

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**BALANCE SHEET**  
**AS AT 30 JUNE 2015**

		2015	2014			2015	2014
	Note	------(Rupees '000)-----			Note	------(Rupees '000)-----	
<b>SHARE CAPITAL AND RESERVES</b>				<b>NON CURRENT ASSETS</b>			
Share capital	4	43,009,284	43,009,284	Fixed assets			
Capital reserves	5	7,456,000	6,606,000	Property, plant and equipment	11	109,983,739	71,803,994
Unappropriated profit		<u>392,055,684</u>	<u>346,055,921</u>	Development and production assets - intangible	12	78,260,687	74,329,473
		442,520,968	395,671,205	Exploration and evaluation assets	13	8,139,436	9,637,788
						196,383,862	155,771,255
				Long term investments	14	131,193,328	140,393,508
				Long term loans and receivable	15	5,932,606	5,170,798
				Long term prepayments		<u>502,972</u>	<u>736,992</u>
						334,012,768	302,072,553
<b>NON CURRENT LIABILITIES</b>				<b>CURRENT ASSETS</b>			
Deferred taxation	6	16,606,840	22,270,517	Stores, spare parts and loose tools	16	16,847,032	18,502,922
Deferred employee benefits	7	12,457,915	9,827,561	Stock in trade		317,476	420,626
Provision for decommissioning cost	8	20,303,619	20,417,830	Trade debts	17	121,411,485	100,510,995
		49,368,374	52,515,908	Loans and advances	18	8,043,768	7,909,281
				Deposits and short term prepayments	19	1,414,433	1,336,238
				Interest accrued		14,433,563	10,110,450
				Other receivables	20	183,825	661,017
				Income tax - advance	21	24,059,740	14,319,141
				Current maturity of term finance certificates	14.2	10,250,000	-
				Other financial assets	22	9,814,481	37,537,297
				Cash and bank balances	23	13,002,748	2,852,160
						219,778,551	194,160,127
						<u>553,791,319</u>	<u>496,232,680</u>
						<u>553,791,319</u>	<u>496,232,680</u>
<b>CONTINGENCIES AND COMMITMENTS</b>							
	10						

The annexed notes 1 to 43 form an integral part of these financial statements.

Chief Executive

Director

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	2015	2014	
Note	------(Rupees '000)-----		
Sales - net	24	210,624,908	257,014,254
Royalty		(23,736,702)	(29,720,093)
Operating expenses	25	(52,935,481)	(48,833,114)
Transportation charges		(1,985,814)	(2,388,243)
		<u>(78,657,997)</u>	<u>(80,941,450)</u>
<b>Gross profit</b>		131,966,911	176,072,804
Other income	26	19,186,191	19,126,253
Exploration and prospecting expenditure	27	(11,627,518)	(8,722,796)
General and administration expenses	28	(4,308,255)	(2,964,932)
Finance cost	29	(2,550,067)	(2,204,287)
Workers' profit participation fund		(6,685,550)	(9,071,048)
Share of profit in associate - net of taxation	14.1	1,043,741	113,911
<b>Profit before taxation</b>		127,025,453	172,349,905
Taxation	30	<u>(39,776,421)</u>	<u>(48,435,355)</u>
<b>Profit for the year</b>		<u>87,249,032</u>	<u>123,914,550</u>
<b>Earnings per share - basic and diluted (Rupees)</b>	31	<u>20.29</u>	<u>28.81</u>

The annexed notes 1 to 43 form an integral part of these financial statements.

**Chief Executive**

**Director**

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	<b>2015</b>	<b>2014</b>
	------(Rupees '000)-----	
<b>Profit for the year</b>	87,249,032	123,914,550
Other comprehensive income/(loss) for the year		
Items that will not be reclassified to profit or loss:		
Remeasurement loss on employee retirement benefit plans	(1,239,809)	(3,603,463)
Tax credit related to remeasurement loss on employee retirement benefit plans		
Current tax credit	624,129	13,204,249
Deferred tax charge	-	(11,401,796)
	624,129	1,802,453
	<u>(615,680)</u>	<u>(1,801,010)</u>
<b>Total comprehensive income for the year</b>	<u><u>86,633,352</u></u>	<u><u>122,113,540</u></u>

The annexed notes 1 to 43 form an integral part of these financial statements.

**Chief Executive**

**Director**

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	2015	2014
Note	------(Rupees '000)-----	
<b>Cash flows from operating activities</b>		
Profit before taxation	127,025,453	172,349,905
Adjustments for:		
Depreciation	5,723,600	4,689,848
Amortization of development and production assets	16,281,337	18,061,296
Impairment on assets	2,611,044	720,860
Reversal of impairment on assets	-	(583,758)
Royalty	23,736,702	29,720,093
Workers' profit participation fund	6,685,550	9,071,048
Provision for employee benefits	5,083,172	4,001,835
Un-winding of discount on provision for decommissioning cost	2,536,838	2,189,397
Interest income	(16,923,990)	(18,608,772)
Un-realized gain on investments at fair value through profit or loss	(13,893)	(82,997)
Dividend income	(18,615)	(17,026)
Gain on disposal of property, plant and equipment	(18,320)	(16,368)
Provision for slow moving, obsolete and in transit stores	237,427	218,501
Share of profit in associate	(1,043,741)	(113,911)
Stores inventory written off	9,031	12,262
	<u>171,911,595</u>	<u>221,612,213</u>
<b>Working capital changes</b>		
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	1,409,432	(2,105,106)
Stock in trade	103,150	(157,422)
Trade debts	(20,900,490)	(44,636,071)
Deposits and short term prepayments	(78,195)	(177,722)
Advances and other receivables	(765,878)	(2,096,089)
Increase/ (decrease) in current liabilities:		
Trade and other payables	15,284,139	(10,349,503)
<b>Cash generated from operations</b>	<u>166,963,753</u>	<u>162,090,300</u>
Royalty paid	(25,007,688)	(29,930,863)
Employee benefits paid	(13,967,782)	(17,990,983)
Long term prepayments	234,020	(156,560)
Receipt/(payments) of workers' profit participation fund - net	346,775	(8,974,541)
Income taxes paid	(54,556,568)	(54,647,490)
	<u>(92,951,243)</u>	<u>(111,700,437)</u>
Net cash from operating activities	74,012,510	50,389,863
<b>Cash flows from investing activities</b>		
Capital expenditure	(66,317,675)	(44,288,271)
Interest received	13,093,552	19,116,848
Dividends received	36,990	86,557
Purchase of investments	(517,129)	(425,000)
Proceeds from disposal of property, plant and equipment	56,442	41,763
Net cash used in investing activities	(53,647,820)	(25,468,103)
<b>Cash flows from financing activities</b>		
Dividends paid	(37,950,811)	(27,222,326)
Net cash used in financing activities	(37,950,811)	(27,222,326)
<b>Net decrease in cash and cash equivalents</b>	<u>(17,586,121)</u>	<u>(2,300,566)</u>
Cash and cash equivalents at beginning of the year	40,113,906	42,414,472
<b>Cash and cash equivalents at end of the year</b>	<u>22,527,785</u>	<u>40,113,906</u>

34

The annexed notes 1 to 43 form an integral part of these financial statements.

Chief Executive

Director

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	Share capital	Capital reserves		Unappropriated profit	Total equity
		Capital reserve	Self insurance		
------(Rupees '000)-----					
<b>Balance at 1 July 2013</b>	43,009,284	836,000	4,920,000	263,500,737	312,266,021
Transfer to self insurance reserve	-	-	855,111	(855,111)	-
Charged to self insurance reserve	-	-	(5,111)	5,111	-
<b>Total comprehensive income for the year</b>					
Profit for the year	-	-	-	123,914,550	123,914,550
Other comprehensive loss for the year	-	-	-	(1,801,010)	(1,801,010)
Total comprehensive income for the year	-	-	-	122,113,540	122,113,540
<b>Transactions with owners, recorded directly in equity</b>					
Final dividend 2013: Rs 2.75 per share	-	-	-	(11,827,553)	(11,827,553)
First interim dividend 2014: Rs 2.00 per share	-	-	-	(8,601,857)	(8,601,857)
Second interim dividend 2014: Rs 2.00 per share	-	-	-	(8,601,857)	(8,601,857)
Third interim dividend 2014: Rs 2.25 per share	-	-	-	(9,677,089)	(9,677,089)
Total distributions to owners	-	-	-	(38,708,356)	(38,708,356)
<b>Balance at 30 June 2014</b>	<u>43,009,284</u>	<u>836,000</u>	<u>5,770,000</u>	<u>346,055,921</u>	<u>395,671,205</u>
Balance at 1 July 2014	43,009,284	836,000	5,770,000	346,055,921	395,671,205
Transfer to self insurance reserve	-	-	853,421	(853,421)	-
Charged to self insurance reserve	-	-	(3,421)	3,421	-
<b>Total comprehensive income for the year</b>					
Profit for the year	-	-	-	87,249,032	87,249,032
Other comprehensive loss for the year	-	-	-	(615,680)	(615,680)
Total comprehensive income for the year	-	-	-	86,633,352	86,633,352
<b>Transactions with owners, recorded directly in equity</b>					
Final dividend 2014: Rs 3.00 per share	-	-	-	(12,902,786)	(12,902,786)
First interim dividend 2015: Rs 2.50 per share	-	-	-	(10,752,321)	(10,752,321)
Second interim dividend 2015: Rs 2.00 per share	-	-	-	(8,601,857)	(8,601,857)
Third interim dividend 2015: Rs 1.75 per share	-	-	-	(7,526,625)	(7,526,625)
Total distributions to owners	-	-	-	(39,783,589)	(39,783,589)
<b>Balance at 30 June 2015</b>	<u>43,009,284</u>	<u>836,000</u>	<u>6,620,000</u>	<u>392,055,684</u>	<u>442,520,968</u>

The annexed notes 1 to 43 form an integral part of these financial statements.

**Chief Executive**

**Director**

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR YEAR ENDED 30 JUNE 2015**

**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 Company was established to undertake exploration and development of oil and gas resources, including production and sale of oil and gas and related activities formerly carried on by Oil and Gas Development Corporation, which was established in 1961. 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 listed on all the three stock exchanges of Pakistan and its Global Depository Shares (IGDS = 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 have been measured at fair value;

The methods used to measure fair values are described 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.

**2.4 SIGNIFICANT ACCOUNTING ESTIMATES**

The preparation of these financial statements in conformity with the approved accounting standards requires management to make judgements, 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 judgement 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 year, or in the year of the revision and any future year affected.

In the process of applying the Company's accounting policies, the management has made the following estimates, assumptions and judgements which are significant to these financial statements:

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR YEAR ENDED 30 JUNE 2015**

**2.4.1 Property, plant and equipment**

The Company reviews the useful lives and residual values of property, plant and equipment on the reporting date. 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 exploration 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 judgement is made that recovery of the expenditure is unlikely, the relevant capitalized amount is 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. Judgement is applied by the management in determining when a project is economically viable. In exercising this judgement, 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 judgement is made that a development and production asset is impaired, the appropriate amount is 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 judgement 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 developed reserves, affect the amount of amortization recorded and impairment, if any, 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 judgement 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 annually and adjusted to take account of such changes.

During the year, the Company revised its estimates of discount and inflation rates. This has been treated as change in accounting estimates, applied prospectively, in accordance with IFRIC Interpretation-1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities".

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR YEAR ENDED 30 JUNE 2015**

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

	<b>Rupees in million</b>
Provision for decommissioning cost would have been higher by	3,432
Property, plant and equipment would have been higher by	394
Development and production assets would have been higher by	3,038
Amortization charge would have been higher by	1,773
Total comprehensive income would have been lower by	1,129

**2.4.6 Employee benefits**

Defined benefit 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 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.

