisition profits brought forward		**136,936**	103,078
		210,436	176,578
Share of profit for the year - net of taxation		**64,118**	57,503
Dividend received		**(52,920)**	(23,645)
		11,198	33,858
		221,634	210,436

	2010	2009
	(Rupees '000)	
Summarized financial information in respect of the MGCL is set out below:		
Total assets	**22,627,082**	20,184,741
Total liabilities	**13,792,313**	12,089,713
Total revenue for the period	**3,772,158**	3,739,425
Total distributable profit for the period	**251,455**	205,948

The reporting date of the MGCL is 30 June. For the purpose of applying equity method of accounting, the assets, liabilities and results are based on the financial information of MGCL for the nine months period ended 31 March 2010 (2009: 31 March 2009) as the financial statements for the year ended 30 June 2010 were not issued till the date of authorization of financial statements of the Company.

The Company has 20% (2009: 20%) holding in the associate. The fair value of the investment in associate as of the year end was Rs 951 million (2009: Rs 1,094 million).

	Note	2010	2009
		(Rupees '000)	
15.2 Investments held to maturity			
Defence Saving Certificates (DSCs)		-	6,167
Term Deposit Receipts (TDRs)	15.2.1	**3,009,801**	2,686,530
		3,009,801	2,692,697

15.2.1 30 June 2010 balance represents investments in local currency TDRs and carry effective interest rates of 12.30% to 12.50% per annum, whereas, 30 June 2009 balance represents investments in foreign currency TDRs that carried effective interest rates of 2.5% to 4.2% per annum. These investments are due to mature within next 12 months, however, these have not been classified as current assets based on the management's intention to reinvest them in the like investments for a longer term. These investments are identified against capital reserve as explained in note 5 to the financial statements.

	Note	2010	2009
		(Rupees '000)	
16 LONG TERM LOANS AND RECEIVABLE			
Long term loans - secured	16.1	**1,824,164**	1,610,411
Long term receivable - unsecured	16.2	**78,166**	239,296
		1,902,330	1,849,707
16.1 Long term loans - secured			
Considered good:			
Executives		**614,179**	497,573
Other employees		**1,545,592**	1,393,510
		2,159,771	1,891,083
Current portion shown under loans and advances	19	**(335,607)**	(280,672)
		1,824,164	1,610,411

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

	Balance as at 01 July 2009	Disbursement during the year	Adjustments during the year	Repayments during the year	Balance as at 30 June 2010
	(Rupees '000)				
Due from:					
Executives	497,573	168,198	40,625	92,217	**614,179**
Other employees	1,393,510	352,955	(40,625)	160,248	**1,545,592**
2010	**1,891,083**	**521,153**	**-**	**252,465**	**2,159,771**
2009	1,549,392	564,697	(787)	222,219	1,891,083

16.1.2 The loans are granted to the employees of the Company in accordance with the Company's service rules. House building and conveyance loans are for maximum period of 15 and 5 years respectively. These loans are secured against the underlying assets. Included in these are loans of Rs 1,715.922 million (2009: Rs 1,516.367 million) which carry no interest. The balance amount carries an effective interest rate of 13.65% (2009: 9.96%) per annum. Interest free loans to employees have not been discounted as required by IAS 39 "Financial Instruments: Recognition and Measurement" as the amount involved is deemed immaterial.

The maximum amount due from executives at the end of any month during the year was Rs 614.179 million (2009: Rs 565.259 million).

	Note	2010	2009
		(Rupees '000)	
16.2 Long term receivable - unsecured			
Considered good		**606,937**	606,937
Effect of fair value adjustment		**(15,208)**	(40,828)
		591,729	566,109
Current portion shown under other receivables	21	**(513,563)**	(326,813)
		78,166	239,296

This represents receivable from Karachi Electric Supply Company Limited (KESC), as a result of inter corporate debt adjustment approved by the Government of Pakistan in February, 1999, pursuant to the Economic Coordination Committee of Cabinet (ECC) decision in February, 1999.

The amount from KESC is receivable in 32 equal quarterly installments of Rs 46.688 million commencing from February 2004. KESC has not paid any installment due since December 2008 due to prevailing circular debt issue. The GoP has confirmed to the Company in writing that steps are being taken to resolve the issue of circular debt under a policy on priority. Management considers this amount to be fully recoverable. Therefore, no provision has been made in these financial statements.

