

OIL AND GAS DEVELOPMENT COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION [UNAUDITED]
AS AT 30 SEPTEMBER 2021

Annexure II
No. CS04-08(PSX/LSE/SECP)

		Unaudited 30 September 2021	Audited 30 June 2021			Unaudited 30 September 2021	Audited 30 June 2021
	Note	------(Rupees '000)-----			Note	------(Rupees '000)-----	
SHARE CAPITAL AND RESERVES				NON CURRENT ASSETS			
Share capital		43,009,284	43,009,284	Property, plant and equipment	9	95,155,459	95,745,594
Reserves	4	19,186,500	18,824,000	Development and production assets	10	104,862,477	100,415,134
				Exploration and evaluation assets	11	15,814,989	16,732,676
						215,832,925	212,893,404
Unappropriated profit		<u>741,077,674</u>	<u>707,810,761</u>	Long term investments	12	41,624,379	45,525,871
		803,273,458	769,644,045	Long term loans		8,241,814	8,783,849
				Long term prepayments		711,937	861,430
				Lease receivables	13	<u>37,135,274</u>	<u>37,259,605</u>
						303,546,329	305,324,159
NON CURRENT LIABILITIES				CURRENT ASSETS			
Deferred taxation		29,279,421	27,667,937	Stores, spare parts and loose tools		19,071,080	19,169,273
Deferred employee benefits		28,035,330	28,010,167	Stock in trade		536,414	404,339
Provision for decommissioning cost	5	29,724,349	28,992,057	Trade debts	14	383,305,018	358,821,853
		87,039,100	84,670,161	Loans and advances	15	14,389,349	15,916,922
				Deposits and short term prepayments		2,164,887	1,262,865
CURRENT LIABILITIES				Other receivables		873,549	822,149
Trade and other payables	6	71,462,721	72,357,460	Income tax - advance	16	40,761,212	45,751,659
Unpaid dividend	7	28,618,244	29,112,645	Current portion of long term investments		134,500,289	122,465,116
Unclaimed dividend		209,023	209,503	Current portion of lease receivables		22,503,543	22,253,115
		<u>100,289,988</u>	<u>101,679,608</u>	Other financial assets	17	63,149,914	56,358,320
TOTAL LIABILITIES		187,329,088	186,349,769	Cash and bank balances		5,800,962	7,444,044
						687,056,217	650,669,655
						<u>990,602,546</u>	<u>955,993,814</u>
						<u>990,602,546</u>	<u>955,993,814</u>
CONTINGENCIES AND COMMITMENTS							
	8						

The annexed notes 1 to 30 form an integral part of these interim financial statements.

Chief Financial Officer

Chief Executive

Director

OIL AND GAS DEVELOPMENT COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME [UNAUDITED]
FOR THE QUARTER ENDED 30 SEPTEMBER 2021

	Quarter ended 30 September	
	2021	2020
		Restated
	----- (Rupees '000) -----	
Profit for the quarter	33,629,413	23,343,641
Other comprehensive income for the quarter	-	-
Total comprehensive income for the quarter	<u>33,629,413</u>	<u>23,343,641</u>

The annexed notes 1 to 30 form an integral part of these interim financial statements.

Chief Financial Officer

Chief Executive

Director

OIL AND GAS DEVELOPMENT COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY [UNAUDITED]
FOR THE QUARTER ENDED 30 SEPTEMBER 2021

Share capital	Reserves					Unappropriated profit	Total equity	
	Capital reserves				Other reserves			
	Capital reserve	Self insurance reserve	Share of capital redemption reserve fund in associated company	Share of self insurance reserve in associated company	Share of undistributed percentage return reserve in associated company			
------(Rupees '000)-----								
Balance as at 1 July 2020 as previously reported	43,009,284	836,000	13,500,000	2,118,000	720,000	95,580	628,579,143	688,858,007
Impact of adoption of IFRS 16 on certain agreements previously exempted - Note 3.1							21,705,969	21,705,969
Balance as at 1 July 2020 - restated	43,009,284	836,000	13,500,000	2,118,000	720,000	95,580	650,285,112	710,563,976
Total comprehensive income for the quarter- restated								
Profit for the quarter-restated	-	-	-	-	-	-	23,343,641	23,343,641
Other comprehensive income for the quarter	-	-	-	-	-	-	-	-
Total comprehensive income for the quarter- restated	-	-	-	-	-	-	23,343,641	23,343,641
Transfer to self insurance reserve	-	-	362,656	-	-	-	(362,656)	-
Charge to self insurance reserve	-	-	(156)	-	-	-	156	-
Transfer from undistributed percentage return reserve by an associated company	-	-	-	-	-	(53,361)	53,361	-
Transactions with owners of the Company								
Distributions								
Total distributions to owners of the Company	-	-	-	-	-	-	-	-
Balance as at 30 September 2020- restated	<u>43,009,284</u>	<u>836,000</u>	<u>13,862,500</u>	<u>2,118,000</u>	<u>720,000</u>	<u>42,219</u>	<u>673,319,614</u>	<u>733,907,617</u>
Balance as at 1 July 2021	43,009,284	836,000	14,950,000	2,118,000	920,000	-	707,810,761	769,644,045
Total comprehensive income for the quarter								
Profit for the quarter	-	-	-	-	-	-	33,629,413	33,629,413
Other comprehensive income for the quarter	-	-	-	-	-	-	-	-
Total comprehensive income for the quarter	-	-	-	-	-	-	33,629,413	33,629,413
Transfer to self insurance reserve	-	-	362,643	-	-	-	(362,643)	-
Charge to self insurance reserve	-	-	(143)	-	-	-	143	-
Transactions with owners of the Company								
Distributions								
Total distributions to owners of the Company	-	-	-	-	-	-	-	-
Balance as at 30 September 2021	<u>43,009,284</u>	<u>836,000</u>	<u>15,312,500</u>	<u>2,118,000</u>	<u>920,000</u>	<u>-</u>	<u>741,077,674</u>	<u>803,273,458</u>

The annexed notes 1 to 30 form an integral part of these interim financial statements.

Chief Financial Officer

Chief Executive

Director

OIL AND GAS DEVELOPMENT COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS [UNAUDITED]
FOR THE QUARTER ENDED 30 SEPTEMBER 2021