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 net liability/(asset) in respect of employee's service in previous years. 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 affect 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 NEW ACCOUNTING STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE**

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

- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income disclosure initiative (effective for annual periods beginning on or after 1 January 2016). The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR YEAR ENDED 30 JUNE 2015**

- Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate and can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.
- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) (effective for annual periods beginning on or after 1 January 2016). The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
- IFRS 10 'Consolidated Financial Statements' (effective for annual periods beginning on or after 1 January 2015). The standard replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016.
- IFRS 11, 'Joint arrangements' (effective for annual periods beginning on or after 1 January 2015). The standard replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016.
- IFRS 12, 'Disclosures of interests in other entities' (effective for annual periods beginning on or after 1 January 2015). The standard combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR YEAR ENDED 30 JUNE 2015**

- IFRS 13, 'Fair value measurement' (effective for annual periods beginning on or after 1 January 2015). The standard defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.
- Annual Improvements 2012-2014 cycle (the amendments apply prospectively for annual period beginning on or after 1 July 2016). The new cycle of improvements contain improvements contain amendments to the following standards:

IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

- IFRS 14 'Regulatory Deferral Accounts' (effective for annual periods beginning on or after 1 January 2016) specifies the financial reporting requirements for 'regulatory deferral account balances' that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation. IFRS 14 is permitted, but not required, to be applied where an entity conducts rate-regulated activities and has recognised amounts in its previous financial statements that meet the definition of 'regulatory deferral account balances' also referred as the 'regulatory assets' and 'regulatory liabilities'.
- IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 1 January 2017) specifies how and when an IFRS compliant entity will recognise revenue as well as requiring such entities to provide users of financial statements with more informative and relevant disclosures. The standard provides a single principle-based five-step model to be applied to all contracts with customers. The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR YEAR ENDED 30 JUNE 2015**

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been notified locally by the Securities and Exchange Commission of Pakistan (SECP) as at 30 June 2015:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments

The following interpretations issued by the IASB have been waived off by SECP effective January 16, 2012:

- IFRIC 4 – Determining Whether an Arrangement Contains a Lease. Also refer note 39 to the financial statements.
- IFRIC 12 – Service Concession Arrangements

### **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.

#### **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 or record liability in respect of 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 2015. 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 present value of the 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.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the year in which they arise.

Past service costs are recognized immediately in profit and loss account.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR YEAR ENDED 30 JUNE 2015**

**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 tax**

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 GoP for payments on account of royalty and any adjustment to tax payable in respect of previous years.

**3.2.2 Deferred tax**

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 11 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.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR YEAR ENDED 30 JUNE 2015**

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 centres as appropriate, pending determination.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR YEAR ENDED 30 JUNE 2015**

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 operational costs. All other exploration costs including cost of technical studies, seismic acquisition and data processing, geological and geophysical activities are charged against income as exploration and prospecting expenditure.

Tangible assets used in E&E activities, 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 are not found, the capitalized costs are written off as dry and abandoned wells and charged to profit and loss account.

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 acquisition 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. Amortization is charged to profit and loss account.

**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 five years. Decommissioning cost, as appropriate, relating to producing/shut-in fields and production facilities is capitalized to the cost of development and production assets and property, plant and equipment as the case may be. The recognized amount of decommissioning cost is subsequently amortized/depreciated as part of the capital cost of the development and production assets and property, plant and equipment.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR YEAR ENDED 30 JUNE 2015**

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.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR YEAR ENDED 30 JUNE 2015**

**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 annually, 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.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR YEAR ENDED 30 JUNE 2015**

**3.10 FINANCE INCOME AND EXPENSE**

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

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

**3.11 JOINT VENTURE**

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 and are accounted for as jointly controlled operations.

The Company accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other venturers, income from the sale, together with its share of expenses incurred by the joint venture and any expenses it incurs in relation to its interest in the joint venture on pro rate basis. The Company's share of assets, liabilities, revenues and expenses in joint ventures are accounted for on the basis of latest available audited financial statements of the joint ventures 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 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.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR YEAR ENDED 30 JUNE 2015**

**3.14 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.

**3.15 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.

**3.16 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.

**3.17 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.

**3.18 DIVIDEND**

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

**3.19 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.

**3.20 IMPAIRMENT**

**3.20.1 Non-financial assets**

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR YEAR ENDED 30 JUNE 2015**

**3.20.2 Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

**3.21 OPERATING SEGMENTS**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions. The management has determined that the Company has a single reportable segment as the Board of Directors views the Company's operations as one reportable segment.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**4 SHARE CAPITAL**

**Authorized share capital**

2015 ------(Number of shares)-----	2014		2015 ------(Rupees '000)-----	2014
<u>5,000,000,000</u>	<u>5,000,000,000</u>	Ordinary shares of Rs 10 each	<u>50,000,000</u>	<u>50,000,000</u>
<b>Issued, subscribed and paid up capital</b>				
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
<u>4,300,928,400</u>	<u>4,300,928,400</u>		<u>43,009,284</u>	<u>43,009,284</u>

- 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 Government of Pakistan (GoP) on 23 October 1997. Currently, the GoP holds 74.97% (2014: 74.97%) paid up capital of the Company.

	Note	2015 ------(Rupees '000)-----	2014
<b>5 CAPITAL RESERVES</b>			
Capital reserve	5.1	836,000	836,000
Self insurance reserve	5.2	<u>6,620,000</u>	<u>5,770,000</u>
		<u>7,456,000</u>	<u>6,606,000</u>

- 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 14.2.1 for investments against this reserve. Accordingly, the reserve is not available for distribution to shareholders.

	2015 ------(Rupees '000)-----	2014
<b>6 DEFERRED TAXATION</b>		
The balance of deferred tax is in respect of following temporary differences:		
Accelerated depreciation on property, plant and equipment	7,548,441	6,524,059
Expenditure of exploration and evaluation, development and production assets	12,887,530	19,895,341
Provision for decommissioning cost	(3,042,951)	(3,286,920)
Long term investment in associate	132,767	30,231
Provision for doubtful debts, claims and advances	(97,265)	(102,756)
Provision for slow moving and obsolete stores	<u>(821,682)</u>	<u>(789,438)</u>
	<u>16,606,840</u>	<u>22,270,517</u>

- 6.1** Deferred tax has been calculated at the current effective tax rate of 31.35% (2014: 33.12%) after taking into account depletion allowance and set offs, where available, in respect of royalty payment to the GoP. The effective tax rate is reviewed annually.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

		2015	2014
	Note	----- (Rupees '000) -----	
<b>7 DEFERRED EMPLOYEE BENEFITS</b>			
Post retirement medical benefits	7.1	8,083,396	6,770,977
Accumulating compensated absences	7.2	4,374,519	3,056,584
		<u>12,457,915</u>	<u>9,827,561</u>

**7.1 Post retirement medical benefits**

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

Present value of defined benefit obligation at beginning of the year	6,770,977	6,494,991
Current service cost	179,026	211,400
Interest cost	889,503	761,659
Benefits paid	(364,126)	(297,192)
Remeasurement loss/(gain) recognised in Other Comprehensive Income	608,016	(399,881)
Present value of defined benefit obligation at end of the year	<u>8,083,396</u>	<u>6,770,977</u>

Movement in liability recognized in the balance sheet is as follows:

Opening liability	6,770,977	6,494,991
Expense for the year	1,068,529	973,059
Benefits paid	(364,126)	(297,192)
Remeasurement loss/(gain) recognised in Other Comprehensive Income	608,016	(399,881)
Closing liability	<u>8,083,396</u>	<u>6,770,977</u>

Expense recognized in profit and loss account is as follows:

Current service cost	179,026	211,400
Interest cost	889,503	761,659
	<u>1,068,529</u>	<u>973,059</u>

The expense is recognized in the following line items in profit and loss account:

Operating expenses	550,979	498,163
General and administration expenses	141,641	128,425
Technical services	375,909	346,471
	<u>1,068,529</u>	<u>973,059</u>

Significant actuarial assumptions used were as follows:

	2015	2014
Discount rate per annum	10%	13.50%
Medical inflation rate per annum	5.50%	9%
Medical incident rate per annum	3%	3%
Mortality rate	SLIC 2001-2005	SLIC 2001-2005
Withdrawal rate	Low	Moderate
Weighted average duration of the obligation	10 years	10 years

The calculation of the defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased/(decreased) as a result of a change in respective assumptions.

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
----- (Rupees '000) -----			
Discount	1%	(698,028)	902,546
Medical indexation	1%	922,652	(722,041)
Withdrawal	10%	3,233	(2,425)
		<b>1 year setback</b>	<b>1 year setforward</b>
		----- (Rupees '000) -----	
Mortality		75,984	(72,751)

The impact of changes in assumptions has been determined by revaluation of the obligation on different rates.

The expected medical expense for the next financial year is Rs 983.602 million.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	2015	2014
	------(Rupees '000)-----	
<b>7.2 Accumulating compensated absences</b>		
Present value of defined benefit obligation at beginning of the year	3,056,584	3,069,806
Charge for the year - net	2,153,682	969,140
Payments made during the year	(835,747)	(982,362)
Present value of defined benefit obligation at end of the year	<u>4,374,519</u>	<u>3,056,584</u>

The rates of discount and salary increase were assumed at 10% (2014: 13.50%) and 9.50% (2014: 13%) per annum respectively.

	2015	2014
	------(Rupees '000)-----	
<b>8 PROVISION FOR DECOMMISSIONING COST</b>		
Balance at beginning of the year	20,417,830	19,993,556
Provision during the year	781,004	635,378
	<u>21,198,834</u>	<u>20,628,934</u>
Revision due to change in estimates	(3,432,053)	(1,934,137)
Adjustment during the year	-	(466,364)
Unwinding of discount on provision for decommissioning cost	29 2,536,838	2,189,397
Balance at end of the year	<u>20,303,619</u>	<u>20,417,830</u>

The above provision for decommissioning cost is analyzed as follows:

Development and production wells	5,518,058	7,863,805
Production facilities	1,339,771	1,645,073
Unwinding of discount on provision for decommissioning cost		
Development and production wells	11,989,714	9,776,200
Production facilities	1,456,076	1,132,752
	<u>13,445,790</u>	<u>10,908,952</u>
	<u>20,303,619</u>	<u>20,417,830</u>

	2015	2014
Significant assumptions used were as follows:		
Discount rate per annum	9.14%	12.88%
Inflation rate per annum	6.99%	11.39%

	2015	2014
	------(Rupees '000)-----	
<b>9 TRADE AND OTHER PAYABLES</b>		
Creditors	1,159,807	1,534
Payable to Government of Pakistan -on account of Kunnar discount	9.1 2,085,112	2,085,112
Accrued liabilities	7,792,656	5,461,545
Payable to joint venture partners	5,747,349	4,554,969
Retention money payable	6,208,634	1,617,016
Royalty payable	3,759,267	5,030,253
Excise duty payable	243,798	263,989
General sales tax payable	1,636,792	1,843,507
Gas Infrastructure Development Cess (GIDC) Payable	17.2 6,143,565	-
Provincial sales tax payable	-	7,528
Trade deposits	102,210	73,478
Workers' profit participation fund - net	9.2 6,685,550	-
Employees' pension trust	9.3 3,116,025	11,791,096
Un-paid dividend	9.4 16,000,346	13,936,304
Un-claimed dividend	184,955	416,219
Advances from customers	861,045	873,443
Payable to benevolent fund	-	15
Other payables	174,866	89,559
	<u>61,901,977</u>	<u>48,045,567</u>

**9.1** This represents payable to Ministry of Finance in respect of price discount on Kunnar crude sale, withheld by the Company due to related receivable from a customer and tax recoveries made by tax authorities. Also refer note 21.2 to the financial statements.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	2015	2014
	------(Rupees '000)-----	
<b>9.2 Workers' profit participation fund - net</b>		
Receivable at beginning of the year	(346,775)	(443,282)
Received from fund during the year	<u>346,775</u>	<u>525,459</u>
	-	82,177
Paid to the fund during the year	<u>-</u>	<u>(9,500,000)</u>
	-	(9,417,823)
Charge for the year	<u>6,685,550</u>	<u>9,071,048</u>
Payable/(receivable) at end of the year	<u>6,685,550</u>	<u>(346,775)</u>
<b>9.3 Employees' pension trust</b>		
The amount recognized in the balance sheet is as follows:		
Present value of defined benefit obligation	61,669,438	54,402,957
Fair value of plan assets	<u>(58,553,413)</u>	<u>(42,611,861)</u>
Net liability at end of the year	<u>3,116,025</u>	<u>11,791,096</u>
The movement in the present value of defined benefit obligation is as follows:		
Present value of defined benefit obligation at beginning of the year	54,402,957	45,828,738
Current service cost	1,869,247	1,779,840
Interest cost	7,344,399	5,326,834
Benefits paid	<u>(2,978,860)</u>	<u>(2,576,490)</u>
Remeasurement loss recognized in Other Comprehensive Income	<u>1,031,695</u>	<u>4,044,035</u>
Present value of defined benefit obligation at end of the year	<u>61,669,438</u>	<u>54,402,957</u>
The movement in the fair value of plan assets is as follows:		
Fair value of plan assets at beginning of the year	42,611,861	25,018,925
Expected return on plan assets	5,752,601	3,417,306
Contributions	12,767,909	16,711,429
Benefits paid	<u>(2,978,860)</u>	<u>(2,576,490)</u>
Remeasurement gain recognized in Other Comprehensive Income	<u>399,902</u>	<u>40,691</u>
Fair value of plan assets at end of the year	<u>58,553,413</u>	<u>42,611,861</u>
The movement in liability recognized in the balance sheet is as follows:		
Opening liability	11,791,096	20,809,813
Expense for the year	3,461,045	3,689,368
Remeasurement loss recognized in Other Comprehensive Income during the year	631,793	4,003,344
Payments to the fund during the year	<u>(12,767,909)</u>	<u>(16,711,429)</u>
Closing liability	<u>3,116,025</u>	<u>11,791,096</u>
Expense recognized in profit and loss account is as follows:		
Current service cost	1,869,247	1,779,840
Net interest cost	<u>1,591,798</u>	<u>1,909,528</u>
	<u>3,461,045</u>	<u>3,689,368</u>
Remeasurement loss recognized in Other Comprehensive Income:		
Remeasurement loss on defined benefit obligation	1,031,695	4,044,035
Remeasurement gain on plan assets	<u>(399,902)</u>	<u>(40,691)</u>
	<u>631,793</u>	<u>4,003,344</u>

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	2015			2014		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Plan assets comprise of:						
Bonds	-	21,897,999	21,897,999	-	20,553,108	20,553,108
Mutual funds	1,268,493	-	1,268,493	1,202,034	-	1,202,034
Term deposits Receipts (TDRs)	-	33,465,703	33,465,703	-	18,888,610	18,888,610
Cash and bank balances	-	1,921,218	1,921,218	-	1,968,109	1,968,109
	<u>1,268,493</u>	<u>57,284,920</u>	<u>58,553,413</u>	<u>1,202,034</u>	<u>41,409,827</u>	<u>42,611,861</u>

Quoted plan assets comprise of 2.17% (2014: 2.82%) of total plan assets.