This receivable carries no interest and is repayable in eight years with two years grace period. In accordance with IAS 39 "Financial Instruments: Recognition and Measurement" this has been stated at present value using the discount rate of 7.5% per annum and the difference between the carrying amount and present value of expected future cash flows has been included in profit and loss account.

	2010	2009
	(Rupees '000)	
17 STORES, SPARE PARTS AND LOOSE TOOLS		
Stores, spare parts and loose tools	**15,741,623**	16,510,587
Stores and spare parts in transit	**323,222**	702,890
	16,064,845	17,213,477
Provision for slow moving, obsolete and in transit stores	**(1,537,567)**	(1,122,898)
	14,527,278	16,090,579
18 TRADE DEBTS		
Un-secured, considered good	**82,992,291**	56,140,092
Un-secured, considered doubtful	**196,117**	4,328,255
	83,188,408	60,468,347
Provision for doubtful debts	**(196,117)**	(113,309)
Trade debts written off	**-**	(4,214,946)
	82,992,291	56,140,092

18.1 Trade debts include overdue amount of Rs 58,159 million (30 June 2009: Rs 28,183 million) receivable from oil refineries and gas companies. Settlement of these debts remained slow during the year due to circular debt issue. A committee under the chairmanship of Secretary Finance, GoP has been formed to review and settle the circular debt issue. The Company received Rs 17,000 million and Rs 8,547 million in June and September 2009 respectively. The GoP has confirmed to the Company in writing that steps are being taken to resolve the issue of circular debt under a policy on priority. Management considers this amount to be fully recoverable. Therefore, no provision has been made in these financial statements on account of circular debts outstanding.

	Note	2010	2009
		(Rupees '000)	
19 LOANS AND ADVANCES			
Advances considered good:			
Suppliers and contractors		**1,075,191**	1,753,543
Joint venture partners		**786,525**	601,318
Others		**19,558**	7,821
		1,881,274	2,362,682
Current portion of long term loans - secured	16.1	**335,607**	280,672
		2,216,881	2,643,354
Advances considered doubtful		**187,033**	187,033
		2,403,914	2,830,387
Provision for doubtful advances		**(187,033)**	(187,033)
		2,216,881	2,643,354
20 DEPOSITS AND SHORT TERM PREPAYMENTS			
Security deposits		**10,601**	10,371
Short term prepayments		**606,040**	409,250
		616,641	419,621

Notes to the Financial Statements
for the year ended 30 June 2010

		Note	2010	2009
			(Rupees '000)	
21	**OTHER RECEIVABLES**			
	Development surcharge		**80,357**	80,357
	Current portion of long term receivable - unsecured	16.2	**513,563**	326,813
	Claims receivable		**9,219**	10,236
	Workers' profit participation fund	21.1	**289,329**	468,801
	Others		**34,483**	83,723
			926,951	969,930
	Claims considered doubtful		**10,439**	9,389
			937,390	979,319
	Provision for doubtful claims		**(10,439)**	(9,389)
			926,951	969,930

21.1 Workers' profit participation fund

	2010	2009
Receivable/(payable) at beginning of the year	**468,801**	(174,827)
Prior year adjustment	**21,835**	-
	490,636	(174,827)
Received from fund during the year	**(490,636)**	-
Paid to the fund during the year	**4,950,000**	4,902,992
	4,950,000	4,728,165
Charge for the year	**(4,660,671)**	(4,259,364)
Receivable at end of the year	**289,329**	468,801

		Note	2010	2009
22	**OTHER FINANCIAL ASSETS**			
	Investments:			
	At fair value through profit or loss - NIT units		**127,900**	121,907
	Held to maturity	22.1	**10,992,923**	4,966,010
			11,120,823	5,087,917

22.1 30 June 2010 balance represents foreign currency TDRs amounting to USD 128.437 million and carry interest rate of 1.50% to 1.90% per annum, while balance as of 30 June 2009 represents TDRs which include USD 61 million foreign currency TDRs that carried interest rate of 2.00% to 4.28% per annum.

		Note	2010	2009
			(Rupees '000)	
23	**CASH AND BANK BALANCES**			
	Cash at bank:			
	Deposit accounts	23.1	**7,674,284**	3,870,525
	Current accounts		**149,659**	81,763
			7,823,943	3,952,288
	Cash in hand		**19,877**	21,262
	Cash in transit		**-**	268
			7,843,820	3,973,818

23.1 These deposit accounts carry interest rate of 0.10% to 11.25% (2009: 0.10% to 12.50%) per annum and include foreign currency deposits amounting to USD 11.587 million (2009: USD 31.656 million). Deposits amounting to Rs 106.133 million (2009: Rs 106.133 million) with banks were under lien to secure bank guarantees issued on behalf of the Company.