	Quarter ended 30 September	
	2021	2020
	Restated	
Note	------(Rupees '000)-----	
Cash flows from operating activities		
Profit before taxation	52,269,665	33,895,045
Adjustments for:		
Depreciation	2,600,658	2,497,904
Amortization of development and production assets	3,456,700	4,022,637
Royalty	8,242,038	6,726,750
Workers' profit participation fund	2,751,035	1,783,950
Provision for employee benefits	1,290,375	1,164,335
Unwinding of discount on provision for decommissioning cost	562,331	563,248
Interest income on investments and bank deposits	(2,433,888)	(3,592,237)
Interest income on lease	(1,702,997)	(2,001,083)
Un-realized loss/ (gain) on investments at fair value through profit or loss	25,743	(39,546)
Exchange (gain) on lease	(1,394,174)	(662,282)
Exchange (gain)/ loss on foreign currency investment and deposit accounts	(5,317,268)	680,943
Dividend income from NIT units	(7,310)	(5,857)
Gain on disposal of property, plant and equipment	(1,330)	(7,470)
Share of profit in associate	(1,819,761)	(1,813,241)
	58,621,597	43,213,096
Changes in:		
Stores, spare parts and loose tools	(1,587)	927,618
Stock in trade	(132,075)	35,419
Trade debts	(24,483,165)	(15,942,605)
Deposits and short term prepayments	(902,022)	(521,657)
Advances and other receivables	2,057,731	430,932
Trade and other payables	7,080	(2,755,047)
Cash generated from operations	35,167,559	25,387,756
	(5,349,508)	(1,387,229)
Royalty paid	(1,105,764)	(601,049)
Employee benefits paid	149,493	50,380
Long term prepayments	(7,300,000)	(7,700,001)
Payment to workers' profit participation fund-net	(12,038,321)	(15,774,205)
Income taxes paid	(25,709,975)	(25,412,104)
Net cash generated from/ (used in) operating activities	9,457,584	(24,348)
Cash flows from investing activities		
Capital expenditure	(8,209,858)	(6,719,902)
Interest received	2,221,793	2,220,013
Lease payments received	1,045,497	953,802
Dividends received	7,310	5,857
Investment in associated company (PIOL)	(4,176,250)	-
Proceeds from disposal of property, plant and equipment	5,792	12,267
Net cash used in investing activities	(9,105,716)	(3,527,963)
Cash flows from financing activities		
Dividends paid	(494,881)	(387,784)
Net cash used in financing activities	(494,881)	(387,784)
Net increase/ (decrease) in cash and cash equivalents	(143,013)	(3,940,095)
Cash and cash equivalents at beginning of the quarter	63,460,344	64,248,291
Effect of movements in exchange rate on cash and cash equivalents	5,317,268	(680,943)
Cash and cash equivalents at end of the quarter	68,634,599	59,627,253

The annexed notes 1 to 30 form an integral part of these interim financial statements.

Chief Financial Officer

Chief Executive

Director

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS [UNAUDITED]
FOR THE QUARTER ENDED 30 SEPTEMBER 2021

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 (now the Companies Act, 2017). 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 shares of the Company are quoted on Pakistan Stock Exchange Limited. The Global Depository Shares (1GDS = 10 ordinary shares of the Company) of the Company are listed on the London Stock Exchange.

2 BASIS OF PREPARATION

These interim financial statements (here in after referred to as the "interim financial statements") have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The disclosures in these interim financial statements do not include those reported for full annual audited financial statements and should therefore be read in conjunction with the annual audited financial statements for the year ended 30 June 2021. Comparative statement of financial position is extracted from the annual audited financial statements as of 30 June 2021, whereas comparative statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows are stated from unaudited interim financial statements for the period ended 30 September 2020 except for the restatements made during the period as disclosed in note 3.1 below.

These interim financial statements are unaudited and are being submitted to the members as required under Section 237 of Companies Act, 2017 and Rule Book of Pakistan Stock Exchange Limited.

3 ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The accounting policies, significant judgments made in the application of accounting policies, key sources of estimations, the methods of computation adopted in preparation of these interim financial statements and financial risk management policies are the same as those applied in preparation of annual audited financial statements for the year ended 30 June 2021.

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS [UNAUDITED]
FOR THE QUARTER ENDED 30 SEPTEMBER 2021

3.1 ADOPTION OF IFRS-16 'LEASES' IN RESPECT OF GAS SALE AGREEMENTS WITH UPL AND UCH-II

The Company has gas sale agreements with Uch Power (Private) Limited (UPL) and Uch-II Power (Private) Limited (Uch-II). These contractual arrangements with UPL and Uch-II were previously classified as a lease under IFRIC 4 "Determining whether an Arrangement Contains a Lease". However, due to exemption from the Securities and Exchange Commission of Pakistan (SECP), these were not accounted for as a lease in prior years.

IFRS 16 'Leases' became applicable from 01 July 2019 and replaced existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27' Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The Company adopted IFRS 16 'Leases' in its financial statements for the year ended 30 June 2020 except for its gas sales agreements with UPL and Uch-II for which temporary exemption was granted to the Company by SECP till 30 September 2020. The Company reassessed its gas sale agreements with UPL and Uch-II under the requirements of IFRS 16 and concluded that these agreements contain lease as previously assessed under IFRIC 4. Accordingly, the impacts of adoption of IFRS 16 on the gas sales agreements with UPL and Uch-II were retrospectively accounted for and disclosed at note 3.3 & 3.4 of the Company's financial statements for the year ended 30 June 2021. Comparative information for the quarter ended 30 September 2020 has been restated in these interim financial statements and disclosed in note 3.3 below.

3.2 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING AND REPORTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2022:

	Effective dates
Amendments to IFRS-3 Reference to the Conceptual Framework	01 January 2022
Amendments to IFRS-4 Expiry date of deferral approach	01 January 2023
Amendments to IFRS-9, IAS-39, IFRS-7, IFRS-4 and IFRS-16 - Interest rate benchmark reform	01 January 2021
Amendments to IAS-1 Classification of liabilities as current or non-current and disclosure of accounting policies	01 January 2023
Amendments to IAS-12 Income Taxes'-Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01 January 2023
Amendments to IAS-8 Definition of accounting estimates	01 January 2023
Amendments to IAS-16 Proceeds before intended use	01 January 2022
Amendments to IAS-37 Onerous Contracts - Cost of fulfilling a contract	01 January 2022
Amendments to IAS-41, IFRS-9 and IFRS-16 Annual Improvements to IFRS Standards 2018-2020	01 January 2022

The above amendments are not likely to have an impact on the Company's interim financial statements.

Furthermore, because of reasons as disclosed in note 2.6.2 to the annual audited financial statements for the year ended 30 June 2021, SECP has notified that the requirements contained in IFRS 9 with respect to application of Expected Credit Loss (ECL) method shall not be applicable till 30 June 2022 in respect of companies holding financial assets due from the Government of Pakistan (GoP), including those that are directly or ultimately due from GoP in consequence of the circular debt issue. Such companies shall follow relevant requirements of IAS 39 'Financial Instruments: Recognition and Measurement' in respect of above referred financial assets during the exemption period. ECL method on financial assets as mentioned above will be applicable on 01 July 2022.

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS [UNAUDITED]
FOR THE QUARTER ENDED 30 SEPTEMBER 2021

3.3 The following tables present the impacts of restatements as explained in note 3.1 above:

	30 September 2020 - as previously reported	IFRS-16 (Note 3.1)	30 September 2020 - restated
	----- (Rupees '000) -----		
Condensed interim statement of profit or loss			
Sales - net	59,528,070	(3,180,678)	56,347,392
Operating expenses	17,274,321	(385,330)	16,888,991
Finance and other income	3,294,396	2,663,365	5,957,761
Workers' profit participation fund	1,790,549	(6,599)	1,783,950
Taxation	10,593,046	(41,641)	10,551,406
Profit for the quarter	23,427,383	(83,744)	23,343,639
Earnings per share - basic and diluted (Rupees)	5.45	(0.02)	5.43
Condensed interim Statements of cash flows			
Cash flows from operating activities			
Profit before taxation	34,020,429	(125,384)	33,895,045
Adjustments for:			
Depreciation	2,832,775	(385,330)	2,447,445
Workers' profit participation fund	1,790,549	(6,599)	1,783,950
Exchange gain on lease	-	(662,282)	(662,282)
Interest income on lease	-	(2,001,083)	(2,001,083)
Changes in:			
Trade debts	(16,585,031)	642,426	(15,942,605)
Net cash generated from/ (used in) operating activities	2,513,905	(2,538,253)	(24,348)
Cash flows from investing activities			
Interest received	635,562	1,584,451	2,220,013
Lease payments received	-	953,802	953,802
Net cash used in investing activities	(6,066,216)	2,538,253	(3,527,963)