Funds covered were invested within limits specified by regulations governing investment of approved retirement funds in Pakistan. The funds have no investment in the Company's own securities.

The pension plan is a defined benefit final salary plan invested through approved trust fund. The trustees of the fund are responsible for plan administration and investment. The Company appoints the trustees. All trustees are employees of the Company.

The plan exposes the Company to various actuarial risks: investment risk, salary risk and longevity risk from the pension plan.

	2015	2014
	----- (Rupees '000) -----	
The expense is recognized in the following line items in profit and loss account:		
Operating expenses	1,619,276	1,716,163
General and administration expenses	617,594	689,944
Technical services	<u>1,224,175</u>	<u>1,283,261</u>
	<u>3,461,045</u>	<u>3,689,368</u>
Actual return on plan assets	<u>6,152,503</u>	<u>3,457,999</u>

Significant actuarial assumptions used were as follows:

	2015	2014
Discount rate per annum	10%	13.50%
Rate of increase in future compensation levels per annum	9.50%	13%
Expected rate of return on plan assets per annum	10%	13.50%
Pension indexation rate per annum	5%	8.50%
Mortality rate	SLIC 2001-2005	SLIC 2001-2005
Withdrawal rate	Low	Moderate
Weighted average duration of the obligation	10 years	10 years

The calculation of the defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased/(decreased) as a result of a change in respective assumptions.

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
		----- (Rupees '000) -----	
Discount	1%	(6,072,044)	7,329,375
Salary increase	1%	3,242,163	(2,932,754)
Pension indexation	1%	4,088,977	(3,507,571)
Withdrawal	10%	24,668	(18,501)
		<b>1 year setback</b>	<b>1 year setforward</b>
		----- (Rupees '000) -----	
Mortality		579,693	(555,025)

The impact of changes in assumptions has been determined by revaluation of the obligation on different rates.

The Company expects to make a contribution of Rs 5,664 million (2014: Rs 15,122 million) to the employees' pension trust during the next financial year.

- 9.4** This includes an amount of Rs 9,225 million (2014: Rs 5,228 million) payable to OGDCL Employees' Empowerment Trust. The payment of dividend has been withheld since GoP is considering to revamp Benazir Employees' Stock Option Scheme (BESOS) as communicated to the Company by Privatization Commission of Pakistan (PCP) through Letter No. 13(4)12/PC(BESOS)/OGDCL dated 15 July 2015. Further, the PCP has requested the Company to maintain status quo for another quarter.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**10 CONTINGENCIES AND COMMITMENTS**

**10.1 Contingencies**

**10.1.1** Claims against the Company not acknowledged as debts amounted to Rs 1,483.728 million at year end (2014: Rs 1,486.038 million).

**10.1.2** Certain banks have issued guarantees on behalf of the Company in ordinary course of business aggregating Rs 1.707 million (2014: Rs 1.707 million), refer note 23.1 to the financial statements.

**10.1.3** The Company's share of associate contingencies based on the financial information of associate for the year ended 30 June 2015 (2014: period ended 31 March 2014) are as follows;

- Indemnity bonds given to Collector of Customs against duty concessions on import of equipment and materials amounted to Rs 1.045 million (2014: Rs 1.045 million).
- Contractor's claim not acknowledged as debt of Rs 4.070 million (2014: Rs 6.784 million)

**10.2 Commitments**

**10.2.1** Commitments outstanding at year end amounted to Rs 61,786.278 million (2014: Rs 47,553.857 million). These include amounts aggregating to Rs 27,052.325 million (2014: Rs 27,035.950 million) representing the Company's share in the minimum work commitments under Petroleum Concession Agreements.

**10.2.2** Letters of credit issued by various banks on behalf of the Company in ordinary course of the business, outstanding at year end amounted to Rs 12,711.536 million (2014: Rs 28,731.248 million).

**10.2.3** The Company's share of associate commitments based on the financial information of associate for the year ended 30 June 2015 (2014: period ended 31 March 2014) are as follows;

	<b>2015</b>	<b>2014</b>
	----- <b>(Rupees '000)</b> -----	
Capital expenditure:		
Share in joint ventures	1,501,493	710,046
Others	119,226	487,041
	<u>1,620,719</u>	<u>1,197,087</u>

OIL AND GAS DEVELOPMENT COMPANY LIMITED  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015

11 PROPERTY, PLANT AND EQUIPMENT

(Rupees '000)

Description	Freehold land	Leasehold land	Buildings, offices and roads on freehold land	Buildings, offices and roads on leasehold land	Plant and machinery	Rigs	Pipelines	Office and domestic equipment	Office and technical data computers	Furniture and fixtures	Vehicles	Decommissioning cost	Capital work in progress (Note 11.3)	Stores held for capital expenditure	Total
<b>Cost</b>															
Balance as at 1 July 2013	248,610	2,441,180	3,779,250	1,882,149	64,879,775	2,115,907	10,609,674	727,444	1,500,768	109,744	5,017,384	2,283,516	13,908,025	1,049,496	110,552,922
Additions during the year	364	-	527,424	973,440	11,190,956	2,950,401	1,425,869	61,249	195,848	12,490	352,682	69,339	18,684,028	1,308,572	37,752,662
Revision due to change in estimate	-	-	-	-	-	-	-	-	-	-	-	(241,418)	-	-	(241,418)
Disposals / transfers during the year	-	-	-	-	(30,913)	(18,942)	(35,727)	(4,208)	(15,506)	-	(108,166)	-	(11,955,196)	(244,709)	(12,413,367)
Adjustments	-	(2,387,141)	(31,807)	2,387,141	32,831	-	-	77	71	-	(1,172)	(466,364)	-	-	(466,364)
<b>Balance as at 30 June 2014</b>	<b>248,974</b>	<b>54,039</b>	<b>4,274,867</b>	<b>5,242,730</b>	<b>76,072,649</b>	<b>5,047,366</b>	<b>11,999,816</b>	<b>784,562</b>	<b>1,681,181</b>	<b>122,234</b>	<b>5,260,728</b>	<b>1,645,073</b>	<b>20,636,857</b>	<b>2,113,359</b>	<b>135,184,435</b>
Balance as at 1 July 2014	248,974	54,039	4,274,867	5,242,730	76,072,649	5,047,366	11,999,816	784,562	1,681,181	122,234	5,260,728	1,645,073	20,636,857	2,113,359	135,184,435
Additions during the year	5,606	-	63,070	141,870	16,027,130	15,872	3,322,040	152,727	121,123	13,570	274,426	88,603	35,811,246	2,858,062	58,895,345
Revision due to change in estimate	-	-	-	-	-	-	-	-	-	-	-	(393,905)	-	-	(393,905)
Disposals / transfers during the year	-	-	-	-	(45,762)	(18,175)	(2,385)	(3,110)	(20,373)	(88)	(142,186)	-	(12,406,934)	(1,054,993)	(13,694,006)
Adjustments	-	-	(955)	-	321,851	(409,471)	-	84,756	3,874	-	(55)	-	-	-	-
<b>Balance as at 30 June 2015</b>	<b>254,580</b>	<b>54,039</b>	<b>4,336,982</b>	<b>5,384,600</b>	<b>92,375,868</b>	<b>4,635,592</b>	<b>15,319,471</b>	<b>1,018,935</b>	<b>1,785,805</b>	<b>135,716</b>	<b>5,392,913</b>	<b>1,339,771</b>	<b>44,041,169</b>	<b>3,916,428</b>	<b>179,991,869</b>
<b>Depreciation</b>															
Balance as at 1 July 2013	-	331,584	1,440,527	865,092	38,121,910	1,166,941	8,753,808	584,329	1,196,264	78,406	4,060,620	1,157,930	-	190,285	57,947,696
Charge for the year	-	2,145	230,136	207,352	3,638,126	260,245	426,840	52,432	165,131	10,271	442,334	68,331	-	(18,201)	5,485,142
On disposals	-	-	-	-	(30,748)	(18,917)	(32,900)	(4,121)	(14,543)	-	(86,836)	-	-	-	(188,065)
Adjustments	-	(285,035)	(1,578)	285,035	1,469	-	-	4	125	-	(20)	-	-	-	-
<b>Balance as at 30 June 2014</b>	<b>-</b>	<b>48,694</b>	<b>1,669,085</b>	<b>1,357,479</b>	<b>41,730,757</b>	<b>1,408,269</b>	<b>9,147,748</b>	<b>632,644</b>	<b>1,346,977</b>	<b>88,677</b>	<b>4,416,098</b>	<b>1,226,261</b>	<b>-</b>	<b>172,084</b>	<b>63,244,773</b>
Balance as at 1 July 2014	-	48,694	1,669,085	1,357,479	41,730,757	1,408,269	9,147,748	632,644	1,346,977	88,677	4,416,098	1,226,261	-	172,084	63,244,773
Charge/(reversal) of charge for the year	-	2,145	266,312	239,904	4,929,190	323,394	608,468	78,107	217,699	8,937	319,594	(302,381)	-	(69,101)	6,622,268
On disposals	-	-	-	-	(45,726)	(18,156)	(2,384)	(2,991)	(19,534)	(81)	(105,085)	-	-	-	(193,957)
Adjustments	-	-	(45)	-	-	-	-	52	45	-	(52)	-	-	-	-
<b>Balance as at 30 June 2015</b>	<b>-</b>	<b>50,839</b>	<b>1,935,352</b>	<b>1,597,383</b>	<b>46,614,221</b>	<b>1,713,507</b>	<b>9,753,832</b>	<b>707,812</b>	<b>1,545,187</b>	<b>97,533</b>	<b>4,630,555</b>	<b>923,880</b>	<b>-</b>	<b>102,983</b>	<b>69,673,084</b>
<b>Impairment</b>															
Balance as at 1 July 2013	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	135,008	-	333	-	-	-	-	327	-	-	135,668
<b>Balance as at 30 June 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>135,008</b>	<b>-</b>	<b>333</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>327</b>	<b>-</b>	<b>-</b>	<b>135,668</b>
Balance as at 1 July 2014	-	-	-	-	135,008	-	333	-	-	-	-	327	-	-	135,668
Charge for the year	-	-	61,204	128,386	8,709	-	-	-	-	-	1,079	-	-	-	199,378
<b>Balance as at 30 June 2015</b>	<b>-</b>	<b>-</b>	<b>61,204</b>	<b>128,386</b>	<b>143,717</b>	<b>-</b>	<b>333</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,079</b>	<b>327</b>	<b>-</b>	<b>-</b>	<b>335,046</b>
Carrying amount - 30 June 2014	248,974	5,345	2,605,782	3,885,251	34,206,884	3,639,097	2,851,735	151,918	334,204	33,557	844,630	418,485	20,636,857	1,941,275	71,803,994
<b>Carrying amount - 30 June 2015</b>	<b>254,580</b>	<b>3,200</b>	<b>2,340,426</b>	<b>3,658,831</b>	<b>45,617,930</b>	<b>2,922,085</b>	<b>5,565,306</b>	<b>311,123</b>	<b>240,618</b>	<b>38,183</b>	<b>761,279</b>	<b>415,564</b>	<b>44,041,169</b>	<b>3,813,445</b>	<b>109,983,739</b>
<b>Rates of depreciation (%)</b>	<b>-</b>	<b>3.3~4</b>	<b>2.5~8</b>	<b>2.5~8</b>	<b>4~20</b>	<b>10</b>	<b>10</b>	<b>15</b>	<b>33.33</b>	<b>10</b>	<b>20</b>	<b>2.5~10</b>	<b>-</b>	<b>-</b>	<b>-</b>

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**11.1** Cost and accumulated depreciation as at 30 June 2015 include Rs 40,425 million (2014: Rs 35,925 million) and Rs. 23,019 million (2014: Rs 20,025 million) respectively being the Company's share in property, plant and equipment relating to joint ventures operated by other working interest owners.

