

Interim Report and Financial Information

Quarter Ended 30 September 2010



Oil & Gas Development Company Limited

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Company Information

Board of Directors

Mr. Imtiaz Kazi
Mr. Mohammad Naeem Malik
Senator Mir Wali Muhammad Badini
Syed Amir Ali Shah
Mr. Ahmad Bakhsh Lehri
Mr. Muhammad Ejaz Chaudhry
Dr. Kaiser Bengali
Mr. Wasim A. Zuberi
Mr. Tariq Faruque
Syed Masieh-ul-Islam
Mr. Fahd Shaikh

Chairman
Managing Director & CEO
Director
Director
Director
Director
Director
Director
Director
Director

Chief Financial Officer

Mr. Asif S. Sindhu

Company Secretary

Mrs. Eram Ali Aziz

Auditors

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

Legal Advisor

M/s Khokhar Law Chambers

Tax Advisor

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

Registered Office

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

Directors' Interim Review

The Board of Directors is pleased to present the un-audited financial statements along with a concise review of the Company's progress relating to its core operations and financial performance for the first quarter ended 30 September 2010.

Financial performance of the Company during the first quarter ended 30 September 2010 reflects improved operating results despite issues of rising Inter-Corporate Circular Debt, adverse security situation in some of the Company's operational areas and recent floods in the Country. During the period under review, the Company's exploratory efforts yielded two (2) new gas / condensate discoveries namely Gopang-1 (Nim E.L) and Sheikhan-1 (Kohat E.L). These newly discovered fields are expected to increase daily gas production by 18.25 Million Cubic Feet (MMcf) and condensate by 100 barrels per day in the near future. The Company has connected Gopang & Nim West wells with Daru Central Facilities resulting in start of gas production from Gopang field in September 2010.

During the period under review, the sales revenue and profit after taxation increased by 24% and 38.5% to Rs 39.452 billion and Rs 16.710 billion respectively translating into an Earnings per Share (EPS) of Rs 3.89 compared to Rs 2.81 during the corresponding period of previous year.

OGDCL being a socially responsible entity has taken concrete steps for extending relief to flood affected people. In this regard, Board of Directors approved Rs 100 million for emergency relief and rehabilitation of flood affected people in all the four provinces in addition to Rs 200 million contributed towards Prime Minister's Flood Relief Fund. The company arranged medical camps to provide medical facility to flood victims and set up flood relief camps besides providing medicines, dry ration and other necessities including provision of equipment and machinery needed for rehabilitation work.

Board of Directors

The Board of Directors comprises eleven Directors including the Chairman and MD / CEO. During the quarter under review, Mr. Imtiaz Kazi joined the Board as Chairman in place of Mr. Kamran Lashari and Mr. Mohammad Naeem Malik has been appointed as MD / CEO in place of Mr. Shah Mahboob Alam. The Board appreciated the services rendered by the outgoing Chairman and MD / CEO.

Financial Results

During the first quarter ended 30 September 2010, Company's sales revenue increased by 24% to Rs 39.452 billion compared with Rs 31.826 billion in the corresponding quarter last year. This increase is mainly due to higher realized prices of crude oil, gas, LPG, and sulphur and favourable financial impact of Rs 2.786 billion on account of gas price revision in respect of Bobi field with effect from 01 January 2007.

Net realized prices of crude oil, gas and LPG averaged at US\$ 61.92/BBL, Rs 216.50/Mcf and Rs 48,707/M.Ton compared to US\$ 58.38/BBL, Rs 160.51/Mcf and Rs 44,096/M.Ton respectively during the corresponding period of the last year.

Profit before taxation for the period was Rs 24.137 billion compared to Rs 20.407 billion during the corresponding period of the last year, reflecting 18.3% increase in the Company's earning performance. OGDCL recorded profit after taxation of Rs 16.710 billion against Rs 12.066 billion in corresponding period of the last year, resulting in increase of EPS by 38.5% to Rs 3.89 (1Q 2009-10: Rs 2.81).

Company's trade debts as of 30 September 2010 include an overdue amount of Rs 64.689 billion which were not paid by refineries and gas distribution companies due to Inter-Corporate Circular Debt. The settlement of these debts at the earliest is vital for ensuring that the exploration, development and production activities of the Company are not affected.