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS [UNAUDITED]
FOR THE QUARTER ENDED 30 SEPTEMBER 2021

	Note	Unaudited 30 September 2021	Audited 30 June 2021
		------(Rupees '000)-----	
4 RESERVES			
Capital reserves:			
Capital reserve	4.1	836,000	836,000
Self insurance reserve	4.2	15,312,500	14,950,000
Capital redemption reserve fund - associated company	4.3	2,118,000	2,118,000
Self insurance reserve - associated company	4.4	920,000	920,000
Other reserves:			
Undistributed percentage return reserve - associated company	4.5	-	-
		<u>19,186,500</u>	<u>18,824,000</u>
4.1	This represents bonus shares issued by former wholly owned subsidiary - Pirkoh Gas Company (Private) Limited (PGCL) prior to merger. Accordingly, the reserve is not available for distribution to shareholders.		
4.2	The Company has set aside a specific capital reserve for self insurance of rigs, buildings, wells, plants, pipelines, workmen compensation, inventory, terrorism, vehicle repair and losses for petroleum products in transit. Refer note 12.3 for investments against this reserve. Accordingly, the reserve is not available for distribution to shareholders.		
4.3	This represents statutory reserve created by the associated company for redemption of redeemable preference shares in the form of cash to the preference shareholders.		
4.4	This represents a specific capital reserve set aside by the associated company for self insurance of assets which have not been insured for uninsured risks and for deductibles against insurance claims.		
4.5	This represents Company's share of profit set aside by the associated company from distributable profits for the period related to undistributed percentage return reserve.		
		Unaudited 30 September 2021	Audited 30 June 2021
		------(Rupees '000)-----	
5 PROVISION FOR DECOMMISSIONING COST			
Balance at beginning of the quarter/ year		28,992,057	27,654,493
Provision during the quarter/ year		235,836	528,908
Decommissioning cost incurred during the quarter/ year		(65,875)	(129,266)
		<u>29,162,018</u>	<u>28,054,135</u>
Revision due to change in estimates		-	(1,261,545)
Unwinding of discount on provision for decommissioning cost		562,331	2,199,467
Balance at end of the quarter/ year		<u>29,724,349</u>	<u>28,992,057</u>

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS [UNAUDITED]
FOR THE QUARTER ENDED 30 SEPTEMBER 2021

	Unaudited 30 September 2021	Audited 30 June 2021
	------(Rupees '000)-----	
6 TRADE AND OTHER PAYABLES		
Creditors	142,475	1,157,086
Accrued liabilities	11,817,953	13,358,536
Payable to partners of joint operations	7,222,231	7,515,704
Retention money payable	6,327,842	5,725,852
Royalty payable to the Government of Pakistan	19,241,558	16,349,028
Excise duty payable	199,489	195,272
General sales tax payable	3,734,036	1,307,195
Petroleum levy payable	148,944	124,915
Withholding tax payable	433,181	654,860
Trade deposits	159,164	159,164
Workers' profit participation fund - net	2,239,790	6,788,755
Employees' pension trust	10,082,014	9,146,862
Gratuity fund	-	180,536
Provident fund	71,482	69,775
Advances from customers- unsecured	3,859,246	3,838,475
Other payables	5,783,316	5,785,445
	<u>71,462,721</u>	<u>72,357,460</u>

7 UNPAID DIVIDEND

This includes an amount of Rs 28,441 million (30 June 2021: Rs 28,441 million) payable to OGDCL Employees' Empowerment Trust (OEET). 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). PCP vide letter no. F. No. 13(4)12/PC/BESOS/OGDCL dated 15 May 2018 informed that the matter of BESOS, as a scheme, is pending adjudication before the Honorable Supreme Court of Pakistan, hence status quo may be maintained till final decision of Honorable Supreme Court of Pakistan.

The Finance Division, GoP vide letter no. F. No. 2(39)BIU-I/2018-19 dated 15 April 2019 advised the Company to deposit the GoP share of dividend including interest, if any, lying in OEET account(s) or any other reserve/ account till date in the Federal Consolidated Fund pursuant to decision of the Federal Cabinet in its meeting held on 09 April 2019. Furthermore, PCP vide letter no. 1(1)PC/BESOS/F&A/2019 dated 08 May 2019, requested the Company not to remit any amounts on the account of BESOS in view of the decision of the Federal Cabinet. Based on the legal advice, OEET submitted its response to Petroleum Division on 05 August 2019 that the matter is pending adjudication before the Honourable Supreme Court of Pakistan, the transfer would commit breach of fiduciary duties of the trustees and therefore the directions to be kindly recalled.

The Ministry of Energy, GoP, vide letter no. U.O. No. 8(9)/ 2014/D-III/BESOS, dated 27 December 2019 requested the Company to transfer Federal Government's share of dividend money to PCP on immediate basis as per the direction of Finance Division, GoP. OEET submitted its response vide letter no. OEET-127/2019 dated 30 December 2019 that in order to proceed further with the direction given above, it is requested that PCP withdraw the above mentioned letter no. F. No.13(4)12/PC/BESOS/OGDCL dated 15 May 2018 and all previous letters related to maintaining status quo in respect of this matter.

The Finance Division, GoP vide letter No. F. 2(39)-NTR/2020-F dated 19 November 2020 directed the Company to deposit all the accrued BESOS principal amount along with interest earned thereon till date in the Federal Consolidated Fund in light of the Honourable Supreme Court of Pakistan's short order dated 22 October 2020. OEET submitted its response to the Ministry of Energy, GoP on 17 December 2020 that there is no guidance or clarity on any issue in the short order and in these circumstances, it would be prudent and appropriate to await the detailed reasons for the short order, which are yet to be released by the Honourable Supreme Court of Pakistan, prior to taking any action in pursuance of the directives of Finance Division, GoP. PCP vide letter no.F.No. 1(20)PC/BESOS(WIND-up)/2019 dated 30 December 2020, inform that fund maintained by PCP has closed since December 2020, therefore, the amounts retained on account of Employees Empowerment Fund be directly deposited in the Federal Consolidated Fund maintained by Finance Division.