	Note	2010	2009
		(Rupees '000)	
24 SALES - net			
Gross sales			
Crude oil		**67,665,788**	63,196,489
Gas		**82,983,007**	75,042,555
Gasoline		**4,304**	244,672
Kerosene oil		**114,502**	144,394
High speed diesel oil		**-**	3,804
Solvent oil		**-**	3,761
Naphtha		**349,988**	535,049
Liquefied petroleum gas		**4,410,366**	3,398,476
Sulphur		**226,332**	308,435
Other operating revenue	24.1	**38,170**	35,668
		155,792,457	142,913,303
Government levies			
Excise duty		**(1,461,480)**	(1,504,895)
Development surcharge		**(24,024)**	(44,642)
General sales tax		**(11,735,090)**	(10,534,187)
		(13,220,594)	(12,083,724)
		142,571,863	130,829,579

24.1 Other operating revenue

	2010	2009
Gas processing	**38,170**	35,668
	38,170	35,668

24.2 Qadirpur gas price is linked with High Sulphur Fuel Oil (HSFO) prices in the international market. Qadirpur Gas Pricing Agreement contained discount levels defined upto HSFO price of US$ 200/M.Ton. It also states that in case HSFO price exceeds said level, the parties will negotiate the discount for higher HSFO prices. During price notification period of July-December 2005, the HSFO prices started exceeding US$ 200/M.Ton. The matter was taken up with the GoP in August 2005. As a result of negotiation with the Government, a discount table for HSFO prices above US$ 200/M.Ton and upto US$ 400/M.Ton was agreed in March 2009. Formal notification of revised discount table by the Government is still awaited.

Meanwhile, the Government issued a provisional discount table for HSFO prices upto US$ 320/M.Ton and provisional price notification for the period from 01 July 2006 to 31 December 2007 was issued by Oil and Gas Regulatory Authority (OGRA). As no further notification was issued, the Company continued to raise invoices until 31 December 2009 under above referred notification. Subsequently, on 18 January 2010, OGRA issued provisional price notification for the period from 01 January 2008 to 31 December 2009 and on 18 February 2010 OGRA issued price notification for the period 01 January to 30 June 2010. Based on the aforesaid notifications, an amount of Rs 5,461.426 million, on account of prior period revenues, has been invoiced to the customer and accounted for in the current year. Adjustment in revenue from July 2005 to March 2010 may be required upon final notification of the discount table and the wellhead prices, impact of which can not be determined at this stage.

Notes to the Financial Statements
for the year ended 30 June 2010

	Note	2010	2009
		(Rupees '000)	
25 OPERATING EXPENSES			
Salaries, wages and benefits	25.1	**5,057,107**	4,099,644
Traveling and transportation		**597,660**	453,856
Repairs and maintenance		**562,104**	942,930
Stores and supplies consumed		**1,047,645**	828,852
Rent, fee and taxes		**280,823**	63,824
Insurance		**375,124**	263,349
Communication		**40,809**	25,773
Utilities		**39,182**	39,091
Land and crops compensation		**286,039**	326,746
Contract services		**924,922**	858,140
Joint venture expenses		**1,903,395**	2,548,307
Desalting, decanting and naphtha storage charges		**83,217**	71,433
Charges related to minimum supply of gas - liquidated damages		**132,734**	4,228
Welfare of locals at fields		**419,347**	189,773
Provision for slow moving, obsolete and in transit stores		**414,669**	251,868
Provision for doubtful debts		**82,808**	3,173
Stores inventory written off		**8,206**	298,930
Workover charges		**575,287**	840,373
Depreciation	12.2	**3,200,766**	3,186,189
Amortization of development and production assets	13	**6,457,068**	6,208,403
Transfer from general and administration expenses	28	**1,299,257**	1,120,797
Miscellaneous		**3,432**	4,733
		23,791,601	22,630,412
Stock of crude oil and other products:			
Balance at beginning of the year		**108,301**	151,782
Balance at end of the year		**(172,084)**	(108,301)
		23,727,818	22,673,893