Dividend

Directors of the Company are pleased to declare first interim cash dividend of Rs 1.50 per share (15%) for the year ending 30 June 2011.

Exploration and Development Activities

As of 30 September 2010, OGDCL was operating in thirty five (35) exploration blocks, twenty two (22) with 100% share and thirteen (13) as operated joint ventures including three (3) offshore blocks, covering an area of 63,581.12 Sq. Kms, which is the largest exploration acreage held by any exploration and production company in Pakistan. However, the Company could not start its exploration activities in eleven (11) blocks due to non availability of security clearance from concerned authorities, which constitute 38% of the total acreage held by OGDCL.

During the quarter ended 30 September 2010, the Company has acquired 248 L. Kms of 2-D seismic survey in Thal, Bitrism, Dakhni, Daru and Fateh Jang and 34 Sq. Kms of 3-D seismic survey in Toot and Sinjhoru concessions.

On the drilling front, OGDCL carried out its drilling operations on a number of exploratory, appraisal and development wells spudded in the later part of previous financial year. Furthermore, OGDCL has also marked twenty (20) well locations and during the period under review spudded four (4) new wells including two (2) exploratory / appraisal wells namely Sehar-1 & Nashpa-2 and two (2) development wells namely Qadirpur-41 & Uch-23. Subsequently, Thora-8 development well was also spudded in October 2010 totaling to five (5) wells in the current financial year.

The Company is actively working on completion of various on-going development projects like Qadirpur Compression Project, Dakhni Expansion Project, Uch-II Development Project, Jhal Magsi Development Project, Kunhar & Pasahki Deep-Tando Allah Yar (KPD-TAY) Integrated Development Project and Sinjhoru Development Project. As part of Qadirpur gas compression project fourteen (14) reciprocating compressors and other accessories have been installed to arrest the natural decline of the field. The project is currently in the commissioning phase.

Production

During the quarter, the Company's oil and gas production witnessed decline due to the impact of recent floods at some of its producing fields in addition to natural decline in Southern region fields, particularly Tando Alam Oil Complex (TOC), which remained on artificial lift. In order to maintain and enhance production level, OGDCL is exerting its utmost efforts to keep the natural decline at minimal level through workovers. Moreover, the Company is also developing Bahu, Sheikhan (EWT), Reti and Maru fields by using indigenous resources. Production from these fields is expected to commence in the current financial year.

OGDCL is operating forty five (45) development and production leases which include both owned and operated joint ventures. During the quarter, Company's average daily net production including its share in operated and non-operated joint venture fields was as follows:

PRODUCTS	UOM	1Q 2009-10	1Q 2010-11
Crude Oil	Barrels / day	39,008	36,182
Gas	MMcf / day	983	949
LPG	M. Tons / day	205	191
Sulphur	M. Tons / day	66	68
<ul style="list-style-type: none"> • Daily production has been worked out at 365 days/year. 			

During July - September 2010, crude oil production of the Company from 100% owned and operated joint venture fields decreased by 11.8% (4,001 barrels per day) mainly from Pasahki, Sono, Bobi, Tando Alam and Kunnar fields due to natural decline and from Chanda and Mela on account of heavy floods. However, start of production from Nashpa in May 2010 and production increase from Rajjan, Kal along with increase in share of crude oil production by 23.1% (1,176 barrels per day) from non-operated joint venture fields (Manzalai, Pindori, Makori, Bhit and Badin-II Rev) have mitigated the impact of production loss in the current quarter. The net effect has resulted in the decline of the crude oil production by 7.2% (2,825 barrels per day).

OGDCL's gas production from its 100% owned and operated joint venture fields decreased by 13.5% mainly due to Annual Turn Around and lower than anticipated production from Qadirpur, Chanda, Dakhni and Nandpur fields. This production decrease was partially offset by increase in share of gas production from non-operated joint venture fields. However, the net effect has resulted in decrease of gas production by 3.5%.

Future Outlook

In the first quarter of current financial year OGDCL has made significant progress in terms of its operational results. The company expects to continue a high level of exploration activity including planned seismic acquisition, extensive exploratory drilling and follow on its recent successes with further appraisal drilling leading to potential new field developments. The Company also anticipates a significant boost to its existing production upon completion of current and future development projects, resulting into improved operating cash flow and sound financial position of the Company, thus leading to significant value addition for the shareholders.