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS [UNAUDITED]
FOR THE QUARTER ENDED 30 SEPTEMBER 2021

8 CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

- 8.1.1** Claims against the Company not acknowledged as debts amounted to Rs 740 million at year end (30 June 2021: Rs 740 million).
- 8.1.2** During the year ended 30 June 2019, Attock Refinery Limited (ARL) filed a writ petition against the Company before Islamabad High Court on 17 December 2018 and has disputed and withheld amounts invoiced to it on account of adjustment of premium or discount as announced by Saudi Aramco for deliveries to Asian customers/ destinations under the sale agreement signed on 13 March 2018. The Islamabad High Court vide order dated 16 January 2019 granted interim relief to ARL until next hearing. During the year, the Islamabad High Court vide order dated 09 June 2021 clarified that there is no injunctive order regarding supplies of crude oil made after 2018, and ARL paid an amount of Rs 1,108 million subsequent to year ended 30 June 2021 against the invoices pertaining to period after signing of sale agreement. Accordingly, the amount withheld and disputed by ARL amounts to Rs 1,292 million (30 June 2021: Rs 1,333 million). Further, ARL has also contested and claimed the amounts already paid in this respect during the period 2007 to 2012 amounting to Rs 562 million (30 June 2021: Rs 562 million). The Company believes that the debit notes/ invoices have been raised in accordance with the sale agreements signed with GoP and no provision is required in this respect.
- 8.1.3** Oil and Gas Regulatory Authority (OGRA) vide its decision dated 22 June 2018 decided that LPG producers, in public or private sector, cannot charge signature bonus in compliance with LPG Policy 2016. The Company has challenged this decision in Islamabad High Court on 23 July 2018. Signature bonus recognized as income by the Company after decision of OGRA amounts to Rs 1,379.931 million (30 June 2021: Rs 1,276.311 million). Management believes that the matter will be decided in favour of the Company.
- 8.1.4** Certain banks have issued guarantees on behalf of the Company in ordinary course of business aggregating Rs 1.281 million (30 June 2021: Rs 1.281 million).
- 8.1.5** For contingencies related to tax matters, refer note 16.1 to 16.4 and note 20.1 and 20.2
- 8.1.6** For contingencies related to sales tax and federal excise duty, refer note 15.1 to 15.3.
- 8.1.7** For matter relating to conversion of certain blocks to Petroleum Policy 2012, refer note 18.3.
- 8.2 Commitments**
- 8.2.1** Commitments outstanding at the year end amounted to Rs 41,551.722 million (30 June 2021: Rs 41,972.846 million). These include amounts aggregating to Rs 23,150.083 million (30 June 2021: Rs 21,365.516 million) representing the Company's share in the minimum work commitments under Petroleum Concession Agreements.
- 8.2.2** 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 3,577.996 million (30 June 2021: Rs 6,374.588 million).
- 8.2.3** The Company's share of associate commitments for capital expenditure based on the financial information of the associate for the quarter ended 30 September 2021 was Rs 5,313 million (30 June 2021: Rs 5,721 million).
- 8.2.4** The Company's share of commitments in Offshore Block 5 in Abu Dhabi amount to Rs 13,021 million.

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS [UNAUDITED]
FOR THE QUARTER ENDED 30 SEPTEMBER 2021

		Unaudited 30 September 2021	Audited 30 June 2021
	Note	------(Rupees '000)-----	
9	PROPERTY, PLANT AND EQUIPMENT		
Carrying amount at beginning of the quarter /year		95,745,594	100,740,773
Additions/adjustments during the quarter /year	9.1	2,248,258	6,776,718
Book value of disposals		(4,463)	(20,054)
Depreciation charge for the quarter /year		(2,833,930)	(10,967,553)
Revision in estimate of decommissioning cost during the quarter /year		-	(784,290)
Carrying amount at end of the quarter /year	9.2	<u>95,155,459</u>	<u>95,745,594</u>
9.1	Additions/adjustments during the quarter /year		
Buildings, offices and roads on freehold land		14,051	33,804
Buildings, offices and roads on leasehold land		10,015	760,205
Plant and machinery		735,781	5,886,772
Rigs		-	106,420
Pipelines		6,191	669,025
Office and domestic equipment		39,352	82,188
Office and technical data computers		60,308	293,467
Furniture and fixture		61	5,957
Vehicles		2,949	136,324
Decommissioning cost		-	42,938
Capital work in progress (net)		467,144	(1,415,590)
Stores held for capital expenditure (net)		912,406	175,208
		<u>2,248,258</u>	<u>6,776,718</u>
9.2	Property, plant and equipment comprises:		
Operating fixed assets		84,371,071	86,341,012
Capital work in progress		2,631,527	2,164,383
Stores held for capital expenditure		8,152,861	7,240,199
		<u>95,155,459</u>	<u>95,745,594</u>
10	DEVELOPMENT AND PRODUCTION ASSETS		
Carrying amount at beginning of the quarter/ year		100,415,134	101,449,010
Additions during the quarter/ year		2,611,647	6,086,645
Transferred from exploration and evaluation assets during the quarter/ year		5,463,339	9,355,806
Stores held for development and production activities (net movement)		(170,943)	846,182
Amortization charge for the quarter /year		(3,456,700)	(17,864,645)
Revision in estimates of decommissioning cost during the quarter /year		-	542,136
Carrying amount at end of the quarter /year		<u>104,862,477</u>	<u>100,415,134</u>

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS [UNAUDITED]
FOR THE QUARTER ENDED 30 SEPTEMBER 2021

		Unaudited 30 September 2021	Audited 30 June 2021
	Note	------(Rupees '000)-----	
11	EXPLORATION AND EVALUATION ASSETS		
Balance at beginning of the quarter/ year		16,495,762	15,699,342
Additions during the quarter/ year		4,152,880	18,524,889
		<u>20,648,642</u>	<u>34,224,231</u>
Cost of dry and abandoned wells during the quarter/ year		(516,531)	(8,372,663)
Cost of wells transferred to development and production assets during the quarter/ year		(5,463,339)	(9,355,806)
		<u>(5,979,870)</u>	<u>(17,728,469)</u>
		14,668,772	16,495,762
Stores held for exploration and evaluation activities		1,146,217	236,914
Balance at end of the quarter/ year		<u>15,814,989</u>	<u>16,732,676</u>
12	LONG TERM INVESTMENTS		
Investment in related party - associates			
Mari Petroleum Company Limited (MPCL), quoted	12.1	24,946,161	23,126,401
Pakistan International Oil Limited (PIOL), unquoted	12.2	4,176,250	-
		<u>29,122,411</u>	<u>23,126,401</u>
Investments at amortised cost			
Term Deposit Receipts (TDRs)	12.3	12,501,968	12,149,470
Investment in Term Finance Certificates (TFCs)	12.4	134,500,289	132,715,116
		147,002,257	144,864,586
Less: Current portion shown under current assets	12.5	(134,500,289)	(122,465,116)
		<u>12,501,968</u>	<u>22,399,470</u>
		<u>41,624,379</u>	<u>45,525,871</u>

12.1 MPCL is a listed company incorporated in Pakistan and is principally engaged in exploration, production and sale of hydrocarbons. The Company has 20% (30 June 2021: 20%) holding in the associate.

Effective 01 July 2020, dividend distribution cap has been removed vide ECC decision in the meeting held on 03 February 2021, which has also been ratified by the Federal Cabinet on 09 February 2021. Accordingly, the Company is allowed to distribute dividend in accordance with the provisions of Companies Act 2017 and rules made thereunder, without any lower or upper limit as mentioned above. Subsequently, an amendment agreement to Revised Agreement 2015 has been executed between the Government of Pakistan and MPCL on 17 April 2021, giving effect to ECC decision.

12.2 This represents first payment of USD 25 million on account of equity investment in ordinary share capital of an associated company Pakistan International Oil Limited (PIOL) established in Abu Dhabi Global Market by a consortium comprising of the Company, MPCL, Government Holdings (Private) Limited (GHPL) and Pakistan Petroleum Limited (PPL) (Operator) to operate Offshore Block 5 in Abu Dhabi. Total ordinary share capital of PIOL amount to USD 400 million which will be paid equally by the consortium companies in 5 years.

12.3 This represents investments in local currency TDRs and includes interest amounting to Rs 2,511.633 million carrying effective interest rate of 14% (30 June 2021: 14%) per annum have maturities of five (5) years. These investments are earmarked against self insurance reserve as explained in note 6.2 to the financial statements.

12.4 This represents investment in Privately Placed TFCs amounting to Rs 82,000 million. In 2013, the Government of Pakistan (GoP), for partial resolution of circular debt issue prevailing in the energy sector, approved issuance of TFCs amounting to Rs 82,000 million by PHL, which is government owned entity and a related party. These TFCs were subscribed by the Company in order to settle its overdue receivables from oil refineries and gas companies.