	Note	2015 ------(Rupees '000)-----	2014
<b>11.2 The depreciation charge has been allocated to:</b>			
Operating expenses	25	5,525,660	4,490,439
General and administration expenses	28	197,940	199,409
Technical services		898,668	795,294
		<u>6,622,268</u>	<u>5,485,142</u>

**11.3 Capital work in progress**

Production facilities and other civil works in progress:

Wholly owned

Joint ventures

36,790,973	16,709,688
7,231,739	3,841,294
44,022,712	20,550,982

Construction cost of field offices and various bases/offices owned by the Company

18,457	85,875
<u>44,041,169</u>	<u>20,636,857</u>

**11.4 Details of property, plant and equipment sold:**

Cost	Book value	Sale proceeds
------(Rupees '000)-----		

**Vehicles sold to following in-service/retiring employees as per Company's policy:**

Mr. Abdul Qayyum	1,752	1,476	1,476
Mr. Mujahid Hussain	1,752	1,446	1,446
Mr. Mushtaq Ahmad Tahir	1,752	1,338	1,338
Mr. Ismat Ullah	1,752	1,310	1,310
Mr. Arshad Mahmud	1,727	1,168	1,168
Mr. Shahid Rafeeq Ahmad	1,702	1,350	1,350
Mr. Muhammad Iqbal Sheikh	1,692	1,003	1,003
Mr. Syed Abbas Hamid Zaidi	1,692	795	795
Mr. Muhammad Liaqat Ali Farooq	1,692	1,033	1,033
Mr. Muhammad Asghar Shahid	1,626	887	887
Mr. Naseer Ahmad Paracha	1,626	675	675
Dr. Cap® Muhammad Usman	1,626	779	779
Mr. Khalid Iqbal Qureshi	1,626	851	851
Mr. Qamar Ul Haq	1,569	545	545
Mr. Arshad Mehmood Khan	1,569	675	675
Mr. Zafar Ishaq Rajpoot	1,569	612	612
Mr. Muhammad Shafique	1,569	619	619
Mr. Naseer Ahmad Rana	1,569	481	481
Mr. Khalid Mahmud	1,546	423	423
Mr. Muhammad Rafi	1,539	459	459
Dr. Tahira Saleem	1,441	301	301
Mr. Abdul Waheed Khan	1,429	115	115
Mr. Jamshed Ali Khan	1,429	64	64
Mr. Jiggar Muhammad	1,404	1	1
Mr. Naseem Ahmad Khan	1,404	1	1
Mr. Tariq Mahmood	1,399	1	140
Mr. Syed Irshad Ali	1,369	1	137
Mr. Muhammad Khalid Baig	1,369	1	137
Mr. Saeed Khan Jadoon	1,369	1	137
Mr. Siraj Ali	1,369	1	137
Mr. Abdul Rauf Khajjak	1,369	1	137
Mr. Furrugh Aftab	1,369	1	137
Mr. Javed Mateen	1,369	49	49
Mr. Abdul Rehman	1,369	1	137

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	Cost	Book value	Sale proceeds
	------(Rupees '000)-----		
<b>Vehicles sold to following in-service/retiring employees as per Company's policy - Continued</b>			
Mr. Afzal Unus	1,369	1	137
Mr. Saleem Jahangir	1,369	1	137
Mr. Saeed Aslam Malik	1,369	1	137
Mr. Arshad Malik	1,368	1	137
Mr. Syed Ali Hasnain	1,342	1	134
Mr. Malik Muhammad Rafique	1,023	652	652
Mr. Muhammad Anwar	1,003	678	678
Mr. Manzoor Ahmad Chaudhry	1,003	681	681
Mr. Khalid Naseer Dar	1,003	734	734
Mr. Niaz Ahmed Arbab	1,003	633	633
Mr. Masood Pervaiz	1,003	659	659
Mr. Mir Ahmad Khan	1,003	558	558
Capt@ Nusrat Husnain	925	387	387
Dr. Mrs Rana Irfan	925	423	423
Dr. Bad Shah Khan	925	337	337
Mr. Hamid Ullah Khan	892	349	349
Syed Sabreen Shah	818	37	37
Mr. Naveed Hameed	818	19	82
Lt. Col@ Javaid Iqbal	799	1	80
Mr. Talat Haider	799	1	80
Mr. Akhtar Hasan	797	1	1
Mr. Sain Bux Jamali	774	1	77
Mr. Hareesh Chand Manwani	774	1	77
Mr. Mushtaq Ahmad	774	1	77
Mr. Sikandar Ali	774	1	77
Mr. Muhammad Arif	774	1	77
Mr. Khan Muhammad Shar	774	1	77
Mr. Tufail Muhammad Arain	774	47	47
Syed Altaf Haider	774	60	60
Mr. Izhar Ul Haq	773	89	89
Mr. Kaleem Ud Din	774	68	68
Dr. Ihsan Ullah Khan Safi	555	1	56
	82,255	24,890	27,390
Computers/mobiles sold to employees as per Company's policy	17,893	792	2,301
Aggregate of other items of property, plant and equipment with individual book value not exceeding Rs 50,000, sold through public auction	111,361	167	26,751
Items written off during the year	20,570	12,273	-
<b>30 June 2015</b>	<u>232,079</u>	<u>38,122</u>	<u>56,442</u>
30 June 2014	<u>213,462</u>	<u>25,395</u>	<u>41,763</u>

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**12 DEVELOPMENT AND PRODUCTION ASSETS - intangible**

Description	(Rupees '000)							Total
	Producing fields		Shut-in fields		Wells in progress (Note 12.1)	Sub total	Decommissioning cost	
	Wholly owned	Joint ventures	Wholly owned	Joint ventures				
<b>Cost</b>								
Balance as at 1 July 2013	49,643,579	63,078,783	6,501,798	13,849,861	7,964,185	141,038,206	8,990,485	150,028,691
Adjustment	1,441,279	966,149	(1,441,279)	(966,149)	-	-	-	-
Additions during the year	-	-	-	-	17,623,212	17,623,212	566,039	18,189,251
Revision due to change in estimate	-	-	-	-	-	-	(1,692,719)	(1,692,719)
Transfer from exploration and evaluation assets during the year	1,192	263,451	7,336	972,232	-	1,244,211	-	1,244,211
Transfers in/(out) during the year	5,576,249	12,851,415	560,362	1,704,690	(20,692,716)	-	-	-
<b>Balance as at 30 June 2014</b>	<b>56,662,299</b>	<b>77,159,798</b>	<b>5,628,217</b>	<b>15,560,634</b>	<b>4,894,681</b>	<b>159,905,629</b>	<b>7,863,805</b>	<b>167,769,434</b>
Balance as at 1 July 2014	56,662,299	77,159,798	5,628,217	15,560,634	4,894,681	159,905,629	7,863,805	167,769,434
Adjustment	138,082	2,826,198	(138,082)	(2,826,198)	-	-	-	-
Additions during the year	-	-	-	-	15,497,846	15,497,846	692,401	16,190,247
Revision due to change in estimate	-	-	-	-	-	-	(3,038,148)	(3,038,148)
Transfer from exploration and evaluation assets during the year	3,142,089	905,247	2,486,770	2,938,012	-	9,472,118	-	9,472,118
Transfers in/(out) during the year	2,804,640	9,548,048	-	2,972,975	(15,325,663)	-	-	-
<b>Balance as at 30 June 2015</b>	<b>62,747,110</b>	<b>90,439,291</b>	<b>7,976,905</b>	<b>18,645,423</b>	<b>5,066,864</b>	<b>184,875,593</b>	<b>5,518,058</b>	<b>190,393,651</b>
<b>Amortization</b>								
Balance as at 1 July 2013	33,469,435	33,626,735	322,631	780,009	-	68,198,810	6,222,906	74,421,716
Adjustment	-	318,006	-	(318,006)	-	-	-	-
Charge/(reversal) of charge for the year	4,117,303	14,217,574	-	-	-	18,334,877	(273,581)	18,061,296
<b>Balance as at 30 June 2014</b>	<b>37,586,738</b>	<b>48,162,315</b>	<b>322,631</b>	<b>462,003</b>	<b>-</b>	<b>86,533,687</b>	<b>5,949,325</b>	<b>92,483,012</b>
Balance as at 1 July 2014	37,586,738	48,162,315	322,631	462,003	-	86,533,687	5,949,325	92,483,012
Adjustment	(91,493)	29,329	91,493	(29,329)	-	-	-	-
Charge/(reversal) of charge for the year	4,642,207	12,856,284	-	-	-	17,498,491	(1,217,154)	16,281,337
<b>Balance as at 30 June 2015</b>	<b>42,137,452</b>	<b>61,047,928</b>	<b>414,124</b>	<b>432,674</b>	<b>-</b>	<b>104,032,178</b>	<b>4,732,171</b>	<b>108,764,349</b>
<b>Impairment</b>								
Balance as at 1 July 2013	-	-	858,436	-	-	858,436	97,079	955,515
Charge for the year	545,089	-	-	-	-	545,089	40,103	585,192
Reversal during the year	-	-	(526,423)	-	-	(526,423)	(57,335)	(583,758)
<b>Balance as at 30 June 2014</b>	<b>545,089</b>	<b>-</b>	<b>332,013</b>	<b>-</b>	<b>-</b>	<b>877,102</b>	<b>79,847</b>	<b>956,949</b>
Balance as at 1 July 2014	545,089	-	332,013	-	-	877,102	79,847	956,949
Adjustment	-	-	(154,847)	154,847	-	-	-	-
Charge for the year	-	1,004,360	-	1,391,639	-	2,395,999	15,667	2,411,666
<b>Balance as at 30 June 2015</b>	<b>545,089</b>	<b>1,004,360</b>	<b>177,166</b>	<b>1,546,486</b>	<b>-</b>	<b>3,273,101</b>	<b>95,514</b>	<b>3,368,615</b>
Carrying amounts - 30 June 2014	18,530,472	28,997,483	4,973,573	15,098,631	4,894,681	72,494,840	1,834,633	74,329,473
<b>Carrying amounts - 30 June 2015</b>	<b>20,064,569</b>	<b>28,387,003</b>	<b>7,385,615</b>	<b>16,666,263</b>	<b>5,066,864</b>	<b>77,570,314</b>	<b>690,373</b>	<b>78,260,687</b>

2015                      2014  
------(Rupees '000)-----

**12.1 Wells in progress**

Wholly owned	2,137,978	759,963
Joint ventures	2,928,886	4,134,718
	<u>5,066,864</u>	<u>4,894,681</u>

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

		2015	2014
	Note	------(Rupees '000)-----	
<b>13 EXPLORATION AND EVALUATION ASSETS</b>			
Balance at beginning of the year		7,913,076	4,811,334
Additions during the year		12,512,724	8,784,888
		<u>20,425,800</u>	<u>13,596,222</u>
Cost of dry and abandoned wells during the year	27	(4,850,138)	(4,438,935)
Cost of wells transferred to development and production assets during the year		(9,472,118)	(1,244,211)
		<u>(14,322,256)</u>	<u>(5,683,146)</u>
		6,103,544	7,913,076
Stores held for exploration and evaluation activities	13.1	2,035,892	1,724,712
Balance at end of the year		<u>8,139,436</u>	<u>9,637,788</u>
<b>13.1 Stores held for exploration and evaluation activities</b>			
Balance at beginning of the year		1,724,712	2,463,995
Additions		1,123,234	350,706
Issuances		(812,054)	(1,089,989)
Balance at end of the year		<u>2,035,892</u>	<u>1,724,712</u>
<b>13.2 Liabilities, other assets and expenditure incurred on exploration and evaluation activities are:</b>			
Liabilities related to exploration and evaluation		<u>883,804</u>	<u>1,089,964</u>
Current assets related to exploration and evaluation		<u>-</u>	<u>50,236</u>
Exploration and prospecting expenditure	27	<u>11,627,518</u>	<u>8,722,796</u>
<b>14 LONG TERM INVESTMENTS</b>			
Investment in related party	14.1	1,401,173	375,807
Investments held to maturity	14.2	129,792,155	140,017,701
		<u>131,193,328</u>	<u>140,393,508</u>
<b>14.1 Investment in related party - associate, quoted</b>			
Mari Petroleum Company Limited (MPCL)			
Cost of investment (22,050,000 (2014: 18,375,000) fully paid ordinary shares of Rs 10 each including 14,700,000 (2014: 11,025,000) bonus shares)		73,500	73,500
Post acquisition profits brought forward		302,307	257,927
		<u>375,807</u>	<u>331,427</u>
Share of profit for the year - net of taxation		1,043,741	113,911
Dividend received		(18,375)	(69,531)
		<u>1,025,366</u>	<u>44,380</u>
		<u>1,401,173</u>	<u>375,807</u>

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	<b>30 June 2015</b>	<b>31 March 2014</b>
	----- <b>(Rupees '000)</b> -----	
Summarized financial information in respect of MPCL is set out below:		
Total assets	65,653,818	51,411,350
Total liabilities	54,157,600	35,319,010
Total revenue for the year/period	19,376,201	10,285,583
Total profit for the year/period - net of taxation	5,650,313	2,791,387
Total distributable profit for the year/period	531,373	440,561

For the purpose of applying equity method of accounting, share of profit in MPCL is based on the financial statements for the year ended 30 June 2015 (2014 : 31 March 2014 prorated for the year).