25.1 These include amount in respect of employee retirement benefits of Rs 667.447 million (2009: Rs 598.472 million).

		Note	2010	2009
			(Rupees '000)	
26	**OTHER INCOME**			
	Income from financial assets			
	Interest income on:			
	Investments and bank deposits		**1,560,848**	1,775,671
	Delayed payments from customers		**137,163**	140,703
			1,698,011	1,916,374
	Dividend income from NIT units		**14,756**	29,512
	Un-realized gain/(loss) on investments at fair value through profit or loss		**5,993**	(115,778)
	Effect of fair value adjustment of long term receivable		**25,620**	36,861
	Reversal of provision for doubtful loans and advances		**-**	2,416
	Exchange gain - net		**767,574**	669,170
			2,511,954	2,538,555
	Income from non financial assets			
	Insurance claim received		**5,875**	163,560
	Gain on disposal of property, plant and equipment		**75,086**	160,737
	Gain on disposal of stores, spare parts and loose tools		**78,375**	51,151
	Penalty imposed on customers and suppliers		**199,977**	101,400
	Others		**428,947**	355,420
			788,260	832,268
			3,300,214	3,370,823
27	**EXPLORATION AND PROSPECTING EXPENDITURE**			
	Cost of dry and abandoned wells	14	**4,535,186**	4,339,300
	Prospecting expenditure		**3,367,184**	3,120,260
			7,902,370	7,459,560

	Note	2010	2009
		(Rupees '000)	
28 GENERAL AND ADMINISTRATION EXPENSES			
Salaries, wages and benefits	28.1	**2,033,895**	1,667,874
Traveling and transportation		**244,062**	193,568
Repairs and maintenance		**129,525**	83,168
Stores and supplies consumed		**100,519**	39,025
Rent, fee and taxes		**48,139**	51,713
Communication		**46,796**	47,711
Utilities		**44,414**	41,337
Training and scholarships		**13,489**	13,826
Legal services		**34,425**	23,544
Contract services		**101,061**	77,812
Auditors' remuneration	28.2	**13,053**	12,290
Advertising		**48,304**	36,876
Joint venture expenses		**564,505**	469,004
Insurance		**1,650**	759
Donations	28.3	**-**	10,025
Aircraft expenses		**-**	941
Unallocated expenses of technical services		**38,190**	173,747
Depreciation	12.2	**122,708**	120,218
Miscellaneous		**9,404**	11,785
		3,594,139	3,075,223
Allocation of expenses to:			
Operations	25	**(1,299,257)**	(1,120,797)
Technical services		**(696,721)**	(621,444)
		(1,995,978)	(1,742,241)
		1,598,161	1,332,982

28.1 These include amount in respect of employee retirement benefits of Rs 260.908 million (2009: Rs 230.881 million).

	2010	2009
	(Rupees '000)	
28.2 Auditors' remuneration		
M/s KPMG Taseer Hadi & Co., Chartered Accountants		
Annual audit fee	**1,350**	1,350
Half yearly review	**350**	350
Out of pocket expenses	**200**	240
Concession audit fee	**3,458**	2,915
Half yearly audit of PGCL	**-**	120
Verification of Central Depository Company record	**50**	50
Audit fee for claims lodged by employees under BESOS	**180**	-
Employees data verification under BESOS	**900**	-
Professional fee for PGCL merger	**-**	1,235
	6,488	6,260
M/s M. Yousuf Adil Saleem & Co., Chartered Accountants		
Annual audit fee	**1,350**	1,350
Half yearly review	**350**	350
Out of pocket expenses	**200**	200
Verification of Central Depository Company record	**50**	50
Monitoring fee for Central Depository Company compliance	**-**	110
Concession audit fee	**3,105**	2,790
Certification of fee payable to OGRA	**300**	180
Dividend certification	**300**	300
Audit of Workers' Profit Participation Fund	**-**	700
Verification of financial impact of revised salary package	**330**	-
Reprinting of units/shares certificates under BESOS	**400**	-
Formulation of BESOS rules for OGDCL Employees Empowerment Trust	**180**	-
	6,565	6,030
	13,053	12,290

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

	Note	2010	2009
		(Rupees '000)	
29 FINANCE COST			
Unwinding of discount on provision for decommissioning cost	8	**1,263,914**	911,683
Others		**9,398**	14,344
		1,273,312	926,027

	Note	2010	2009
		(Rupees '000)	
30 TAXATION			
Provision for taxation:			
- for the year	10	**23,127,095**	16,799,082
- prior years	10	**2,459,846**	3,010,635
		25,586,941	19,809,717
Deferred		**3,788,687**	5,578,565
	30.1	**29,375,628**	25,388,282