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS [UNAUDITED]
FOR THE QUARTER ENDED 30 SEPTEMBER 2021

As per original terms of investor agreement between the Company and PHL, TFCs were 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 was to be paid in eight (8) equal instalments 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 of GoP, covering the principal, mark-up, and/or any other amount becoming due for payment in respect of investment in TFCs.

On 23 October 2017, PHL communicated to the Company that a proposal was submitted by the Ministry of Energy (Power Division) to Economic Coordination Committee (ECC) of the Cabinet for extension in the tenure of TFCs of Rs 82,000 million from seven (7) years to ten (10) years including extension in grace period from three (3) years to six (6) years. The ECC of the Cabinet considered and approved the proposal of Ministry of Energy (Power Division) subject to the condition that a revised term sheet, based on above, with the Company shall be agreed by PHL. PHL requested the Company to prepare revised term sheet for onward submission to Finance division of GoP for approval. During the year ended 30 June 2020, the Board of Directors resolved that management may take further steps for the extension of investor agreement with PHL for a further period of three (3) years. Currently, management is in discussion with PHL for signing the revised term sheet with PHL as per the terms approved by ECC. As at 30 September 2021, the classification of principal balance of TFCs is based expected realization as per the revised term sheet to be signed with PHL. As per the revised terms, principal repayment amounting to Rs 61,500 million (30 June 2021: Rs 51,250 million) was past due as at 30 September 2021. Further, interest due as of 30 September 2021 was Rs 52,500 million (30 June 2021: Rs 50,715 million) of which Rs 52,096 million (30 June 2021: Rs 48,517 million) was past due. The Company considers the principal and interest to be fully recoverable as these are backed by Sovereign Guarantee of GoP. Adjustments, if any, will be made after the execution of extension in the investor agreement. SECP has deferred the applicability of ECL model till 30 June 2022 on financial assets due directly/ ultimately from GoP in consequence of the circular debt.

12.5 Current portion includes Rs 52,500 million (30 June 2021: Rs 50,715 million) mark-up on TFCs.

13 LEASE RECEIVABLES

Net investment in lease has been recognized on gas sale agreements with power companies i.e. UPL and Uch-II as follows:

		Unaudited 30 September 2021	Audited 30 June 2021
	Note	------(Rupees '000)-----	
Net investment in lease	13.1	59,638,817	59,512,720
Less: Current portion of net investment in lease	13.2	<u>(22,503,543)</u>	<u>(22,253,115)</u>
		<u>37,135,274</u>	<u>37,259,605</u>

13.1 Movement during the quarter/ year in net investment in lease:

Balance at the beginning of the quarter/ year	59,512,720	61,181,810
Interest income	1,702,997	7,627,527
Exchange gain/ (loss)	1,394,174	(2,211,109)
Interest income received during the quarter/ year	(1,925,577)	(4,473,893)
Principal repayments during the quarter/ year	<u>(1,045,497)</u>	<u>(2,611,615)</u>
Balance at the end of the quarter/ year	<u>59,638,817</u>	<u>59,512,720</u>

13.2 Current portion of net investment in lease includes amounts billed to customers of Rs 16,800 million (30 June 2021: Rs 16,779 million) out of which Rs 15,372 million (30 June 2021: Rs 15,320 million) is overdue on account of inter-corporate circular debt. SECP has deferred the applicability of ECL model till 30 June 2022 on debts due directly/ ultimately from GoP in consequence of the circular debt. The amount is considered to be fully recoverable as the GoP is committed, hence continuously pursuing for satisfactory settlement of inter-corporate circular debt issue. The Company has contractual right and is entitled to charge interest if lease payments are delayed beyond agreed payment terms, however the same is recognized when received by the Company.

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS [UNAUDITED]
FOR THE QUARTER ENDED 30 SEPTEMBER 2021

13.3 Income relating to variable lease payments that depend on an index not included in the measurement of net investment in lease amounts to Rs 10,343 million till 30 September 2021 (30 June 2021: Rs 8,463 million) of which Rs 1,881 million has been recorded in revenue for the quarter (30 September 2020: Rs 101 million).

13.4 Following is the maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date:

	Unaudited	Audited
	30 September	30 June
	2021	2021
	------(Rupees '000)-----	
Less than one year	29,099,657	28,831,833
One to two years	12,299,161	12,053,032
Two to three years	5,504,049	6,956,699
Three to four years	5,504,049	5,257,921
Four to five years	5,504,049	5,257,921
Beyond year 5	68,800,612	67,038,487
Total undiscounted lease receivable - Gross investment in lease	<u>126,711,577</u>	<u>125,395,893</u>
Unearned finance income	<u>(67,072,760)</u>	<u>(65,883,173)</u>
Net investment in lease	<u>59,638,817</u>	<u>59,512,720</u>

14 TRADE DEBTS

Un-secured, considered good	383,305,018	358,821,853
Un-secured, considered doubtful	101,113	101,113
	<u>383,406,131</u>	<u>358,922,966</u>
Provision for doubtful debts	<u>(101,113)</u>	<u>(101,113)</u>
	<u>383,305,018</u>	<u>358,821,853</u>

14.1 Trade debts include overdue amount of Rs 322,415 million (30 June 2021: Rs 303,853 million) on account of Inter-corporate circular debt, receivable from oil refineries and gas companies out of which Rs 143,885 million (30 June 2021: Rs 141,486 million) and Rs 122,803 million (30 June 2021: Rs 114,861 million) is overdue from related parties, Sui Southern Gas Company Limited and Sui Northern Gas Pipeline Limited respectively. The Government of Pakistan (GoP) is committed, hence continuously pursuing for satisfactory settlement of Inter-corporate circular debt issue, however, the progress is slower than expected resulting in accumulation of Company's trade debts. The Company considers this amount to be fully recoverable because the Government of Pakistan has been assuming the responsibility to settle the Inter-corporate circular debt in the energy sector. The Company recognizes interest/ surcharge, if any, on delayed payments from customers only to the extent that it is highly probable that a significant reversal in the amount of income recognized will not occur when the uncertainty associated with the interest/ surcharge is subsequently resolved, which is when the interest/ surcharge on delayed payments is received by the Company. SECP has deferred the applicability of ECL model till 30 June 2022 on financial assets due directly/ ultimately from GoP in consequence of the circular debt.

15 LOANS AND ADVANCES

15.1 This includes an amount of Rs 3,180 million (30 June 2021: 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 Honorable Court decided the matter in favor 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/revision of sales tax returns 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.

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS [UNAUDITED]
FOR THE QUARTER ENDED 30 SEPTEMBER 2021

UPL filed an intra court appeal against the decision of the Islamabad High Court (IHC). IHC through its order dated 17 November 2016 dismissed the intra court appeal in favour of the Company. In January 2017, UPL filed Civil Petition for Leave to Appeal (CPLA) against the Company and others, before the Honorable Supreme Court of Pakistan against the decision of IHC, which is currently pending. FBR has linked the disposal of OGDCL's condonation request with the outcome of UPL's aforementioned CPLA. The Company and its legal advisors are confident that CPLA of UPL before Honorable Supreme Court of Pakistan will be decided in favour of the Company and required condonations will be obtained and the amount will be recovered from UPL. Accordingly no provision in this respect has been made in these interim financial statements.