Acknowledgments

On behalf of the Board, I am extremely grateful to all stakeholders for their continuing support towards the growth of the Company. I am also proud of our employees for their dedication and appreciate their commitment and professional efforts towards the performance of the Company in the periods ahead.

On behalf of the Board



(Imtiaz Kazi)
Chairman

26 October 2010

CONDENSED INTERIM FINANCIAL INFORMATION

For the Quarter ended 30 September 2010



**OIL & GAS DEVELOPMENT
COMPANY LIMITED**

**Condensed Interim Balance Sheet [unaudited]
As at 30 September 2010**

		Unaudited 30 September 2010	Audited 30 June 2010
	Note	(Rupees '000)	
SHARE CAPITAL AND RESERVES			
Share capital		43,009,284	43,009,284
Capital reserves		3,909,618	3,859,682
Unappropriated profit		120,732,067	110,523,520
		167,650,969	157,392,486
NON CURRENT LIABILITIES			
Deferred taxation		21,865,147	21,499,184
Deferred employee benefits		2,802,623	2,699,773
Provision for decommissioning cost		12,811,420	12,435,365
		37,479,190	36,634,322
CURRENT LIABILITIES			
Trade and other payables	4	31,725,078	28,624,204
Provision for taxation	5	8,200,231	6,216,639
		39,925,309	34,840,843
		245,055,468	228,867,651
CONTINGENCIES AND COMMITMENTS			
	6		

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



Chief Executive

		Unaudited 30 September 2010	Audited 30 June 2010
	Note	(Rupees '000)	
NON CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	7	35,538,137	34,998,898
Development and production assets - intangible	8	59,674,895	58,630,857
Exploration and evaluation assets	9	8,812,900	9,551,394
		104,025,932	103,181,149
Long term investments		3,291,731	3,231,435
Long term loans and receivable		1,789,522	1,902,330
Long term prepayments		138,333	118,937
		109,245,518	108,433,851
CURRENT ASSETS			
Stores, spare parts and loose tools		14,755,308	14,527,278
Stock in trade		157,588	172,084
Trade debts	10	95,778,313	82,992,291
Loans and advances		2,211,442	2,216,881
Deposits and short term prepayments		555,255	616,641
Interest accrued		42,562	17,031
Other receivables		957,031	926,951
Other financial assets	11	13,573,501	11,120,823
Cash and bank balances		7,778,950	7,843,820
		135,809,950	120,433,800
		245,055,468	228,867,651


Director

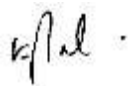
**Condensed Interim Profit and Loss Account [unaudited]
For the Quarter ended 30 September 2010**

	Note	Quarter ended 30 September	
		2010	2009
		(Rupees '000)	
Sales - net	12	39,451,634	31,825,523
Royalty		(4,523,337)	(3,614,850)
Operating expenses		(6,354,763)	(5,246,160)
Transportation charges		(397,392)	(447,508)
		<u>(11,275,492)</u>	<u>(9,308,518)</u>
Gross profit		28,176,142	22,517,005
Other income		606,786	798,705
Exploration and prospecting expenditure		(2,531,913)	(1,226,277)
General and administration expenses		(508,260)	(328,052)
Finance cost		(355,066)	(290,517)
Workers' profit participation fund		(1,270,391)	(1,074,079)
Share of profit in associate - net of taxation		20,122	10,713
		<u>24,137,420</u>	<u>20,407,498</u>
Taxation		(7,427,544)	(8,341,926)
Profit for the Quarter		<u>16,709,876</u>	<u>12,065,572</u>
Earnings per share - basic and diluted (Rupees)	13	<u>3.89</u>	<u>2.81</u>

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



Chief Executive



Director

Condensed Interim Statement of Comprehensive Income [unaudited] For the Quarter ended 30 September 2010

	Quarter ended 30 September	
	2010	2009
	(Rupees '000)	
Profit for the quarter	16,709,876	12,065,572
Other comprehensive income - net of taxation	-	-
Total comprehensive income for the quarter	<u>16,709,876</u>	<u>12,065,572</u>

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



Chief Executive



Director

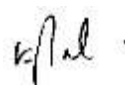
Condensed Interim Cash Flow Statement [unaudited] For the Quarter ended 30 September 2010