30.1 Reconciliation of tax charge for the year :

	2010	2009
Accounting profit	**88,552,753**	80,927,923
Tax rate	**52.07%**	51.99%
Tax on accounting profit at applicable rate	**46,109,684**	42,075,398
Tax effect of royalty allowed for tax purposes	**(7,501,908)**	(7,004,926)
Tax effect of depletion allowance allowed for tax purposes	**(11,246,808)**	(10,320,224)
Tax effect of amount not admissible for tax purposes	**(3,121)**	60,194
Tax effect of exempt income	**(1,526)**	(4,490)
Tax effect of income chargeable to tax at reduced corporate rate	**(272,878)**	(311,315)
Tax effect of amounts that are admissible for tax purposes	**(647,513)**	(2,191,401)
Tax effect of litigious taxation issues	**1,423,168**	3,277,768
Tax effect of prior years	**2,459,846**	3,010,635
Tax impact of deferred tax charged at reduced effective tax rate	**(943,316)**	(3,203,357)
	29,375,628	25,388,282

30.2 Various appeals in respect of assessment years 1992-93 to 2002-03, tax years 2003 to 2009 are pending at different appellate forums in the light of the order of the Commissioner of Inland Revenue (Appeals) and decision of the Adjudicator, appointed by both the Company as well as the Federal Board of Revenue (FBR) mainly on the issues of decommissioning cost and depletion allowance.

	2010	2009
31 EARNINGS PER SHARE - BASIC AND DILUTED		
Profit for the year (Rupees '000)	**59,177,125**	55,539,641
Average number of shares outstanding during the year ('000)	**4,300,928**	4,300,928
Earnings per share - basic (Rupees)	**13.76**	12.91

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

32 FINANCIAL INSTRUMENTS

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

32.1 Credit risk

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

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

32.1.1 Counterparties

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

Trade debts

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

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

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

Bank and investments

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

32.1.2 Exposure to credit risk

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

	2010	2009
	(Rupees '000)	
Long term investments	**3,009,801**	2,692,697
Long term loans and receivable	**2,751,500**	2,457,192
Trade debts	**82,992,291**	56,140,092
Loans and advances	**786,525**	601,318
Deposits	**10,601**	10,371
Other receivables	**333,031**	572,149
Interest accrued	**17,031**	27,156
Other financial assets	**11,120,823**	5,087,917
Bank balances	**7,823,943**	3,952,288
	108,845,546	71,541,180

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

	2010	2009
	(Rupees '000)	
Oil refining companies	**47,344,482**	31,052,949
Oil and gas marketing companies	**31,255,545**	22,159,759
Power generation companies	**4,038,517**	2,786,239
Banks and financial institutions	**21,971,598**	11,760,058
Others	**4,235,404**	3,782,175
	108,845,546	71,541,180

The Company's most significant customer, an oil refining company, accounts for Rs 23,013 million of the trade debts carrying amount at 30 June 2010 (2009: Rs 16,357 million).

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

	2010	2009
	(Rupees '000)	
Crude oil	**47,309,172**	31,001,451
Gas	**35,248,514**	24,885,330
Gasoline	**-**	40,180
Kerosene oil	**49,201**	40,521
High speed diesel oil	**-**	1,680
Naphtha	**35,310**	51,498
Liquefied petroleum gas	**288,974**	96,535
Other operating revenue	**61,120**	22,897
	82,992,291	56,140,092

32.1.3 Impairment losses

The aging of trade debts at the reporting date was:

	2010		2009	
	Gross debts	Impaired	Gross debts	Impaired
	(Rupees '000)		(Rupees '000)	
Not past due	**22,465,029**	**-**	21,414,512	-
Past due 0-30 days	**9,889,860**	**-**	8,093,736	-
Past due 30-60 days	**8,617,245**	**-**	6,913,169	-
Past due 60-90 days	**7,469,278**	**-**	6,301,000	-
Over 90 days	**34,746,996**	**(196,117)**	13,530,984	(113,309)
	83,188,408	**(196,117)**	56,253,401	(113,309)

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

	2010	2009
	(Rupees '000)	
Balance at beginning of the year	**113,309**	4,325,082
Provision made during the year	**82,808**	3,173
Provision used to cover write off	**-**	(4,214,946)
Balance at end of the year	**196,117**	113,309

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

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

	2010	2009
	(Rupees '000)	
Balance at beginning of the year	**196,422**	253,758
Provision made during the year	**1,050**	-
Provision used to cover write off	**-**	(54,920)
Reversal of provision during the year	**-**	(2,416)
Balance at end of the year	**197,472**	196,422