15.2 This also includes recoveries of Rs 317 million (30 June 2021: Rs 317 million) made by the tax department during the year ended 30 June 2016, against Sales Tax and Federal Excise Duty (FED) demand of Rs 6,708 million (30 June 2021: Rs 6,708 million) relating to periods July 2012 to June 2014. The Honourable Appellate Tribunal Inland Revenue (ATIR) has accepted the Company's appeals and annulled the demands passed by the tax authorities being void ab-initio and without jurisdiction. The Commissioner Inland Revenue (CIR) has filed sales tax reference before Islamabad High Court (IHC) against judgment of ATIR on 09 February 2018. These demands were raised by tax authorities due to difference between computation of sales/ production reported by the Company in its sales tax returns and sales/ production based on other sources of data. During the year additional demand of Rs 9,668 million relating to periods 2017-18 and 2018-19 were raised on the same issue by the tax department, against which the Company filed appeals before Commissioner Inland Revenue (Appeals) (CIRA) on 29 June 2021 which are pending adjudication. The Company believes that these demands were raised without legal validity and will be decided by IHC and CIRA in favor of the Company as previously decided by ATIR in favour of the Company.

15.3 Subsequent to period end, Large Taxpayers Office Islamabad vide notices dated 05 October 2021 required all E&P companies including OGDCL to provide value of Condensate sold during the period from July 2008 to September 2021, pursuant to judgment of ATIR in STA No. 251/IV/2014 dated 08 September 2021 (FBR Vs MOL Pakistan Oil and Gas B.V.) wherein the ATIR held that condensate is separate product other than crude oil and is subject to sales tax @ 17% against zero percent charged by the E&P companies. OGDCL and other E&P companies have filed writ petitions before IHC challenging issuance of above notices dated 05 October 2021 where proceedings are underway. The Company and other E & P companies are confident that the cases will be decided in their favor.

	Unaudited	Audited
	30 September	30 June
	2021	2021
Note	------(Rupees '000)-----	
16 INCOME TAX - ADVANCE		
Income tax- advance at beginning of the quarter/ year	45,751,659	37,118,984
Income tax paid during the quarter/ year	12,038,321	54,879,431
Provision for current taxation - profit or loss	(17,028,768)	(44,650,382)
Tax credit/ (charge) related to remeasurement loss/ (gain) on employee retirement benefit plans - other comprehensive income	-	(1,596,374)
Income tax - advance at end of the quarter/ year	16.1 to 16.4 <u>40,761,212</u>	<u>45,751,659</u>

16.1 This includes amount of Rs 29,727 million (30 June 2021: Rs 29,727 million) paid to tax authorities on account of disallowance of actuarial loss amounting to Rs 58,744 million (30 June 2021: Rs 58,744 million) which the Company claimed in its return for the tax years 2014 to 2018 and 2020. This actuarial loss was recognized in the books as a result of retrospective application of IAS 19 (as revised in June 2011) 'Employee Benefits' from the year ended 30 June 2014 and onwards. CIRA disallowed the actuarial loss for tax years 2015 and 2016, however, allowed to claim the actuarial loss for tax years 2014, 2017 and 2018 over a period of seven years. Being aggrieved, the Company has filed appeals against the orders of CIRA in the Appellate Tribunal Inland Revenue (ATIR) for tax years 2014, 2015, 2016, 2017 and 2018 on 08 January 2016, 30 June 2020, 05 January 2018, 21 August 2019 and 12 February 2020 respectively and against the order of Additional Commissioner Inland Revenue with the CIRA for tax year 2020 on 19 April 2021 which are currently pending. The management, based on opinion of its tax consultant, believes that the actuarial loss is an admissible expense under the tax laws and there is reasonable probability that the matter will be decided in favor of the Company by appellate forums available under the law.

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS [UNAUDITED]
FOR THE QUARTER ENDED 30 SEPTEMBER 2021

- 16.2** During the year ended 30 June 2014, tax authorities raised demands of Rs 13,370 million (30 June 2021: Rs 13,370 million) by disallowing effect of price discount on sale of crude from Kunnar field and have recovered Rs 5,372 million (30 June 2021: Rs 5,372 million) from the Company upto 30 June 2021. During the year ended 30 June 2015, appeal before ATIR against the said demands were decided against the Company. The Company filed a reference application before Islamabad High Court (IHC) against the decision of ATIR. IHC vide order dated 17 February 2016, set aside the order of ATIR and remanded the case back to ATIR with the instructions to pass a speaking order. The case is currently pending before ATIR. Further, IHC vide order dated 14 January 2019 directed ATIR to decide the appeal expeditiously and until seven days after the decision on the Company's appeal, the tax department is restrained from adopting coercive measures for the recovery of the disputed tax liability in the event the appeal is dismissed. Management and its legal advisor are of the view that the price discount is not the income of the Company and hence not liable to tax. Accordingly, management is confident that the matter will be decided in favor of the Company as the discounted price for Kunnar field was finally determined by the Ministry of Energy (Petroleum Division) and the total amount of price discount amount has been paid to the Government of Pakistan (GoP) upon directions from the Ministry of Finance, to this effect.
- 16.3** Income tax advance includes Rs 1,259 million (30 June 2021: Rs 1,259 million) on account of disallowances made by the Additional Commissioner Inland Revenue (ACIR) in respect of decommissioning cost for tax year 2015. The CIRA vide order dated 18 March 2020 has remanded the case back to ACIR and the Company has filed an appeal against the order of CIRA in ATIR on 30 June 2020. Management believes that the disallowance is against income tax laws and regulations and accordingly no provision has been made in this respect in these interim financial statements.
- 16.4** Tax authorities have raised demand of Rs 15,295 million for tax year 2020 on account of alleged production differences and by making disallowances on account of post retirement medical benefits, compensated absences, cost of dry and abandoned wells, field decommissioned/ surrendered during the year and Workers' profit participation fund (WPPF) out of which Rs 4,558 million has been paid. Appeal has been filed by the Company before CIRA on 19 April 2021, which is currently pending adjudication. Management is confident that the above disallowances do not hold any merits and the related amounts have been lawfully claimed in the tax returns as per the applicable tax laws. Accordingly, no provision has been made in respect of these in the financial statements.

		Unaudited	Audited
		30 September	30 June
		2021	2021
	Note	------(Rupees '000)-----	
17 OTHER FINANCIAL ASSETS			
Investment in Term Deposit Receipt (TDRs)	17.1	62,833,637	56,016,300
Investment at fair value through profit or loss - NIT units		316,277	342,020
		<u>63,149,914</u>	<u>56,358,320</u>

- 17.1** This represents foreign currency TDRs amounting to USD 367.505 million (30 June 2021: USD 356.149 million), and accrued interest amounting to USD 1.150 million (30 June 2021: USD 0.453 million), carrying interest rate ranging from 1.05% to 1.60% (30 June 2021: 0.60% to 1.55%) per annum, having maturities up to six months (30 June 2021: six months).

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS [UNAUDITED]
FOR THE QUARTER ENDED 30 SEPTEMBER 2021

	Quarter ended 30 September	
	2021	2020 Restated
	------(Rupees '000)-----	
18 SALES - NET		
Gross sales		
Crude oil	39,686,663	21,297,188
Gas	37,029,228	37,953,746
Liquefied petroleum gas	8,776,989	4,858,946
Sulphur	30,065	170,530
Gas processing	8,119	32,331
	85,531,064	64,312,741
Government levies		
General sales tax	(13,040,597)	(6,983,970)
Petroleum levy	(344,090)	(304,373)
Excise duty	(615,806)	(677,006)
	(14,000,493)	(7,965,349)
	71,530,571	56,347,392

18.1 Gas sales include sales from Nur-Bagla field invoiced on provisional prices. There may be adjustment in revenue upon issuance of final wellhead prices notification by Ministry of Energy (Petroleum Division), impact of which cannot be determined at this stage.