Previously, the Company was recognizing its share of profit of MPCL only to the extent of profit which is available for distribution among the shareholders. Effective 1 July 2014, the cost plus wellhead gas pricing formula is replaced with a crude oil price linked formula which provides a discounted wellhead gas price to be gradually achieved in five (5) years from 1 July 2014. The revised formula provides dividend distribution to be continued for next ten (10) years in line with the previous cost plus formula and any residual profit are to be reinvested for exploration and development activities in Mari as well as outside Mari field. Under the revised formula, the Government of Pakistan will no more provide exploration funds to MPCL. MPCL has declared a specie dividend against undistributable balance of profit and loss account at 30 June 2014 in the form of nonvoting, non-cumulative redeemable preference shares amounting to Rs 9,670 million carrying profit rate of one year KIBOR prevailing on the last working day of each financial year + 3% per annum. The preference shares shall be redeemed in 10 years' time in the form of cash to the preference shareholders and in lieu of consideration for revision in the formula, the major shareholders including the Company has surrendered their right to receive the specie dividend in favour of GoP. Government's investment in Mari Seismic unit amounting to Rs 920 million has also been converted into preference shares in favour of GoP on the same terms. The Economic Coordination Committee (ECC) of the Cabinet has approved the above arrangement and the revised Mari Wellhead Gas Price Agreement has been signed by MPCL and the President of Islamic Republic of Pakistan on 29 July 2015.

Pursuant to above approval of the above arrangement by the ECC, the Company has recognized full share of profits of MPCL for the period after 1 July 2014.

The Company has 20% (2014: 20%) holding in the associate. The market value of the investment in associate as of the year end is Rs 10,333 million (2014: Rs 6,861.776 million).

	<b>Note</b>	<b>2015</b>	<b>2014</b>
		----- <b>(Rupees '000)</b> -----	
<b>14.2 Investments held to maturity</b>			
Term Deposit Receipts (TDRs)	14.2.1	5,862,129	5,345,000
Investment in Pakistan Investment Bonds	14.2.2	52,180,026	52,672,701
Investment in Term Finance Certificates	14.2.3	82,000,000	82,000,000
		<u>140,042,155</u>	<u>140,017,701</u>
Less: Current maturity of Term Finance Certificates		<u>(10,250,000)</u>	<u>-</u>
		<u><u>129,792,155</u></u>	<u><u>140,017,701</u></u>

**14.2.1** These represent investments in local currency TDRs. Face value of these investments is Rs 5,862 million (2014: Rs 5,345 million) and carry effective interest rate of 9.91% (2014: 10.75%) 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 earmarked against self insurance reserve as explained in note 5.2 to the financial statements.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**14.2.2** In 2013, Ministry of Finance, Government of Pakistan, approved the plan for partial settlement of circular debt issue prevailing in the energy sector. These PIBs were subscribed by the company in order to settle its overdue receivables from oil refineries and gas companies. The face value of these PIBs is Rs 50.773 billion carrying interest rate of 11.50% per annum. These PIBs were issued on 19 July 2012 for a period of five years maturing on 19 July 2017. Premium on investment is amortised over the remaining term of the investment using effective interest method.

**14.2.3** This represents investment in Privately Placed Term Finance Certificates (TFCs) amounting to Rs 82 billion. In 2013, the Government of Pakistan, for partial resolution of circular debt issue prevailing in the energy sector, approved issuance of TFCs amounting to Rs 82 billion by Power Holding (Private) Limited (PHPL). These TFCs were subscribed by the Company in order to settle its overdue receivables from oil refineries and gas companies.

TFCs are for a period of seven (7) years including grace period of three (3) years carrying interest rate of KIBOR + 1%, payable semi-annually. The principal portion of these TFCs shall be repaid in eight (8) equal installments starting from 42nd month of date of transaction. National Bank of Pakistan executed the transaction on 10 September 2012 as Trustee. These TFCs are secured by Sovereign Guarantee, covering the principal, markup, and/or any other amount becoming due for payment in respect of investment in TFCs. The interest due as of 30 June 2015 was Rs 11,502 million (2014: Rs 6,911 million) of which Rs 9,151 million (2014: Rs 4,083 million) was past due as of the balance sheet date.

	Note	2015 ------(Rupees '000)-----	2014
<b>15 LONG TERM LOANS AND RECEIVABLE</b>			
Long term loans:			
Secured	15.1	5,692,868	4,931,060
Unsecured	15.2	239,738	239,738
		<u>5,932,606</u>	<u>5,170,798</u>
<b>15.1 Long term loans - secured</b>			
Considered good:			
Executives		3,801,069	2,738,512
Other employees		2,848,183	2,983,867
		<u>6,649,252</u>	<u>5,722,379</u>
Current portion shown under loans and advances	18	(956,384)	(791,319)
		<u>5,692,868</u>	<u>4,931,060</u>

**15.1.1** Movement of carrying amount of loans to executives and other employees:

	Balance as at 1 July 2014	Disbursements during the year	Adjustments during the year	Repayments during the year	Balance as at 30 June 2015
	----- (Rupees '000) -----				
Due from:					
Executives	2,738,512	751,271	769,398	(458,112)	3,801,069
Other employees	2,983,867	1,009,680	(769,398)	(375,966)	2,848,183
<b>30 June 2015</b>	<u>5,722,379</u>	<u>1,760,951</u>	<u>-</u>	<u>(834,078)</u>	<u>6,649,252</u>
30 June 2014	<u>4,655,176</u>	<u>1,799,569</u>	<u>-</u>	<u>(732,366)</u>	<u>5,722,379</u>

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**15.1.2** 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 5,506.893 million (2014: Rs 4,610.779 million) which carry no interest. The balance amount carries an effective interest rate of 11.79% (2014: 10.65%) 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 3,801.069 million (2014: Rs 2,738.512 million).

**15.2** The Company and other working interest owners in Chanda, Nashpa and Tal joint ventures have entered into an agreement dated 20 October 2010 with National Highway Authority (NHA) for provision of interest free loan to NHA amounting to Rs 700 million for construction of new Bridge on River Indus, District Kohat. The bridge will facilitate operations of these joint ventures including transportation of crude oil & condensate, materials & equipment and staff etc. According to the agreement, share of Tal, Nashpa and Chanda joint ventures in the loan will be 68.63%, 23.09% and 8.28% respectively and will be paid to NHA by the Company in stages based on percentage completion of work. Proportionate share in stage-wise payments of the loan will be recovered by the Company from other working interest owners.

As per terms and conditions of the agreement, NHA will design, construct, operate and maintain the new bridge and shall commission the bridge within 27 months from the date of agreement. NHA shall not charge the Company and other operator the toll tax for the use of new bridge till the entire loan stands repaid. The loan is repayable by NHA in seven years in 84 equal monthly installments, with grace period of one year, starting from one year after the commissioning of the bridge. The bridge has been inaugurated during the year on 28 July 2014 and is currently operational. The amount of Rs 239.738 million as on 30 June 2015 (2014: Rs 239.738 million) represents the Company's net share, based on effective working interest ownership of 38.05% (2014: 38.05%) which have not been discounted as required by IAS 39 "Financial Instruments: Recognition and Measurement" as the amount involved is deemed immaterial.

	<b>Note</b>	<b>2015</b>	<b>2014</b>
		----- <b>(Rupees '000)</b> -----	
<b>16 STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores, spare parts and loose tools		19,251,264	18,903,577
Stores and spare parts in transit		216,764	1,982,914
		<u>19,468,028</u>	<u>20,886,491</u>
Provision for slow moving, obsolete and in transit stores	16.1	(2,620,996)	(2,383,569)
		<u>16,847,032</u>	<u>18,502,922</u>
<b>16.1</b> Movement of provision for slow moving, obsolete and in transit stores			
Balance as at 1 July		2,383,569	2,165,068
Provision for the year		237,427	218,501
Balance as at 30 June		<u>2,620,996</u>	<u>2,383,569</u>
<b>17 TRADE DEBTS</b>			
Un-secured, considered good		121,411,485	100,510,995
Un-secured, considered doubtful		112,782	112,782
		<u>121,524,267</u>	<u>100,623,777</u>
Provision for doubtful debts		(112,782)	(112,782)
		<u>121,411,485</u>	<u>100,510,995</u>

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**17.1** Trade debts include overdue amount of Rs 76,990 million (2014: Rs 53,265 million) on account of Inter-Corporate Circular debt, receivable from oil refineries and gas companies out of which Rs. 60,702 million (2014: Rs 46,121 million) is overdue from a related party, Sui Southern Gas Company Limited. The Government of Pakistan (GoP) is pursuing for satisfactory settlement of Inter-Corporate Circular debt issue and the Company considers this amount to be fully recoverable.

**17.2** Included in trade debts is an amount of Rs. 8,043 million receivable from three Independent Power Producers and a fertilizer Company on account of Gas Infrastructural Development Cess (GIDC) and related sales tax paid/payable thereon. Retrospective imposition of GIDC has finally been confirmed by the Government of Pakistan through promulgation of GIDC Act 2015. Accordingly, where applicable, the Company has charged GIDC to its customers and has recognized its liability in these financial statements.

	Note	2015 ------(Rupees '000)-----	2014 ------(Rupees '000)-----
<b>18 LOANS AND ADVANCES</b>			
Advances considered good:			
Suppliers and contractors		1,070,013	3,102,805
Joint venture partners		2,463,683	731,317
Others	18.1	3,553,688	3,283,840
		7,087,384	7,117,962
Current portion of long term loans - secured	15.1	956,384	791,319
		8,043,768	7,909,281
Advances considered doubtful		187,033	187,033
		8,230,801	8,096,314
Provision for doubtful advances		(187,033)	(187,033)
		8,043,768	7,909,281

**18.1** This includes an amount of Rs 3,180 million (2014: Rs 3,180 million) paid under protest to Federal Board of Revenue (FBR) on account of sales tax demand raised in respect of capacity invoices from Uch Gas Field for the period July 2004 to March 2011. Based on Sales Tax General Order (STGO) 1 of 2000 dated 24 January 2000, the matter was argued before various appellate forums, however, the Supreme Court of Pakistan finally decided the issue against the Company on 15 April 2013. The FBR granted time relaxation to the Company for issuance of debit note for an amount of Rs 750 million for the period April 2011 to May 2012, accounted for as trade debt. Uch Power Limited (UPL) challenged the grant of time relaxation to the Company by FBR before Islamabad High Court. On 27 December 2013, the Honourable Court decided the matter in favour of the Company. In light of the Islamabad High Court decision, the Company has applied to FBR for obtaining condonation of time limit for issuing debit notes to UPL for the remaining amount of Rs 3,180 million for the period July 2004 to March 2011 and currently the matter is pending with FBR.

UPL has filed an Intra Court appeal against the decision of the Islamabad High Court and the Islamabad High Court has granted stay against recovery of Rs 750 million to UPL. Management and its legal advisor are confident that the stay will be vacated and the Intra Court appeal by UPL will also be decided in favour of the Company.