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

32.2 Liquidity risk

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

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

Trade and other payables	2010 Carrying amount	2010 Contractual cash flows	2009 Carrying amount	2009 Contractual cash flows
	(Rupees '000)		(Rupees '000)	
All the trade and other payables have maturity upto one year	**11,062,098**	**11,062,098**	13,066,830	13,066,830

32.3 Market risk

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

32.3.1 Foreign currency risk management

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

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

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

The potential currency exposures are discussed below;

Transactional exposure in respect of non functional currency monetary items

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

Transactional exposure in respect of non functional currency expenditure and revenues

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

Exposure to foreign currency risk

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

	2010	2009
	(USD '000)	
Trade debts	**310,305**	339,504
Investments held to maturity	**128,437**	94,000
Cash and bank balances	**11,587**	31,656
Trade and other payables	**(2,963)**	(3,004)
	447,366	462,156

Foreign currency commitments outstanding at year end are as follows:

	2010	2009
	(Rupees '000)	
Euro (€)	**269,800**	1,033,312
USD ($)	**2,659,998**	1,108,015
GBP (£)	**375,261**	19,489
	3,305,059	2,160,816

The following significant exchange rates applied during the year:

	Average rate		Reporting date mid spot rate	
	2010 (Rupees)	2009 (Rupees)	2010 (Rupees)	2009 (Rupees)
USD 1	**83.38**	78.82	**85.59**	81.41

Foreign currency sensitivity analysis

A 10 percent strengthening of the PKR against the USD at 30 June would have decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

	2010	2009
	(Rupees '000)	
Profit and loss account	**3,828,919**	3,762,327

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

32.3.2 Interest rate risk management

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

- **Profile**

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

	2010	2009	2010	2009
	%		(Rupees '000)	
Fixed rate instruments				
Financial assets				
Long term investments	**12.30 to 12.50**	2.5 to 16	**3,009,801**	2,692,697
Long term loans	**13.65**	9.96	**443,849**	312,787
Other financial assets	**1.5 to 1.90**	2 to 4.28	**10,992,923**	4,966,010
Cash and bank balances	**0.10 to 11.25**	0.10 to 12.50	**7,674,284**	3,870,525
			22,120,857	11,842,019
Financial liabilities			**-**	-
			22,120,857	11,842,019

Fair value sensitivity analysis for fixed rate instruments

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

32.3.3 Other market price risk

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

Sensitivity analysis of price risk

A change of Rs 5 in the value of investments at fair value through profit and loss would have increased or decreased profit and loss by Rs 22.701 million (2009: Rs 22.701 million).

Sensitivity analysis of crude oil price risk

A change of USD 5 in average price of crude oil would increase or decrease profit by Rs 5,710 million (2009: Rs 5,877 million) on the basis that all other variables remain constant.

32.4 Fair values

All financial assets and financial liabilities are initially recognized at the fair value of consideration paid or received, net of transaction costs as appropriate, and subsequently carried at fair value or amortized cost, as indicated in the tables below.

The financial assets and liabilities are presented by class in the tables below at their carrying values, which generally approximate to the fair values.

Financial assets and liabilities

	Loans and receivables	Held at fair value through profit or loss	Other financial assets and liabilities at amortized cost	Total
		(Rupees '000)		
30 June 2010				
Financial assets				
Long term loans and receivable	2,159,771	-	591,729	2,751,500
Loans and advances	786,525	-	-	786,525
Deposits	10,601	-	-	10,601
Trade debts - net of provision	82,992,291	-	-	82,992,291
Other receivables	309,951	-	-	309,951
Cash and bank balances	7,843,820	-	-	7,843,820
Long term investments	-	-	3,009,801	3,009,801
Other financial assets	-	127,900	10,992,923	11,120,823
Total financial assets	94,102,959	127,900	14,594,453	108,825,312
Non financial assets				120,042,339
Total assets				228,867,651
Financial liabilities				
Trade and other payables	-	-	11,062,098	11,062,098
Non financial liabilities				60,413,067
Total liabilities				71,475,165

Financial assets and liabilities

	Loans and receivables	Held at fair value through profit or loss	Other financial assets and liabilities at amortized cost	Total
		(Rupees '000)		
30 June 2009				
Financial assets				
Long term loans and receivable	1,891,083	-	566,109	2,457,192
Loans and advances	601,318	-	-	601,318
Deposits	10,371	-	-	10,371
Trade debts - net of provision	56,140,092	-	-	56,140,092
Other receivables	562,760	-	-	562,760
Cash and bank balances	3,973,818	-	-	3,973,818
Long term investments	-	-	2,692,697	2,692,697
Other financial assets	-	121,907	4,966,010	5,087,917
Total financial assets	63,179,442	121,907	8,224,816	71,526,165
Non financial assets				106,466,231
Total assets				177,992,396
Financial liabilities				
Trade and other payables -	-	-	13,066,830	13,066,830
Non financial liabilities				38,754,170
Total liabilities				51,821,000