	Quarter ended 30 September	
	2010	2009
	(Rupees '000)	
Cash flows from operating activities		
Profit before taxation	24,137,420	20,407,498
Adjustments for:		
Depreciation	852,549	806,167
Amortization of development and production assets	1,536,646	1,542,480
Royalty	4,523,337	3,614,850
Workers' profit participation fund	1,270,391	1,074,079
Provision for employee benefits	472,713	338,380
Un-winding of discount on provision for decommissioning cost	352,803	286,464
Interest income	(421,245)	(239,970)
Un-realized loss / (gain) on investments at fair value through profit or loss	8,899	(16,345)
Dividend income	(10,216)	(14,756)
Gain on disposal of property, plant and equipment	(6,858)	(2,343)
Effect of fair value adjustment of long term receivable	(4,551)	(7,491)
Share of profit in associated company	(20,122)	(10,713)
Stores inventory written off	-	8,360
	<u>32,691,766</u>	<u>27,786,660</u>
Working capital changes		
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	(228,030)	(1,031,916)
Stock in trade	14,496	182
Trade debts	(12,786,022)	(2,808,504)
Deposits and short term prepayments	61,386	72,112
Advances and other receivables	(196,611)	(492,025)
Increase / (decrease) in current liabilities:		
Trade and other payables	544,332	(1,565,183)
Cash generated from operations	<u>20,101,317</u>	<u>21,963,326</u>
Royalty paid	(8,436,230)	(308,872)
Employee benefits paid	(589,693)	(215,437)
Received from workers' profit participation fund	-	468,801
Income taxes paid	(5,077,989)	(4,489,805)
	<u>(14,103,912)</u>	<u>(4,545,313)</u>
Net cash from operating activities	5,997,405	17,418,013
Cash flows from investing activities		
Capital expenditure	(2,991,846)	(4,020,765)
Interest received	390,540	243,171
Dividend received	10,216	22,106
Purchase of investments	(35,000)	(135,469)
Proceeds from disposal of property, plant and equipment	7,809	2,713
Long term prepayments	(19,396)	8,100
Net cash used in investing activities	(2,637,677)	(3,880,144)
Cash flows from financing activities		
Dividends paid	(963,021)	(9,137,006)
Net cash used in financing activities	(963,021)	(9,137,006)
Net increase in cash and cash equivalents	2,396,707	4,400,863
Cash and cash equivalents at beginning of the quarter	18,836,743	8,939,828
Cash and cash equivalents at end of the quarter	<u>21,233,450</u>	<u>13,340,691</u>

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



Chief Executive



Director

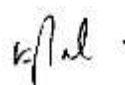
Condensed Interim Statement of Changes in Equity [unaudited] For the Quarter ended 30 September 2010

	Share capital	Capital reserves		Unappropriated profit	Total equity
		Capital reserve	Self insurance		
(Rupees '000)					
Balance at 01 July 2009	43,009,284	836,000	2,822,318	79,503,794	126,171,396
Transfer to capital reserve	-	-	50,466	(50,466)	-
Total comprehensive income for the quarter					
Profit for the quarter	-	-	-	12,065,572	12,065,572
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the quarter	-	-	-	12,065,572	12,065,572
Transactions with owners, recorded directly in equity					
Final dividend 2009: Rs 2.50 per share	-	-	-	(10,752,321)	(10,752,321)
Total contributions by/(distributions to) owners	-	-	-	(10,752,321)	(10,752,321)
Balance at 30 September 2009	<u>43,009,284</u>	<u>836,000</u>	<u>2,872,784</u>	<u>80,766,579</u>	<u>127,484,647</u>
Balance at 01 July 2010	43,009,284	836,000	3,023,682	110,523,520	157,392,486
Transfer to capital reserve	-	-	49,936	(49,936)	-
Total comprehensive income for the quarter					
Profit for the quarter	-	-	-	16,709,876	16,709,876
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the quarter	-	-	-	16,709,876	16,709,876
Transactions with owners, recorded directly in equity					
Final dividend 2010: Rs 1.50 per share	-	-	-	(6,451,393)	(6,451,393)
Total contributions by/(distributions to) owners	-	-	-	(6,451,393)	(6,451,393)
Balance at 30 September 2010	<u>43,009,284</u>	<u>836,000</u>	<u>3,073,618</u>	<u>120,732,067</u>	<u>167,650,969</u>

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



Chief Executive



Director

Selected Notes to the Condensed Interim Financial Information [unaudited] For the Quarter ended 30 September 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

This condensed interim financial information is unaudited and is being submitted to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984 and has been presented in accordance with the requirements of International Accounting Standard 34: Interim Financial Reporting. This does not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended 30 June 2010. Comparative figures of the balance sheet are extracted from the annual financial statements for the year ended 30 June 2010 whereas comparative profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement are stated from unaudited condensed interim financial information for the quarter ended 30 September 2009.