18.2 Gas Sale Agreement (GSA) in respect of Kunnar Pasakhi Deep (KPD) fields between the Company and Sui Southern Gas Company Limited is being finalized and adjustments, if any, will be accounted for in the financial statements after execution of GSA.

18.3 In respect of six of its operated concessions, namely, Gurgalot, Sinjhoru, Bitrisim, Khewari, Nim and TAY Blocks and one non-operated Tal Block, Petroleum Concession Agreements (PCAs) were executed under the framework of Petroleum Policies 1994 and 1997. Later on, in pursuance to the option available under Petroleum Policy (PP) 2012, the Tal Block working interest owners wherein the Company's working interest is 27.7632% signed the Supplemental Agreement (SA) dated 28 August 2015 with the GoP for conversion of eligible existing and future discoveries under Tal PCA to the PP 2012. Further, for aforementioned operated Concessions, the Company also signed the SAs for conversion to PP 2012. Under the said arrangement, price regimes prevailing in PP 2007, PP 2009 and PP 2012 in terms of PP 2012 shall be applicable, correlated with the spud dates of the wells in the respective policies starting from 27 November 2007. The conversion package as defined in the SAs included windfall levy on natural gas only.

Oil and Gas Regulatory Authority (OGRA) has been notifying the revised wellhead prices in accordance with the Tal Block SA for the period from the commencement of production of the respective discoveries. Accordingly, the financial impacts of the price revision were duly accounted for in the financial statements for the years ended 30 June 2016, 30 June 2017 and 30 June 2018 on completion of the process laid down in the law and in line with the Company's accounting policy.

On 27 December 2017, the Ministry of Energy (Petroleum Division) notified amendments in PP 2012 after approval from the Council of Common Interests (CCI) dated 24 November 2017. These amendments include imposition of Windfall Levy on Oil/Condensate (WLO). Under the said Notification, the Supplemental Agreements already executed for conversion from Petroleum policies of 1994 and 1997 shall be amended within 90 days, failing which the working interest owners will not remain eligible for gas price incentive. On 03 January 2018, the Directorate General Petroleum Concessions (DGPC) has required all exploration and production companies to submit supplemental agreements to incorporate the aforementioned amendments in Petroleum Concession Agreements (PCAs) signed under 1994 and 1997 policies, for execution within the stipulated time as specified above.

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS [UNAUDITED]
FOR THE QUARTER ENDED 30 SEPTEMBER 2021

Based on a legal advice, the Company is of the view that terms of the existing PCAs as amended to-date through the supplemental agreements already executed cannot unilaterally be amended by the GoP through introduction of amendment nor can the GoP lawfully require and direct that such amendments be made to include imposition of WLO retrospectively and nor the GoP unilaterally hold and direct that the gas price incentive to which the Company is presently entitled to and receiving under the conversion package as enshrined under the supplemental agreement stands withdrawn or the Company ceases to be eligible for such incentive in case of failure to adopt the unilateral amendments in the existing PCAs. Accordingly, the aforementioned amendments as well as the subsequent letters requiring implementation of the amendments are not enforceable or binding upon the Company.

The Company along with other Joint Venture Partners has challenged the applicability of WLO against the backdrop of supplemental agreements already executed pursuant to PP 2012 in the Honorable Islamabad High Court which has granted stay order till next date of hearing against the CCI decision dated 24 November 2017 on imposition of WLO. As mentioned above, the Company on the advice of its legal counsel is confident that it has sound grounds to defend the aforesaid issue in the Court and that the issue will be decided in favour of the Company.

The cumulative past benefit accrued and recorded in these interim financial statements by the Company upto 23 November 2017 in the form of revenue and profit after tax is Rs 8,550 million and Rs 4,426 million, respectively. However, without prejudice to the Company's stance in the court case, revenue of Rs 18,144 million (30 June 2021: Rs 16,876 million) related to gas price incentive against the supplemental agreements has been set aside on a point forward basis effective 24 November 2017 (the date of decision of CCI).

	Quarter ended 30 September	
	2021	2020
	Restated	
	------(Rupees '000)-----	
19 FINANCE AND OTHER INCOME		
Interest income on:		
Investments and bank deposits	2,433,888	3,592,237
Finance income - lease	1,702,997	2,001,083
Dividend income from NIT units	7,310	5,857
Un-realized (loss)/ gain on investments at fair value through profit or loss	(25,743)	39,546
Exchange gain -net	6,305,345	17,186
Signature bonus/ contract renewal fee	103,620	71,869
Liquidated damages / penalty imposed on suppliers	25,495	108,298
Others	324,715	121,685
	<u>10,877,627</u>	<u>5,957,761</u>
20 TAXATION		
Current- charge for the quarter	17,028,768	11,763,867
Deferred- charge/ (credit) for the quarter	1,611,484	(1,212,462)
	<u>18,640,252</u>	<u>10,551,405</u>

20.1 Various appeals in respect of assessment years 1992-93 to 2002-03, tax years 2003 to 2020 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, tax rate, super tax and unrealized exchange gain/ (loss). Total amount of tax demand against the major issues, raised in respect of assessment years 1992-93 to 2002-03 and tax years 2003 to 2020 amounts to Rs 136,275 million out of which an amount of Rs 131,654 million has been paid to tax authorities and has also been provided for in these interim financial statements. Also refer to note 16.1 to 16.4 of these interim financial statements.

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS [UNAUDITED]
FOR THE QUARTER ENDED 30 SEPTEMBER 2021

20.2 During the year 2020-21 the tax authorities have raised demand of Rs 4,311 million for tax years 2013 and 2016 on account of alleged issue of not offering consideration of sale of working interest in a block for tax and by making disallowances on account of GIDC payable and certain expenditure due to alleged non deduction of withholding taxes. Appeals have been filed by the Company before CIRA for assessment year 2013 and 2016 on 30 June 2021 and 26 March 2021 respectively, which are currently pending adjudication. Management is confident that the above demands do not hold any merits and the related amounts have been lawfully claimed in the tax returns as per the applicable tax laws. Accordingly, no provision has been made in respect of these in the interim financial statements.

	Quarter ended 30 September 2021	2020 Restated
21 EARNINGS PER SHARE - BASIC AND DILUTED		
Profit for the quarter (Rupees '000)	33,629,413	23,343,641
Average number of shares outstanding during the quarter ('000)	<u>4,300,928</u>	<u>4,300,928</u>
Earnings per share - basic (Rupees)	<u>7.82</u>	<u>5.43</u>

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

	Quarter ended 30 September 2021	2020
	----- (Rupees '000) -----	
22 CASH AND CASH EQUIVALENTS		
Cash and bank balances	5,800,962	5,947,119
Investment in Term Deposit Receipts	62,833,637	53,680,134
	<u>68,634,599</u>	<u>59,627,253</u>

23 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 market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

	Level 1	Level 2	Level 3
	----- (Rupees '000) -----		
30 September 2021			
Financial assets measured at fair value			
Other financial assets - NIT units	316,277	-	-
30 June 2021			
Financial assets measured at fair value			
Other financial assets - NIT units	342,020	-	-

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS [UNAUDITED]
FOR THE QUARTER ENDED 30 SEPTEMBER 2021

24 RELATED PARTIES TRANSACTIONS

Government of Pakistan owns 74.97% (30 June 2021: 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, The Company in normal course of business pays for airfare, electricity, telephone, gas, yield analysis required under Petroleum Concession Agreements and make regulatory payments to entities controlled by GoP which are not material, hence not disclosed in these interim financial statements. Transactions with related parties other than disclosed below are disclosed in relevant notes to these interim financial statements. Transactions of the Company with related parties and balances outstanding at quarter end are as follows:

	Quarter ended 30 September	
	2021	2020
	----- (Rupees '000) -----	
Associated company-20% share holding of the Company and common directorship		
MPCL		
Share of profit in associate - net of taxation	1,819,761	1,813,241
Expenditure charged to joint operations partner- net	444,488	446,987
Cash calls received from/ (paid to) joint operations partner- net	396,028	(26,926)
Share (various fields) payable as at 30 September	933,894	445,736
Share (various fields) receivable as at 30 September	772,269	371,182
Major shareholders		
Government of Pakistan (74.97% share holding)		
Dividend paid	-	-
Dividend paid - Privatization Commission of Pakistan	-	-
OGDCL Employees' Empowerment Trust (OEET) (10.05% share holding)		
Dividend payable	28,441,367	25,027,074
RELATED PARTIES TRANSACTIONS- continued		
Related parties by virtue of GoP holdings and /or common directorship		
Sui Northern Gas Pipelines Limited		
Sale of natural gas	14,717,047	16,966,384
Trade debts as at 30 September	132,651,299	122,013,983
Pakistan State Oil Company Limited		
Sale of liquefied petroleum gas	281,110	249,754
Purchase of petroleum, oil and lubricants	13,040	962,115
Payable as at 30 September	8,000	178,161
Advance against sale of LPG as at 30 September	130,823	87,091
Pakistan Petroleum Limited		
Expenditure charged to joint operations partner- net	621,284	1,508,470
Cash calls paid to/ (received from)/ joint operations partner- net	(1,912,361)	(931,658)
Share (various fields) receivable as at 30 September	2,608,460	2,961,749
Share (various fields) payable as at 30 September	1,191,979	3,320,635

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS [UNAUDITED]
FOR THE QUARTER ENDED 30 SEPTEMBER 2021

	Quarter ended 30 September	
	2021	2020
	----- (Rupees '000) -----	
RELATED PARTIES TRANSACTIONS- continued		
Pak Arab Refinery Company Limited		
Sale of crude oil	6,605,280	2,478,209
Trade debts as at 30 September	7,597,929	1,897,023
PARCO Pearl Gas (Private) Limited		
Sale of liquefied petroleum gas	148,213	71,394
Advance against sale of LPG as at 30 September	79,307	11,814
Pakistan Refinery Limited		
Sale of crude oil	2,084,143	859,618
Trade debts as at 30 September	4,105,610	2,681,968
Khyber Pakhtunkhwa Oil & Gas Company (KPOGCL)		
Expenditure charged to joint operations partner	30,561	29,709
Cash calls received from joint operations partner	39,807	39,432
KPOGCL share (various fields) receivable as at 30 September	37,781	5,301
State Bank of Pakistan		
Interest earned on Treasury Bills	-	-
Sui Southern Gas Company Limited		
Sale of natural gas	9,995,339	13,015,670
Sale of liquefied petroleum gas	179,147	91,911
Pipeline rental charges	9,165	9,165
Trade debts as at 30 September	152,051,129	142,955,181
Advance against sale of LPG as at 30 September	39,886	10,729
Sui Southern Gas Company LPG (Pvt) Limited		
Sale of liquefied petroleum gas	97,432	71,638
Advance against sale of LPG as at 30 September	46,237	34,618
Government Holdings (Private) Limited (GHPL)		
Payable as at 30 September	323,182	320,859
Expenditure charged to joint operations partner	865,280	728,208
Cash calls (received from)/ paid to joint operations partner	(456,271)	(609,203)
GHPL share (various fields) receivable as at 30 September	2,622,156	1,832,752
GHPL share (various fields) payable as at 30 September	2,087,999	-
National Investment Trust		
Investment as at 30 September	316,277	294,801
Dividend received	7,310	5,857
National Bank of Pakistan		
Balance at bank as at 30 September	3,644,333	654,922
Balance of investment in TDRs as at 30 September	2,312,879	16,070,650
Interest earned	100,869	204,695

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS [UNAUDITED]
FOR THE QUARTER ENDED 30 SEPTEMBER 2021

	Quarter ended 30 September	
	2021	2020
	----- (Rupees '000) -----	
RELATED PARTIES TRANSACTIONS- continued		
Power Holding Limited (PHL)		
Mark-up earned	1,785,174	2,543,797
Balance of investment in TFCs not yet due as at 30 September	20,500,000	51,250,000
Balance of past due principal repayment of TFCs as at 30 September	61,500,000	30,750,000
Balance of mark-up receivable on TFCs not yet due as at 30 September	403,844	392,050
Balance of past due mark-up receivable on TFCs as at 30 September	52,096,445	45,137,565
National Insurance Company Limited		
Insurance premium paid	469,386	22,188
Payable as at 30 September	66,594	-
National Logistic Cell		
Crude transportation charges paid	578,185	525,562
Payable as at 30 September	458,660	589,772
Enar Petrotech Services Limited		
Consultancy services	13,877	10,404
Payable as at 30 September	-	10,456
Enar Petroleum Refining Facility		
Sale of crude oil	6,026,786	3,251,080
Trade debts as at 30 September	3,702,279	1,919,587
Other related parties		
Contribution to pension fund	-	-
Contribution to gratuity fund	276,417	-
Remuneration including benefits and perquisites of key management personnel	129,528	158,285

25 DISCLOSURE REQUIREMENTS FOR ALL SHARES ISLAMIC INDEX

Following information has been disclosed as required under para 10 of Part-I of the Fourth Schedule to the Companies Act, 2017.

Description	Explanation	--(Rupees '000)--
i) Bank balances as at 30 September 2021	Placed under Shariah permissible arrangement	84,044
ii) Return on bank deposits for the quarter ended 30 September 2021	Placed under Shariah permissible arrangement	325
iii) Relationship with banks having Islamic windows	Meezan Bank Limited & Dubai Islamic Bank	

Disclosures other than above are not applicable to the Company.

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS [UNAUDITED]
FOR THE QUARTER ENDED 30 SEPTEMBER 2021

26 RISK MANAGEMENT

Financial risk management objectives and policies are consistent with that disclosed in the annual audited financial statements for the year ended 30 June 2021.

27 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

During the year ended 30 June 2020, the World Health Organization (WHO) declared the outbreak of the novel strain of Corona virus (Covid-19) a global pandemic and recommended containment and mitigation measures worldwide. During the quarter ended 30 September 2021, the country was experiencing second, third and fourth wave/ resurgence of Coronavirus (Covid-19). Management's focus and efforts continued for coping up with the changing scenario at all levels. The Company's operations, financial position and results have not been affected by Covid-19 during the period.

Based on management's assessment there is no material impact on the carrying values of assets and liabilities as of 30 September 2021. From the very outset of Covid-19, the management has adopted various policies and practices to minimize adverse impact of Covid-19 on the business and is continuously monitoring the situation in order to proactively address any challenges which may arise from Covid-19.

28 NON ADJUSTING EVENT AFTER REPORTING DATE

28.1 The Board of Directors recommended final cash dividend for the year ended 30 June 2021 at the rate of Rs 1.50 per share amounting to Rs 6,451 million in its meeting held on 27 September 2021.

28.2 The Board of Directors approved interim cash dividend at the rate of Rs 1.75 per share amounting to Rs 7,526.624 million in its meeting held on 28 October 2021.

29 GENERAL

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

30 DATE OF AUTHORIZATION FOR ISSUE

These interim financial statements were authorized for issue on 28 October 2021 by the Board of Directors of the Company.

Chief Financial Officer

Chief Executive

Director