	Note	2015 ------(Rupees '000)-----	2014 ------(Rupees '000)-----
<b>19 DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Security deposits		21,025	20,994
Short term prepayments		1,393,408	1,315,244
		1,414,433	1,336,238

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 ------(Rupees '000)-----	2014
<b>20 OTHER RECEIVABLES</b>			
Development surcharge		80,391	80,391
Claims receivable		31,504	16,089
Current portion of long term receivable - unsecured		-	150,609
Workers' profit participation fund - net		-	346,775
Others		71,930	67,153
		<u>183,825</u>	<u>661,017</u>
Claims considered doubtful		10,439	10,439
		<u>194,264</u>	<u>671,456</u>
Provision for doubtful claims		(10,439)	(10,439)
		<u>183,825</u>	<u>661,017</u>

**21 INCOME TAX - ADVANCE**

Income tax- advance/ (provision for taxation) at beginning of the year		14,319,141	(2,238,065)
Income tax paid during the year	21.1	50,613,873	53,272,836
Income tax recovered by tax authorities during the year	21.2	3,942,695	1,374,654
Provision for current taxation for the year- Profit and loss account	30	(37,279,117)	(52,258,517)
Tax credit related to remeasurement loss on employee retirement benefit plans for the year - Other comprehensive income		624,129	13,204,249
Provision for taxation - prior years	30	(8,160,981)	963,984
Income tax - advance at end of the year		<u>24,059,740</u>	<u>14,319,141</u>

**21.1** This includes an amount of Rs 13,225 million paid on account of disallowance of actuarial loss amounting to Rs 26,316 million related to period up to 30 June 2014 which the Company claimed in its return for the tax year 2014. The Company has filed an appeal before Commissioner Appeals against the said disallowance by the Additional Commissioner Inland Revenue which is currently pending. The Company has also applied to the Commissioner Inland Revenue-legal, for approval of special contribution to the Employees' Pension Trust as per revised IAS-19, which is also currently pending. The management based on opinion of its tax consultant believes that actuarial losses are eligible deductions under the Income Tax Ordinance, 2001 and that the matter will be decided in the favour of the Company by the appellate forums.

**21.2** During the year ended 30 June 2014, tax authorities raised demands of Rs 13,370 million by disallowing effect of price discount on sale of crude from Kunnar field and have recovered Rs 5,317 million including Rs 1,375 million during 2014 from the Company upto 30 June 2015. During the year, appeal before Appellate Tribunal Inland Revenue (ATIR) against the said demands has been decided against the Company. The Company has filed a reference application before Islamabad High Court against the decision of ATIR, which is currently pending. Management and its legal advisor are of the view that the price discount is not income of the Company and hence not liable to tax. Accordingly, management is confident that the matter will be resolved in favour of the Company as the discounted price for Kunnar field was finally determined by the Ministry of Petroleum and Natural Resources (MPNR) and major portion of price discount amount was paid to the Government of Pakistan (GoP) during the year ended 30 June 2014 upon directions from the Ministry of Finance, to this effect. Also refer note 9.1 to the financial statements.

	Note	2015 ------(Rupees '000)-----	2014
<b>22 OTHER FINANCIAL ASSETS</b>			
Investment in Term Deposits	22.1	9,525,037	37,261,746
Investment at fair value through profit or loss - NIT units		289,444	275,551
		<u>9,814,481</u>	<u>37,537,297</u>

**22.1** This include foreign currency TDRs amounting to USD 94.448 million (2014: USD 319.401 million), carrying interest rate ranging from 1.75% to 2.35% (2014: 3.25% to 3.95%) per annum, having maturities between one month to three months. There is no local currency TDR as at 30 June 2015 (2014: Rs 5,587 million).

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	2015	2014
Note	------(Rupees '000)-----	
<b>23 CASH AND BANK BALANCES</b>		
Cash at bank:		
Deposit accounts	23.1 12,849,120	2,698,137
Current accounts	110,855	88,952
	12,959,975	2,787,089
Cash in hand	42,773	65,071
	<u>13,002,748</u>	<u>2,852,160</u>

**23.1** These deposit accounts carry interest rate of 0.20% to 7.00% (2014: 0.20% to 9.70%) per annum and include foreign currency deposits amounting to USD 52.413 million (2014: USD 6.764 million). Deposits amounting to Rs 1.707 million (2014: Rs 1.707 million) with banks were under lien to secure bank guarantees issued on behalf of the Company.

	2015	2014
Note	------(Rupees '000)-----	
<b>24 SALES - net</b>		
<b>Gross sales</b>		
Crude oil	94,317,109	133,629,099
Gas	139,478,446	141,898,570
Liquefied petroleum gas	6,751,228	5,807,851
Sulphur	377,987	577,336
Other operating revenue	24.1 61,771	186,280
	<u>240,986,541</u>	<u>282,099,136</u>
<b>Government levies</b>		
General sales tax	(21,310,910)	(21,557,429)
Gas Infrastructure Development Cess (GIDC)	(5,734,982)	-
Excise duty	(3,315,692)	(3,511,180)
Development surcharge	(49)	-
Provincial sales tax	-	(16,273)
	<u>(30,361,633)</u>	<u>(25,084,882)</u>
	<u>210,624,908</u>	<u>257,014,254</u>

**24.1 Other operating revenue**

Drilling services	-	117,979
Gas processing	61,771	68,301
	<u>61,771</u>	<u>186,280</u>

**24.2** Gas sales include sales from Dhachrapur, Nur-Bagla and Jakhro fields invoiced on provisional prices. There may be adjustment in revenue upon issuance of final wellhead prices notification by Ministry of Petroleum and Natural Resources (MPNR), impact of which cannot be determined at this stage.

**24.3** On 20 February 2012, OGDCL entered into an agreement with M/s Jamshoro Joint Venture Limited (JJVL) to process gas from Kunnar Pasahki Deep (KPD) to produce Natural Gas Liquids (NGL), Liquefied Petroleum Gas (LPG) and Condensate in consideration of gas processing charges. However, Sui Southern Gas Company Limited (SSGCL) claimed that as per applicable petroleum policy the delivery point should be KPD field gate instead of JJVL plant. The matter was discussed between the parties and SSGCL viewpoint was accepted and a term sheet was signed between OGDCL and SSGCL in 2013. Resultantly, the delivery point was changed to KPD field gate and OGDCL renounced its right on LPG, etc production. Consequently the Company issued a provisional credit note of Rs 2,285 million in prior years related to revenue from sale of LPG, NGL and Condensate from the JJVL plant net of processing and other ancillary charges. OGDCL also recorded a provisional debit note amounting to Rs 164.445 million relating to additional gas sales revenue to SSGCL on account of the change in delivery point from JJVL plant to KPD field gate. These credit and debit notes recorded in the books of accounts in prior years are provisional and the final prices will be agreed between SSGCL and OGDCL upon execution of Gas Sales Agreement (GSA) and adjustments, if any, will be incorporated in the books on finalization of GSA.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

		2015	2014
	Note	------(Rupees '000)-----	
<b>25 OPERATING EXPENSES</b>			
Salaries, wages and benefits	25.1	14,065,027	11,923,960
Stores and supplies consumed		1,913,121	2,051,789
Contract services		1,709,615	2,406,876
Joint venture expenses		2,089,230	1,642,082
Workover charges		1,091,708	1,043,665
Traveling and transportation		651,539	1,240,273
Repairs and maintenance		1,239,635	661,057
Rent, fee and taxes		685,642	558,081
Insurance		309,134	480,092
Communication		42,757	41,799
Utilities		245,186	93,148
Land and crops compensation		553,803	353,808
Desalting, decanting and naphtha storage charges		68,780	75,036
Training and welfare		959,743	896,450
Provision for slow moving, obsolete and in transit stores		237,427	218,501
Stores inventory written off		9,031	12,262
Depreciation	11.2	5,525,660	4,490,439
Amortization of development and production assets	12	16,281,337	18,061,296
Impairment on development and production assets	12	2,411,666	585,192
Impairment on property, plant and equipment	11	199,378	135,668
Reversal of impairment on development and production assets	12	-	(583,758)
Transfer from general and administration expenses	28	2,533,226	2,594,330
Miscellaneous		9,686	8,490
		<u>52,832,331</u>	<u>48,990,536</u>
Stock of crude oil and other products:			
Balance at beginning of the year		420,626	263,204
Balance at end of the year		<u>(317,476)</u>	<u>(420,626)</u>
		<u>52,935,481</u>	<u>48,833,114</u>

**25.1** These include charge against employee retirement benefits of Rs 2,170 million (2014: Rs 2,214 million).

		2015	2014
	Note	------(Rupees '000)-----	
<b>26 OTHER INCOME</b>			
<b>Income from financial assets</b>			
Interest income on:			
Investments and bank deposits		16,921,497	18,594,933
Delayed payments from customers		2,493	13,839
		<u>16,923,990</u>	<u>18,608,772</u>
Dividend income from NIT units		18,615	17,026
Un-realized gain on investments at fair value through profit or loss		13,893	82,997
Exchange gain/(loss) - net		1,043,079	(459,865)
		<u>17,999,577</u>	<u>18,248,930</u>
<b>Income from non financial assets</b>			
Gain on disposal of property, plant and equipment		18,320	16,368
Gain on disposal of stores, spare parts and loose tools		40,396	70,768
Others		1,127,898	790,187
		<u>1,186,614</u>	<u>877,323</u>
		<u>19,186,191</u>	<u>19,126,253</u>
<b>27 EXPLORATION AND PROSPECTING EXPENDITURE</b>			
Cost of dry and abandoned wells	13	4,850,138	4,438,935
Prospecting expenditure		6,777,380	4,283,861
		<u>11,627,518</u>	<u>8,722,796</u>

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

		2015	2014
	Note	------(Rupees '000)-----	
<b>28 GENERAL AND ADMINISTRATION EXPENSES</b>			
Salaries, wages and benefits	28.1	4,710,471	4,088,287
Joint venture expenses		1,013,500	891,573
Unallocated expenses of technical services		1,323,643	725,013
Traveling and transportation		327,882	404,166
Repairs and maintenance		140,200	136,590
Stores and supplies consumed		123,062	136,192
Rent, fee and taxes		157,969	107,583
Communication		47,794	53,094
Utilities		64,177	65,408
Training and scholarships		30,359	29,003
Legal and professional services		44,354	32,152
Contract services		146,307	124,338
Auditors' remuneration	28.2	18,016	19,838
Advertising		128,898	95,468
Insurance		3,759	3,315
Donations	28.3	330,000	50,200
Depreciation	11.2	197,940	199,409
Miscellaneous		48,818	17,077
		<u>8,857,149</u>	<u>7,178,706</u>
Allocation of expenses to:			
Operations	25	(2,533,226)	(2,594,330)
Technical services		(2,015,668)	(1,619,444)
		<u>(4,548,894)</u>	<u>(4,213,774)</u>
		<u>4,308,255</u>	<u>2,964,932</u>

**28.1** These include charge against employee retirement benefits of Rs 759 million (2014: Rs 818 million).

	2015	2014
	------(Rupees '000)-----	
<b>28.2 Auditors' remuneration</b>		
<b>M/s KPMG Taseer Hadi &amp; Co., Chartered Accountants</b>		
Annual audit fee	2,000	1,600
Half yearly review	800	400
Out of pocket expenses	280	200
Concession audit fee	4,150	3,629
Audit fee for claims lodged by employees under BESOS	270	270
Verification of Central Depository Company record	110	110
Certification of fee payable to OGRA	110	110
Dividend certification	400	200
Audit of Employees Empowerment Trust (OEET)	-	225
	<u>8,120</u>	<u>6,744</u>
<b>M/s A. F. Ferguson &amp; Co., Chartered Accountants</b>		
Annual audit fee	2,000	1,600
Half yearly review	800	400
Out of pocket expenses	280	200
Concession audit fee	4,395	3,161
Verification of Central Depository Company record	110	-
Tax services	2,286	7,733
Audit of Employees Benevolent Fund	25	-
	<u>9,896</u>	<u>13,094</u>
	<u>18,016</u>	<u>19,838</u>

**28.3** Donations during the year represent the amount paid to National Disaster Management Fund for flood affectees and Internally Displaced Persons (IDPs).

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	2015	2014
Note	------(Rupees '000)-----	
<b>29 FINANCE COST</b>		
Unwinding of discount on provision for decommissioning cost	8	2,536,838
Others	13,229	2,189,397
	<u>2,550,067</u>	<u>2,204,287</u>

**30 TAXATION**

Current - charge/(credit)		
- for the year	37,279,117	52,258,517
- for prior year	8,160,981	(963,984)
	45,440,098	51,294,533
Deferred - charge/(credit)		
- for the year	706,322	303,381
- for prior year	(6,369,999)	(3,162,559)
	(5,663,677)	(2,859,178)
	<u>39,776,421</u>	<u>48,435,355</u>

**30.1 Reconciliation of tax charge for the year:**

Accounting profit	127,025,453	172,349,905
Tax rate	50.34%	50.15%
Tax on accounting profit at applicable rate	63,944,613	86,433,477
Tax effect of royalty allowed for tax purposes	(9,320,933)	(11,680,954)
Tax effect of depletion allowance	(12,546,508)	(15,649,858)
Tax effect of amount not admissible for tax purposes	(977,230)	(1,496,419)
Tax effect of exempt income	(9,371)	(8,539)
Tax effect of income chargeable to tax at reduced corporate rate	(3,466,975)	(2,910,958)
Tax effect of prior years	1,790,982	(4,126,543)
Effect of super tax	526,977	-
Others	(165,134)	(2,124,851)
	<u>39,776,421</u>	<u>48,435,355</u>

**30.2** Various appeals in respect of assessment years 1992-93 to 2002-03, tax years 2003 to 2014 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, depletion allowance, prospecting, exploration and development expenditure and tax rate. Total amount of tax demand raised in respect of assessment years 1992-93 to 2002-03 and tax years 2003-2014 amounts to Rs 57,025 million out of which an amount of Rs 53,686 million has been paid to tax authorities. Also refer to note 21.1 and 21.2 of the financial statements.