3 ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

Accounting policies, related judgments, estimates and assumptions adopted for preparation of this condensed interim financial information are the same as those applied in preparation of the annual audited financial statements for the year

	30 September 2010	30 June 2010
	(Rupees '000)	
4 TRADE AND OTHER PAYABLES		
Creditors	327,772	206,904
Accrued liabilities	5,511,172	6,500,721
Royalty payable	12,106,028	16,018,921
Excise duty payable	148,603	92,490
General sales tax payable	1,435,492	888,994
Payable to joint venture partners	3,532,181	2,891,948
Retention money	384,630	374,746
Trade deposits	137,981	137,981
Workers' profit participation fund - net	981,062	-
Un-paid dividend	6,483,133	997,631
Un-claimed dividend	122,167	119,297
Advances from customers	197,394	186,955
Other payables	357,463	207,616
	<u>31,725,078</u>	<u>28,624,204</u>
5 PROVISION FOR TAXATION		
Tax payable at beginning of the quarter/year	6,216,639	2,540,170
Income tax paid during the quarter/year	(5,077,989)	(21,910,472)
Provision for current taxation - for the quarter/year	7,061,581	23,127,095
Provision for taxation - prior years	-	2,459,846
Tax payable at end of the quarter/year	<u>8,200,231</u>	<u>6,216,639</u>

5.1 TAX STATUS

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.

Selected Notes to the Condensed Interim Financial Information [unaudited] For the Quarter ended 30 September 2010

6 CONTINGENCIES AND COMMITMENTS

There is no material change in the contingencies and commitments as reported in the annual audited financial statements for the year ended 30 June 2010.

	Note	Quarter ended 30 September	
		2010	2009
		(Rupees '000)	
7 PROPERTY, PLANT AND EQUIPMENT			
Carrying amount at beginning of the quarter		34,998,898	28,482,194
Additions during the quarter	7.1	1,560,691	666,855
Book value of disposals	7.2	(951)	(370)
Depreciation charge for the quarter		(1,020,501)	(970,766)
Carrying amount at end of the quarter		35,538,137	28,177,913
7.1 Additions during the quarter			
Freehold land		40,082	1,749
Buildings, offices and roads on freehold land		26	4,723
Buildings, offices and roads on leasehold land		23,714	-
Plant and machinery		664,202	564,919
Rigs		13,940	7,441
Pipelines		24,711	3,354
Office and domestic equipment		5,843	12,418
Office and technical data computers		2,427	1,091
Furniture and fixture		340	1,192
Vehicles		34,362	98,832
Decommissioning cost		11,699	10,391
Capital work in progress (net)		412,691	148,114
Stores held for capital expenditure (net)		326,654	(187,369)
		1,560,691	666,855

7.2 During the quarter ended 30 September 2010, property, plant and equipment with a carrying amount of Rs 0.951 million (30 September 2009: Rs 0.370 million) were disposed of, resulting in gain on disposal of Rs 6.858 million (30 September 2009: Rs 2.343 million).

Selected Notes to the Condensed Interim Financial Information [unaudited] For the Quarter ended 30 September 2010