The basis for determining fair values is as follows:

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. Since the majority of the financial assets are fixed rate instruments, there is no significant difference in market rate and the rate of instrument, fair value significantly approximates to carrying value.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2 (Rupees '000)	Level 3
30 June 2010			
Asset carried at fair value			
Investments at fair value through profit and loss account	127,900	-	-
30 June 2009			
Asset carried at fair value			
Investments at fair value through profit and loss account	121,907	-	-

Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Investment in fair value through profit and loss account - held for trading

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date.

Investment in associate

The fair value of investment in associate is determined by reference to their quoted closing bid price at the reporting date. The fair value is determined for disclosure purposes.

Non - derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

32.5 Capital management

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

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

	Note	2010 (Rupees '000)	2009
33 CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**7,843,820**	3,973,818
Short term highly liquid investments	22	**10,992,923**	4,966,010
		18,836,743	8,939,828

	2010 Number	2009
34 NUMBER OF EMPLOYEES		
Total number of employees at the end of the year was as follows:		
Regular	**9,989**	10,238
Contractual	**375**	393
	10,364	10,631

Notes to the Financial Statements
for the year ended 30 June 2010

35 RELATED PARTY TRANSACTIONS

Related parties comprise associated company, profit oriented state controlled entities, major shareholders, directors, companies with common directorship, key management personnel and employees pension trust. Transactions of the Company with related parties and balances outstanding at the year end, except for transactions with few state-controlled entities which are not material, hence not disclosed in these financial statements, are as follows:

	2010	2009
	(Rupees '000)	
Associated company		
Share of profit in associate - net of taxation	**64,118**	57,503
Major shareholder		
Government of Pakistan		
Dividend paid	**21,442,811**	33,298,737
Related parties by virtue of common directorship and GoP holdings		
Attock Refinery Limited		
Sale of crude oil	**43,264,807**	37,686,356
Desalting charges paid	**11,613**	36,370
Receivable as at 30 June	**23,013,182**	16,356,943
Payable as at 30 June	**14,896**	12,944
Pakistan Refinery Limited		
Sale of crude oil	**7,359,928**	6,988,942
Receivable as at 30 June	**6,667,053**	3,719,967
Government Holdings (Private) Limited (GHPL)		
GHPL share (various fields)	**76,603**	147,539
Payable as at 30 June	**46,976**	102,797
Pak Arab Refinery Company Limited		
Sale of crude oil	**4,803,555**	3,357,200
Receivable as at 30 June	**3,413,254**	10,029
Sui Northern Gas Pipelines Limited		
Sale of natural gas	**50,914,967**	34,505,653
Purchase of high BTU value gas	**2,335,522**	2,340,451
Receivable as at 30 June	**13,588,706**	9,046,421
Sui Southern Gas Company Limited		
Sale of natural gas	**21,604,079**	30,336,728
Pipeline rental charges	**1,639**	39,264
Receivable as at 30 June	**17,617,638**	13,030,959
Pakistan State Oil Company Limited		
Sale of refined petroleum products	**114,502**	103,095
Sale of liquefied petroleum gas	**25,424**	26,312
Purchase of petroleum, oil and lubricants	**2,925,499**	2,989,486
Receivable as at 30 June	**48,997**	30,832
Packages Limited		
Sale of sulphur	**2,808**	20,859

Notes to the Financial Statements
for the year ended 30 June 2010

	Note	2010	2009
		(Rupees '000)	
RELATED PARTY TRANSACTIONS- Continued			
National Insurance Company Limited			
Insurance premium paid		**881,596**	815,758
National Logistic Cell			
Crude transportation charges paid		**1,200,418**	1,488,412
Payable as at 30 June		**217,199**	65,547
Heavy Mechanical Complex			
Purchase of stores and spares		**41,979**	32,512
Water and Power Development Authority			
Sale of natural gas		**43,622**	71,087
Receivable as at 30 June		**22,328**	23,513
Enar Petrotech Services Limited			
Consultancy services		**603,528**	32,816
Sale of crude oil		**1,678,775**	1,817,078
Receivable as at 30 June		**69,286**	83,964
Other related parties			
Contribution to staff benefit funds		**947,000**	843,265
Remuneration including benefits and perquisites of key management personnel	35.1	**173,256**	129,688