	2015	2014
<b>31 EARNINGS PER SHARE - BASIC AND DILUTED</b>		
Profit for the year (Rupees '000)	87,249,032	123,914,550
Average number of shares outstanding during the year ('000)	4,300,928	4,300,928
Earnings per share - basic (Rupees)	20.29	28.81

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

**32 OPERATING SEGMENTS**

The financial statements have been prepared on the basis of a single reportable segment. Revenue from external customers for products of the Company is disclosed in note 24.

Revenue from five major customers of the Company constitutes 75% (2014: 79%) of the total revenue during the year ended June 30, 2015.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**33 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 Board's Risk Management Committee assists the Board in the identification and monitoring of the principal risks and opportunities of the Company ensuring that appropriate systems and internal control framework are in place to manage these risks and opportunities, including, safeguarding the public reputation of the Company. The Committee is required to over-see, report and make recommendations to the Board in respect of financial and non-financial risks faced by the Company.

**33.1 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. 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:

**33.1.1 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 the basis of agreements approved by GoP.

Sale of crude oil and natural gas is at prices determined in accordance with the agreed pricing formula as approved by GoP under respective agreements. Prices of liquefied petroleum gas are determined by the Company subject to maximum of preceding months' average prices of Saudi Aramco. Sale of 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. In addition to the exposure with Banks, the Company also holds investments in Pakistan Investment Bonds and Term Finance Certificates issued by the State Bank of Pakistan and Power Holding (Private) Limited held by GoP respectively. These investments are considered highly secured. Investment in TFCs and PIBs are secured by GoP guarantee. The credit rating of the counterparties is as follows:

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	2015		2014		Credit rating agency
	Short term	Long term	Short term	Long term	
National Bank of Pakistan	A-1+	AAA	A-1+	AAA	JCR-VIS
Allied Bank of Pakistan	A1+	AA+	A1+	AA+	PACRA
Askari Bank Limited	A1+ / A-1+	AA / AA	A1+	AA+	PACRA / JCR-VIS
Bank Al-Falah Limited	A1+	AA	A1+	AA	PACRA
Bank Al-Habib limited	A1+	AA+	A1+	AA+	PACRA
Barclayes Bank	A-1	A	A-1	A	Standards & Poor's
Deutsche Bank	A-1	A	A-1	A	Standards & Poor's
Faysal Bank	A1+	AA	A1+ / A-1+	AA/ AA	PACRA / JCR-VIS
Habib Bank Limited	A-1+	AAA	A-1+	AAA	JCR-VIS
Habib Metropolitan Bank	A1+	AA+	A1+	AA+	PACRA
HSBC bank of Middle East	P-1	A2	P-1	A2	Moody's
MCB Bank	A1+	AAA	A1+	AAA	PACRA
NIB Bank	A1+	AA-	A1+	AA-	PACRA
Soneri Bank Limited	A1+	AA-	A1+	AA-	PACRA
United Bank limited	A-1+	AA+	A-1+	AA+	JCR-VIS
Citibank N.A.	P-1	A2	P-1	A2	Moody's

**33.1.2 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:

	2015	2014
	------(Rupees '000)-----	
Long term investments	129,792,155	140,017,701
Long term loans and receivable	5,932,606	5,170,798
Trade debts - net of provision	121,411,485	100,510,995
Loans and advances	3,462,218	731,317
Deposits	21,025	20,994
Other receivables	103,434	233,851
Interest accrued	14,433,563	10,110,450
Current maturity of Term Finance Certificates	10,250,000	-
Other financial assets	9,525,037	37,261,746
Bank balances	12,959,975	2,787,089
	<u>307,891,498</u>	<u>296,844,941</u>

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

	2015	2014
	------(Rupees '000)-----	
Oil refining companies	18,057,449	25,069,241
Oil and gas marketing companies	88,783,767	69,093,088
Power generation companies	13,136,280	5,780,981
Banks and financial institutions	94,960,730	108,176,986
Power Holding (Private) Limited	82,000,000	82,000,000
Others	10,953,272	6,724,645
	<u>307,891,498</u>	<u>296,844,941</u>

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 ------(Rupees '000)-----	2014
<b>Investments</b>			
AAA	14.2.1	5,862,129	5,345,000
Unrated		<u>134,180,026</u>	<u>134,672,701</u>
		<u>140,042,155</u>	<u>140,017,701</u>
<b>Trade debts</b>			
Customers with no defaults in the past one year		-	-
Customers with some defaults in past one year which have been fully recovered		-	-
Customers with defaults in past one year which have not yet been recovered		<u>39,828,204</u>	<u>45,410,817</u>
		<u>39,828,204</u>	<u>45,410,817</u>
<b>Other financial assets</b>			
AAA		-	19,623,179
AA+		<u>9,525,037</u>	<u>17,638,567</u>
	22.1	<u>9,525,037</u>	<u>37,261,746</u>
<b>Bank balances</b>			
AAA		7,725,585	1,465,146
AA+		3,985,819	1,307,301
AA		1,248,489	14,562
AA-		72	71
A2		10	9
	23	<u>12,959,975</u>	<u>2,787,089</u>

The Company's most significant customers, an oil refining company and a gas marketing company (related party), accounts for Rs 78,105 million of the trade debts carrying amount at 30 June 2015 (2014: Rs 68,730 million).

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

	2015 ------(Rupees '000)-----	2014
Crude oil	18,057,346	25,069,138
Gas	103,229,734	75,043,656
Kerosene oil	1,984	1,984
High speed diesel oil	86	86
Naphtha	103	103
Liquefied petroleum gas	91,527	278,111
Other operating revenue	<u>30,705</u>	<u>117,917</u>
	<u>121,411,485</u>	<u>100,510,995</u>

**33.1.3 Impairment losses**

The aging of trade debts at the reporting date was:

Note	30 June 2015		30 June 2014	
	Gross debts	Impaired	Gross debts	Impaired
	------(Rupees '000)-----			
Not past due	39,828,204	-	45,410,817	-
Past due 0-30 days	8,194,459	-	8,624,970	-
Past due 31-60 days	6,522,394	-	4,383,406	-
Past due 61-90 days	5,066,143	-	2,402,750	-
Over 90 days	<u>61,913,067</u>	<u>(112,782)</u>	<u>39,801,834</u>	<u>(112,782)</u>
17.1	<u>121,524,267</u>	<u>(112,782)</u>	<u>100,623,777</u>	<u>(112,782)</u>

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

The aging of trade debts from related parties at the reporting date was:

	Total	Not past due	Past due 0-30 days	Past due 31-90 days	Over 90 days	Impaired balance
	(Rupees '000)					
<b>June 2015</b>						
Enar Petrotech Services Limited	1,080,082	1,293,328	-	-	(213,246)	-
Pak Arab Refinery Company Limited	1,203,287	1,203,287	-	-	-	-
Sui Northern Gas Pipelines Limited	19,575,029	8,458,397	2,618,485	5,245,633	3,252,514	-
Sui Southern Gas Company Limited	69,206,667	8,504,813	2,588,324	5,086,509	53,027,021	-
WAPDA	21,282	-	-	-	21,282	(21,282)
Pakistan State Oil	1,867	-	-	-	1,867	-
	<b>91,088,214</b>	<b>19,459,825</b>	<b>5,206,809</b>	<b>10,332,142</b>	<b>56,089,438</b>	<b>(21,282)</b>
<b>June 2014</b>						
Enar Petrotech Services Limited	2,009,281	2,222,526	-	-	(213,245)	-
Pak Arab Refinery Company Limited	2,829,766	2,303,716	526,050	-	-	-
Sui Northern Gas Pipelines Limited	12,908,591	9,256,353	1,906,018	1,414,541	331,679	-
Sui Southern Gas Company Limited	56,182,426	10,061,204	5,113,013	5,216,436	35,791,773	-
WAPDA	21,282	-	-	-	21,282	(21,282)
Pakistan State Oil	1,867	-	-	-	1,867	-
	<b>73,953,213</b>	<b>23,843,799</b>	<b>7,545,081</b>	<b>6,630,977</b>	<b>35,933,356</b>	<b>(21,282)</b>

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

	2015	2014
	----- (Rupees '000) -----	
Balance at beginning of the year	112,782	112,782
Provision made during the year	-	-
Balance at end of the year	<u>112,782</u>	<u>112,782</u>

As explained in note 17 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:

	2015	2014
	----- (Rupees '000) -----	
Balance at beginning of the year	197,472	197,472
Provision made during the year	-	-
Balance at end of the year	<u>197,472</u>	<u>197,472</u>

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.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

The aging of interest accrued on TFCs at the reporting date was:

	2015	2014
	------(Rupees '000)-----	
Not past due	2,350,772	2,828,034
Past due 0-30 days	-	-
Past due 31-60 days	-	-
Past due 61-90 days	-	-
Over 90 days	9,151,065	4,082,567
	<u>11,501,837</u>	<u>6,910,601</u>

**33.2 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 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:

	30 June 2015		30 June 2014	
	Carrying amount	Contractual cash flows	Carrying amount	Contractual cash flows
	------(Rupees '000)-----		------(Rupees '000)-----	
Trade and other payables				
All the trade and other payables have maturity upto one year	<u>39,455,935</u>	<u>39,455,935</u>	<u>28,235,736</u>	<u>28,235,736</u>

**33.3 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.

**33.3.1 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.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**Exposure to foreign currency risk**

The Company's exposure to foreign currency risk was as follows based on carrying values:

	2015	2014
	-----('000)-----	
USD (\$)		
Trade debts	100,696	121,273
Investments held to maturity	94,448	319,401
Cash and bank balances	52,413	6,764
Trade and other payables	<u>(102,733)</u>	<u>(70,351)</u>
	<u>144,824</u>	<u>377,087</u>

Euro (€)

Trade and other payables	6,457	6,378
--------------------------	-------	-------

Foreign currency commitments outstanding at year end are as follows:

	2015	2014
	----- (Rupees '000) -----	
Euro (€)	9,555,780	11,011,800
USD (\$)	31,255,354	35,369,911
GBP (£)	21,080	266,508
	<u>40,832,214</u>	<u>46,648,219</u>

The following significant exchange rates were applied during the year:

	Average rate		Reporting date mid spot rate	
	2015	2014	2015	2014
	----- (Rupees) -----			
<b>USD 1</b>	<u>102.14</u>	<u>103.40</u>	<u>101.05</u>	<u>99.37</u>

**Foreign currency sensitivity analysis**

A 10 percent strengthening of the PKR against the USD at 30 June 2015 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 30 June 2014.

	2015	2014
	----- (Rupees '000) -----	
Profit and loss account	1,463,447	3,747,015

A 10 percent weakening of the PKR against the USD at 30 June 2015 would have had the equal but opposite effect on USD to the amounts shown above, on the basis that all other variables remain constant.

**33.3.2 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.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**Profile**

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

	2015	2014	2015	2014
	-----%-----		------(Rupees '000)-----	
<b>Fixed rate instruments</b>				
<b>Financial assets</b>				
Long term investments	9.91 to 11.5	10.75 to 11.5	58,042,155	58,017,701
Long term loans	11.79	10.65	1,142,360	1,129,098
Other financial assets	1.75 to 2.35	3.25 to 9.90	9,525,037	37,261,746
Cash and bank balances	0.20 to 7.00	0.20 to 9.70	12,849,120	2,698,137
			81,558,672	99,106,682
<b>Financial liabilities</b>			-	-
			<u>81,558,672</u>	<u>99,106,682</u>

**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.

**33.3.3 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 (2014: 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 7,372 million (2014: Rs 7,320 million) on the basis that all other variables remain constant.