	Quarter ended 30 September	
	2010	2009
	(Rupees '000)	
8 DEVELOPMENT AND PRODUCTION ASSETS - INTANGIBLE		
Carrying amount at beginning of the quarter	58,630,857	49,057,766
Additions during the quarter	2,580,684	2,971,373
Amortization charge for the quarter	<u>(1,536,646)</u>	<u>(1,542,480)</u>
Carrying amount at end of the quarter	<u><u>59,674,895</u></u>	<u><u>50,486,659</u></u>
9 EXPLORATION AND EVALUATION ASSETS		
Balance at beginning of the quarter	4,899,241	4,942,575
Additions during the quarter	1,513,402	1,658,034
	6,412,643	6,600,609
Cost of dry and abandoned wells during the quarter	<u>(1,950,958)</u>	<u>(694,379)</u>
Cost of wells transferred to development and production assets during the quarter	<u>(12,883)</u>	<u>(1,294,138)</u>
	(1,963,841)	(1,988,517)
	<u>4,448,802</u>	<u>4,612,092</u>
Stores held for exploration and evaluation activities	<u>4,364,098</u>	<u>4,809,888</u>
Balance at end of the quarter	<u><u>8,812,900</u></u>	<u><u>9,421,980</u></u>
	30 September	30 June
	2010	2010
	(Rupees '000)	
10 TRADE DEBTS		
Un-secured, considered good	95,778,313	82,992,291
Un-secured, considered doubtful	<u>138,440</u>	<u>196,117</u>
	95,916,753	83,188,408
Provision for doubtful debts	<u>(138,440)</u>	<u>(196,117)</u>
	<u><u>95,778,313</u></u>	<u><u>82,992,291</u></u>

10.1 Trade debts include overdue amount of Rs 64,689 million (30 June 2010: Rs 58,159 million) receivable from oil refineries and gas companies. Settlement of these debts remained slow during the period due to circular debt issue. A committee under the chairmanship of Secretary Finance, GoP has been formed to review and settle the circular debt issue. The 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 this condensed interim financial information on account of circular debts outstanding.

Selected Notes to the Condensed Interim Financial Information [unaudited] For the Quarter ended 30 September 2010

		30 September 2010	30 June 2010
	Note	(Rupees '000)	
11 OTHER FINANCIAL ASSETS			
Investments:			
At fair value through profit or loss - NIT units		119,001	127,900
Held to maturity	11.1	<u>13,454,500</u>	<u>10,992,923</u>
		<u>13,573,501</u>	<u>11,120,823</u>

11.1 30 September 2010 balance represents foreign currency TDRs amounting to USD 144.400 million, carrying interest rate of 1.55% to 1.96% per annum and local currency TDRs amounting to Rs 1,000 million, carrying interest rate of 11.75%, while balance as of 30 June 2010 represents foreign currency TDRs amounting to USD 128.437 million that carried interest rate of 1.50% to 1.90% per annum.

	Quarter ended 30 September	
	2010	2009
	(Rupees '000)	
12 SALES - net		
Gross sales		
Crude oil	16,886,401	16,434,292
Gas	25,710,026	16,965,105
Kerosene oil	16,423	44,618
Naphtha	48,930	94,891
Liquefied petroleum gas	1,006,530	959,737
Sulphur	8,850	68,715
Other operating revenue	10,853	9,568
	43,688,013	34,576,926
Government levies		
Excise duty	(687,865)	(369,088)
Development surcharge	(3,763)	(8,952)
General sales tax	(3,544,751)	(2,373,363)
	<u>(4,236,379)</u>	<u>(2,751,403)</u>
	<u>39,451,634</u>	<u>31,825,523</u>

12.1 Qadirpur gas price is linked with High Sulphur Fuel Oil (HSFO) prices in the international market. Qadirpur Gas Pricing Agreement contained discount levels defined upto HSFO price of US\$ 200/M.Ton. It also states that in case HSFO price exceeds said level the parties will negotiate the discount for higher HSFO prices. During price notification period of July-December 2005, the HSFO prices started exceeding US\$ 200/M.Ton. The matter was taken up with the GoP in August 2005. In 2006, the Government issued a provisional discount table for HSFO prices exceeding US\$200/M. Ton upto US\$ 320/M.Ton. OGRA has been notifying the wellhead prices on the basis of the said discount table from July 2006 and since then all prices are being notified on the basis of provisional table.

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 however formal notification of revised discount table by the Government is still awaited. Adjustment in revenue from July 2005 to September 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.