35.1 Key management personnel

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

	2010	2009
	(Rupees '000)	
Managerial remuneration	**83,382**	56,532
Housing and utilities	**30,839**	28,403
Other allowances and benefits	**42,024**	34,626
Medical benefits	**1,527**	1,191
Contribution to pension fund	**15,484**	8,936
	173,256	129,688
Number of persons	**30**	23

36 REMUNERATION OF CHIEF EXECUTIVES, DIRECTORS AND EXECUTIVES

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

	2010		2009	
	Chief Executives	Executives	Chief Executives	Executives
	(Rupees '000)			
Managerial remuneration	**6,823**	**1,053,247**	13,663	757,289
Housing and utilities	**3,728**	**726,247**	4,043	537,358
Other allowances and benefits	**6,012**	**1,067,352**	3,225	893,141
Medical benefits	**114**	**145,437**	302	114,435
Contribution to pension fund	**-**	**213,013**	-	157,862
	16,677	**3,205,296**	21,233	2,460,085
Number of persons including those who worked part of the year	**2**	**1,089**	2	951

- Executive means any employee whose basic salary exceeds Rs 500,000 (2009: Rs 500,000) per year.

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

- The aggregate amount charged in these financial statements in respect of fee to 15 directors (2009: 9) was Rs 2,958,800 (2009: Rs 2,232,131).

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

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

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

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

	2010	2009
	(Rupees '000)	
Profit for the year	**59,177,125**	55,539,641
Amortization reversed	**55,124**	20,355
Finance income recognized	**3,174,773**	2,876,412
Sales revenue reversed	**(3,567,889)**	(3,334,476)
Tax impact at estimated effective rate	**101,127**	135,296
	58,940,260	55,237,228
Adjusted unappropriated profit brought forward	**82,917,111**	67,618,725
Adjusted profit for the year	**58,940,260**	55,237,228
	141,857,371	122,855,953
Transfer to capital reserve	**(201,364)**	(155,254)
Dividends	**(27,956,035)**	(39,783,588)
Adjusted Unappropriated profit	**113,699,972**	82,917,111
Unappropriated profit	**110,523,520**	79,503,794

38 CORRESPONDING FIGURES

Previous year figures have been rearranged and/or reclassified, wherever necessary, for the purpose of comparison in the financial statements. For better presentation reclassifications made in the financial statements were as follows:

Reclassification from Component	Reclassification to Component	Amount (Rupees '000)
Loans and advances	Other receivables	**9,389**
Stores, spare parts and loose tools	Property, plant and equipment	**1,373,772**

The above rearrangements/reclassifications do not affect retained earnings for the year ended 30 June 2008. Therefore, the balance sheet for the year ended 30 June 2008 has not been presented.

39 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors proposed final dividend at the rate of Rs 1.50 per share in its meeting held on 12 August 2010.

40 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 12 August 2010 by the Board of Directors of the Company.

Chief Executive

Chairman

Form of Proxy
Thirteenth 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: _____________________

CNIC 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 Thirteenth Annual General Meeting of the Company to be held on 30 September 2010 or at any adjournment thereof.

Revenue Stamp

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

Dated this ______ day of ______ 2010

Signature of Shareholder________________

Signature of Proxy _____________________

For beneficial owners as per CDC list

1. WITNESS

Signature:__________________________________

Name:_____________________________________

Address:___________________________________

CNIC No: | | | | | | - | | | | | | | - | |

or Passport No:_____________________________

2. WITNESS

Signature:__________________________________

Name:_____________________________________

Address:___________________________________

CNIC 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 Computerized National Identity Card (CNIC) or Passport with the proxy form before submission to the Company (Original CNIC / 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) along with proxy form to the Company.

Entry Card

Thirteenth Annual General Meeting

Register Folio No: ________________________ Number of Shares held: ___________________

Name of Shareholder: ____

CNIC No: | | | | | | – | | | | | | | | – | |

For beneficial owners as per CDC List

CDC participant I.D. No: ___________________ Sub-Account No: ________________________

CNIC No: | | | | | | – | | | | | | | | – | | or passport No: _________________________

Signature of Shareholder______________________

Note:

1. The signature of the shareholder must tally with specimen signature already on the 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.

OIL & GAS DEVELOPMENT COMPANY LIMITED

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