**33.4 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.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**Financial assets and liabilities**

	Loans and receivables	Investments at fair value through profit or loss	Held to maturity	Total
<b>30 June 2015</b>	------(Rupees '000)-----			
<b>Financial assets</b>				
Long term investments	1,401,173	-	129,792,155	131,193,328
Long term loans and receivable	5,932,606	-	-	5,932,606
Trade debts - net of provision	121,411,485	-	-	121,411,485
Loans and advances	3,462,218	-	-	3,462,218
Deposits	21,025	-	-	21,025
Interest accrued	14,433,563	-	-	14,433,563
Other receivables	103,434	-	-	103,434
Current maturity of Term Finance Certificates	-	-	10,250,000	10,250,000
Other financial assets	9,525,037	289,444	-	9,814,481
Cash and bank balances	13,002,748	-	-	13,002,748
<b>Total financial assets</b>	<u>169,293,289</u>	<u>289,444</u>	<u>140,042,155</u>	<u>309,624,888</u>
<b>Non financial assets</b>				244,166,431
<b>Total assets</b>				<u><u>553,791,319</u></u>
			<b>Other financial liabilities</b>	<b>Total</b>
			------(Rupees '000)-----	
<b>Financial liabilities</b>				
Trade and other payables			39,455,935	39,455,935
			<u>39,455,935</u>	<u>39,455,935</u>
<b>Non financial liabilities</b>				71,814,416
<b>Total liabilities</b>				<u><u>111,270,351</u></u>

**Financial assets and liabilities**

	Loans and receivables	Investments at fair value through profit or loss	Held to maturity	Total
<b>30 June 2014</b>	------(Rupees '000)-----			
<b>Financial assets</b>				
Long term investments	375,807	-	140,017,701	140,393,508
Long term loans and receivable	5,170,798	-	-	5,170,798
Trade debts - net of provision	100,510,995	-	-	100,510,995
Loans and advances	731,317	-	-	731,317
Deposits	20,994	-	-	20,994
Interest accrued	10,110,450	-	-	10,110,450
Other receivables	233,851	-	-	233,851
Other financial assets	37,261,746	275,551	-	37,537,297
Cash and bank balances	2,852,160	-	-	2,852,160
<b>Total financial assets</b>	<u>157,268,118</u>	<u>275,551</u>	<u>140,017,701</u>	<u>297,561,370</u>
<b>Non financial assets</b>				198,671,310
<b>Total assets</b>				<u><u>496,232,680</u></u>

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	<b>Other financial liabilities</b>	<b>Total</b>
	----- <b>(Rupees '000)</b> -----	
<b>Financial liabilities</b>		
Trade and other payables	28,235,736	28,235,736
	<u>28,235,736</u>	<u>28,235,736</u>
<b>Non financial liabilities</b>		72,325,739
<b>Total liabilities</b>		<u><u>100,561,475</u></u>

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).

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	----- <b>(Rupees '000)</b> -----		
<b>30 June 2015</b>			
<b>Assets carried at fair value</b>			
Investments at fair value through profit and loss account	289,444	-	-
<b>30 June 2014</b>			
<b>Assets carried at fair value</b>			
Investments at fair value through profit and loss account	275,551	-	-

**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.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**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.

**33.5 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.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	<b>Note</b>	<b>2015</b>	<b>2014</b>
		----- <b>(Rupees '000)</b> -----	
<b>34 CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	23	13,002,748	2,852,160
Short term highly liquid investments	22	9,525,037	37,261,746
		<u>22,527,785</u>	<u>40,113,906</u>
		<b>2015</b>	<b>2014</b>
<b>35 NUMBER OF EMPLOYEES</b>			
Total number of employees at the end of the year were as follows:			
Regular		9,475	9,905
Contractual		27	23
		<u>9,502</u>	<u>9,928</u>
Average number of employees during the year were as follows:			
Regular		9,690	9,898
Contractual		25	212
		<u>9,715</u>	<u>10,110</u>
<b>36 RELATED PARTIES TRANSACTIONS</b>			
Government of Pakistan owns 74.97% (30 June 2014: 74.97%) shares of the Company. Therefore, all entities owned and controlled by the Government of Pakistan are related parties of the Company. Other related parties comprise associated company, major shareholders, directors, companies with common directorship, key management personnel and employees pension trust. The Company in normal course of business pays for electricity, gas and telephone to entities controlled by Government of Pakistan which are not material, hence not disclosed in these financial statements. Transactions of the Company with related parties and balances outstanding at year end are as follows:			
		<b>2015</b>	<b>2014</b>
		----- <b>(Rupees '000)</b> -----	
<b>Associated company</b>			
Share of profit in associate - net of taxation		1,043,741	113,911
<b>Major shareholders</b>			
<b>Government of Pakistan</b>			
Dividend paid		29,988,201	21,765,652
Payable on account of Kunnar discount at 30 June		2,085,112	2,085,112
Dividend payable at 30 June		5,078,640	7,255,217
<b>Related parties by virtue of common directorship and GoP holdings</b>			
<b>Government Holdings (Private) Limited (GHPL)</b>			
GHPL share (various fields) of receivables		1,166,592	460,501
<b>Power Holding (Private) Limited (PHPL)</b>			
Markup earned		8,673,803	8,590,208
Balance of investment in TFCs and markup receivable as at 30 June		93,501,837	88,910,600
<b>State Bank of Pakistan</b>			
Interest earned on Pakistan Investment Bonds ( PIBs)		5,838,861	5,838,861
Balance of investment in PIBs and markup receivable as at 30 June		53,380,191	53,380,191

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 ------(Rupees '000)-----	2014
<b>RELATED PARTIES TRANSACTIONS - Continued</b>			
<b>Pak Arab Refinery Company Limited</b>			
Sale of crude oil		9,530,107	9,435,144
Trade debts as at 30 June		1,203,287	2,829,766
<b>Sui Northern Gas Pipelines Limited</b>			
Sale of natural gas		52,919,073	62,382,509
Purchase of high BTU value gas		2,991,030	3,769,548
Trade debts as at 30 June		19,575,029	12,908,591
Payable as at 30 June		473,503	1,098
<b>Sui Southern Gas Company Limited</b>			
Sale of natural gas		53,413,428	60,353,701
Pipeline rental charges		36,660	46,359
Trade debts as at 30 June		69,206,667	56,182,426
<b>Pakistan State Oil Company Limited</b>			
Purchase of petroleum, oil and lubricants		3,763,690	4,550,131
Trade debts as at 30 June		1,867	1,867
Payable as at 30 June		97,026	5,500
<b>National Insurance Company Limited</b>			
Insurance premium paid		523,358	683,505
Payable as at 30 June		9,565	-
<b>National Logistic Cell</b>			
Crude transportation charges paid		1,588,145	1,360,461
Payable as at 30 June		382,591	413,593
<b>Enar Petrotech Services Limited</b>			
Consultancy services		33,816	128,726
Sale of crude oil		9,261,452	13,651,244
Trade debts as at 30 June		1,080,082	2,009,280
Payable as at 30 June		4,748	5,280
<b>Other related parties</b>			
Contribution to staff benefit funds		12,767,909	16,711,429
Remuneration including benefits and perquisites of key management personnel	36.1	533,774	440,579

**36.1 Key management personnel**

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

	2015 ------(Rupees '000)-----	2014
Managerial remuneration	173,208	151,806
Housing and utilities	123,536	109,813
Other allowances and benefits	176,619	118,284
Medical benefits	4,511	2,614
Leave encashment	8,708	11,910
Contribution to pension fund	47,192	46,152
	<u>533,774</u>	<u>440,579</u>
Number of persons	<u>40</u>	<u>39</u>

**36.2** The amounts of the trade debts outstanding are unsecured and will be settled in cash. No expense has been recognized in the current or prior years for bad or doubtful debts in respect of the amounts owed by related parties.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**37 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:

	2015		2014	
	Chief Executive	Executives	Chief Executive	Executives
	----- <b>(Rupees '000)</b> -----			
Managerial remuneration	8,725	3,184,496	6,197	2,901,758
Housing and utilities	5,914	2,372,960	4,525	2,161,721
Other allowances and benefits	9,727	3,547,221	4,747	2,672,569
Medical benefits	16	200,738	135	190,743
Leave encashment	1,961	51,737	3,587	44,620
Contribution to pension fund	2,377	867,654	1,612	887,605
	<u>28,720</u>	<u>10,224,806</u>	<u>20,803</u>	<u>8,859,016</u>

Number of persons including those who worked part of the year	2	2,110	3	2,067
---	---	-------	---	-------

- Executive means any employee whose basic salary exceeds Rs 500,000 (2014: Rs 500,000) per year.
- The aggregate amount charged in these financial statements in respect of fee to 13 directors (2014: 14) was Rs 27.755 million (2014: Rs 8.538 million).

**38 INFORMATION RELATING TO PROVIDENT FUND**

Oil and Gas Development Company Limited (OGDCL) Employees' Provident Fund is a contribution plan for benefit of permanent employees of the Company. The Company does not contribute to the fund and the contributions are made by the employees only. The details based on unaudited financial statements of the Fund are as follows:

	2015	2014
Net assets (Rupees '000)	4,359,446	3,961,057
Cost of investments made (Rupees '000)	4,214,749	3,629,433
Percentage of investments made	97%	92%
Fair value of investments (Rupees '000)	4,471,061	3,772,436
<b>Break-up of investments at cost:</b>		
NIT units (Rupees '000)	545,229	545,229
Term Deposit Receipts (Rupees '000)	2,600,000	2,925,339
Regular Income Certificates (Rupees '000)	850,000	100,000
Bank Balances (Rupees '000)	219,520	58,865
	<u>4,214,749</u>	<u>3,629,433</u>

All investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

**39 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 1 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".

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

The Company signed gas sale agreements with Uch Power Limited and UCH II Power (Private) Limited, Independent Power Producers (IPPs), for supply of total output by production facilities at Uch and Uch II fields respectively. Both arrangement appears to fall in the definition of lease under the criteria specified in IFRIC 4. However, Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O No. 24(I)/2012 has decided to defer the implementation of IFRIC 4 to all companies which 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. However, impact of IFRIC-4 is mandatory to be disclosed in the financial statements as per requirements of IAS-8.

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

	2015	2014
	------(Rupees '000)-----	
Profit for the year	87,249,032	123,914,550
Depreciation reversed	184,376	-
Amortization reversed	454,719	500,876
Finance income recognized	6,622,345	4,609,500
Addition to property, plant and equipment reversed	(59,222)	(867,690)
Sales revenue reversed	(6,280,954)	(4,573,156)
Tax impact at estimated effective rate	(290,843)	109,452
Adjusted profit for the year	<u>87,879,453</u>	<u>123,693,532</u>
Carried forward balance of unappropriated profit at the end of year would have been as follows:		
Adjusted unappropriated profit brought forward	361,768,113	279,433,947
Adjusted profit for the year	87,879,453	123,693,532
	<u>449,647,566</u>	<u>403,127,479</u>
Transfer to capital reserve	(850,000)	(850,000)
Other Comprehensive Income	(615,680)	(1,801,010)
Dividend paid	(39,783,589)	(38,708,356)
Adjusted unappropriated profit at end of the year	<u>408,398,297</u>	<u>361,768,113</u>
Unadjusted unappropriated profit at end of the year	<u>392,055,684</u>	<u>346,055,921</u>

**40 Application of IFRS 2 - Share Based Payment**

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme (the "Scheme") for employees of certain State Owned Enterprises (SOEs) and non-State Owned Enterprises where GoP holds significant investments (non-SOEs). The Scheme is applicable to permanent and contractual employees who were in employment of these entities on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The Scheme provides a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this Scheme, GoP shall transfer 12% of its investment in such SOEs and non-SOEs to a Trust Fund to be created for the purpose by each of such entities. The eligible employees would be allotted units by each Trust Fund in proportion to their respective length of service and on retirement or termination such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units as would be determined based on market price of listed entities or breakup value for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP.

The Scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund managed by the Privatization Commission of Pakistan for the payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP.

The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of the State Owned Enterprises need to be accounted for by the covered entities, including the Company, under the provisions of the amended International Financial Reporting Standard to share based payment (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities and Exchange Commission of Pakistan on receiving representation from some of the entities covered under the scheme and after having consulted the Institute of Chartered Accountants of Pakistan vide their Letter No. CAIDTS/PS& TAC/2011-2036 dated 02 February 2011 has granted exemption to such entities from the application of IFRS2 to the Scheme vide SRO 587 (I)/2011 dated 07 June 2011.

**OIL AND GAS DEVELOPMENT COMPANY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

Had the exemption not been granted the staff costs of the Company for the year would have been higher by Rs 753 million (2014: Rs 6,027 million), profit after taxation and unappropriated profit would have been lower by Rs 753 million (2014: Rs 6,027 million), earnings per share would have been lower by Rs 0.18 (2014: Rs 1.40) per share and reserves would have been higher by Rs 30,137 million (2014: Rs 29,384 million).

The Privatisation Commission has not paid any claims to unit holders since June 2011. The management believes that GoP is considering changes to the Scheme, and impact of any such changes cannot be determined as of 30 June 2015. Also refer note 9.4.

**41 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE**

The Board of Directors recommended cash dividend at the rate of Rs 1.50 per share amounting to Rs 6,451 million in its meeting held on 26 August 2015 for approval of shareholders.

**42 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on 26 August 2015 by the Board of Directors of the Company.

**43 GENERAL**

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

**Chief Executive**

**Director**