Selected Notes to the Condensed Interim Financial Information [unaudited] For the Quarter ended 30 September 2010

		Quarter ended 30 September	
		2010	2009
		(Rupees '000)	
13	EARNINGS PER SHARE - BASIC AND DILUTED		
	Profit for the quarter (Rupees '000)	<u>16,709,876</u>	<u>12,065,572</u>
	Average number of shares outstanding during the quarter ('000)	<u>4,300,928</u>	<u>4,300,928</u>
	Earnings per share - basic (Rupees)	<u>3.89</u>	<u>2.81</u>
	There is no dilutive effect on the earnings per share of the Company.		
14	RELATED PARTIES TRANSACTIONS		
	Related parties comprise associated company, profit oriented state controlled entities, major shareholders, directors, companies with common directorship, key management personnel and employees pension trust. Transactions of the Company with related parties and balances outstanding at the quarter end, except for transactions with few state-controlled entities which are not material, hence not disclosed in this condensed interim financial information, are as follows:		
		Quarter ended 30 September	
		2010	2009
		(Rupees '000)	
	Associated company		
	Share of profit in associate - net of taxation	20,122	10,713
	Major shareholder		
	Government of Pakistan		
	Dividend paid	-	7,847,198
	Related parties by virtue of common directorship and GoP holdings		
	Attock Refinery Limited		
	Sale of crude oil	10,472,086	9,671,859
	Desalting charges paid	-	3,450
	Receivable as at 30 September	29,131,864	15,509,688
	Payable as at 30 September	56,584	18,354
	Pakistan Refinery Limited		
	Sale of crude oil	2,658,859	1,900,915
	Receivable as at 30 September	8,270,307	5,308,624
	Government Holdings (Private) Limited (GHPL)		
	GHPL share (various fields)	-	30,419
	Payable as at 30 September	46,976	81,066
	Pak Arab Refinery Company Limited		
	Sale of crude oil	373,788	1,444,859
	Receivable as at 30 September	2,939,394	754,858
	Sui Northern Gas Pipelines Limited		
	Sale of natural gas	11,077,083	8,626,137
	Purchase of high BTU value gas	644,580	541,119
	Receivable as at 30 September	11,203,331	10,154,679
	Sui Southern Gas Company Limited		
	Sale of natural gas	11,723,509	5,581,120
	Pipeline rental charges	8,700	9,816
	Receivable as at 30 September	22,671,579	12,580,407

Selected Notes to the Condensed Interim Financial Information [unaudited] For the Quarter ended 30 September 2010

	Quarter ended 30 September	
	2010	2009
	(Rupees '000)	
RELATED PARTY TRANSACTIONS- Continued		
Pakistan State Oil Company Limited		
Sale of refined petroleum products	16,423	44,618
Sale of liquefied petroleum gas	-	5,980
Purchase of petroleum, oil and lubricants	579,129	605,262
Receivable as at 30 September	65,420	46,105
Packages Limited		
Sale of sulphur	-	2,808
National Insurance Company Limited		
Insurance premium paid	79,002	60,266
Payable as at 30 September	4,748	63
National Logistic Cell		
Crude transportation charges paid	252,992	232,125
Payable as at 30 September	319,581	178,962
Heavy Mechanical Complex		
Purchase of stores and spares	40,589	-
Water and Power Development Authority		
Sale of natural gas	8,344	12,148
Receivable as at 30 September	10,928	25,323
Enar Petrotech Services Limited		
Consultancy services	100,824	4,519
Sale of crude oil	390,892	394,722
Receivable as at 30 September	23,730	91,135
Payable as at 30 September	383	2,250
Other related parties		
Contribution to staff benefit funds	692,543	338,380
Remuneration including benefits and perquisites of key management personnel and executives	790,341	535,042

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

- Executive means any employee whose basic salary exceeds Rs 500,000 (30 June 2010: Rs 500,000) per year.

Selected Notes to the Condensed Interim Financial Information [unaudited] For the Quarter ended 30 September 2010

15 CORRESPONDING FIGURES

Corresponding quarter figures have been rearranged and/or reclassified, wherever necessary, for the purpose of comparison in the condensed interim financial information. For better presentation, reclassifications made in the condensed interim financial information were as follows:

Reclassification from Component	Reclassification to Component	Amount (Rupees '000)
General and administration expenses	Operating expenses	24,006

16 RISK MANAGEMENT

Financial risk management objectives and policies are consistent with that disclosed in the annual audited financial statements for the year ended 30 June 2010.

17 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

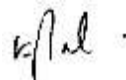
The Board of Directors approved interim dividend at the rate of Rs 1.50 per share in its meeting held on 26 October 2010.

18 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on 26 October 2010 by the Board of Directors of the Company.



Chief Executive



Director



Oil & Gas Development Company Limited
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