



Oil & Gas Development Company Limited

Interim Report and Financial Information
Half Year Ended 31 December 2014



Contents

Corporate Information	02
Directors' Interim Review	03

CONDENSED INTERIM FINANCIAL INFORMATION

Auditors' Review Report to the Members	05
Balance Sheet	06
Profit and Loss Account	08
Statement of Comprehensive Income	09
Cash Flow Statement	10
Statement of Changes in Equity	11
Selected Notes to the Condensed Interim Financial Information	12

Corporate Information

Board of Directors

Mr. Zahid Muzaffar
Mr. Abid Saeed
Mr. Saif Ullah Chattha
Mr. Iskander Mohammed Khan
Mr. Hamid Farooq
Mr. Muhammad Ali Tabba
Mr. Zafar Masud
Prince Ahmed Omar Ahmedzai
Sayed Shafqat Ali Shah
Mr. Rehmat Salam Khattak
Mr. Muhammad Yawar Irfan Khan
Mr. Muhammad Rafi

Chairman
Director
Director
Director
Director
Director
Director
Director
Director
Director
Director
MD & CEO

Chief Financial Officer

Mr. Mushtaq Ahmad

Company Secretary

Mr. Ahmed Hayat Lak

Auditors

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

Legal Advisor

M/s Khokhar Law Chambers

Tax Advisors

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

Registered Office

OGDCL House, Plot No 3, F-6/G-6, Blue Area,
Jinnah Avenue, Islamabad.
Phone: (PABX) +92 51 9209811-8
Fax: +92 51 9209804-6, 9209708
Website: www.ogdcl.com
Email: info@ogdcl.com

Registrar Office

Central Depository Company of Pakistan Limited,
CDC House, 99-B, Block-B, S.M.C.H.S.,
Main Shahrah-e-Faisal, Karachi-74400.
Phone: +92 21 111 111 500
Fax: +92 21 34326053
Website: www.cdcpakistan.com
Email: info@cdcpak.com

Directors' Interim Review

The Board of Directors of Oil & Gas Development Company Limited (OGDCL) is pleased to present a concise review of the Company's operational and financial performance together with the reviewed condensed financial statements for the half year ended 31 December 2014.

Exploration and Development Activities

OGDCL holds the largest exploration acreage in the Country which as of 31 December 2014 stood at 112,794 sq. km. The Company's concession portfolio currently constitutes sixty two (62) owned and operated joint venture (JV) exploration licenses besides holding working interest in six (6) blocks operated by other Exploration & Production companies.

In line with its exploration-led growth strategy, OGDCL has intensified the exploratory efforts to embark upon high impact future growth opportunities and during July-December 2014 acquired 2,354 Line km of 2D (1H 2013-14: 962 Line km) and 508 sq. km of 3D seismic data (1H 2013-14: 433 sq. km) in various exploratory blocks. The Company also carried out 70 Line km of geological field work in Warnali exploration license. Moreover, 3,328 Line km of 2D and 402 sq. km of 3D seismic data of various blocks were processed using in-house resources.

During the period under review, OGDCL marked twenty nine (29) well locations on the ground out of which ten (10) wells were spud (1H 2013-14: 7 wells). These spud wells include four (4) exploratory/appraisal wells viz., Nashpa-X5, Jarwar-1, Kup-1 & Zin Pab-2 and six (6) development wells viz., Kunnar-9, Pasahki Deep-5, Dakhni Deep-5, Nashpa-6, Chak 5 Dim-3 & Pasahki-10. Subsequently, the Company spud two (2) more wells; exploratory well Loti Deep-1 and development well Loti-19 during the month of January 2015. Furthermore, drilling and testing of two (2) wells spud in the previous fiscal year also continued during the reporting period.

Regarding exploitation of unconventional oil and gas reserves, OGDCL during the period under review entered into contract with Weatherford Oil Tools Middle East, Pakistan for study of shale gas, shale oil and tight gas. In this connection, transmittal of data to Weatherford has started. Moreover, to acquire shale gas data three (3) conventional cores each in Manna-1 & Hanif-1 and fifty eight (58) side wall cores in Hanif-1 were cut by the Company. Furthermore, specified shale gas logs have been conducted in Manna-1, Hanif-1, Pali Deep-1 and Saand-2 to acquire and evaluate shale/tight gas prospects. The Company has also identified potential horizons of tight gas in ten (10) wells and further evaluation is in progress.

Discoveries

The first half of the fiscal year 2014-15 witnessed exploration success across the Company's acreage with significant discoveries at Soghri-1 exploratory well in district Attock, Punjab province, Jand-1 exploratory well in district Attock, Punjab province and Jarwar-1 exploratory well in district Tando Allah Yar, Sindh province, delivering combined daily production of 28 MMcf of gas and 771 barrels of oil. The preliminary reserves estimates accredited to these discoveries are 251.86 billion cubic feet of gas and 2.40 million barrels of oil combined 43.45 million barrels of oil equivalent.

Production

OGDCL is pursuing an aggressive production enhancement strategy involving short term and medium term plans to augment oil and gas production from its own and operated JV fields. In this regard, the Company during the period under review successfully completed Pasahki Deep-4 and injected wells; Nim-1, Chak 66 NE-1, Kunnar-9 and Qadirpur-53 into the system resulting in enhancement of oil and gas production.

In addition to the above, OGDCL during the half year carried out workover jobs with rig at Pasahki-7, Lashari Center-3, Chak 66 NE-1 & Kunnar-8 and stimulation jobs at Nashpa-1, Qadirpur-30 & Rajian 2 & 8 increasing oil and gas production. Moreover, the Company with the aim to update reservoir study and induce improvement in the current well flow parameters carried out pressure surveys at different wells of Bobi, Dakhni, Rajian, Sinjhor and Nashpa fields. Furthermore, as part of preventive maintenance plan the Company carried out Annual Turn Around of plants installed at Qadirpur, Uch, Chanda, Sinjhor, Dakhni and Bobi fields.

Despite natural decline observed in some of mature producing fields namely Chanda, Dakhni, Sono, Sinjhor and Tando Alam coupled with production curtailment from Mela field, heavy floods at Bahu gas field and less gas intake by UPL from Uch gas field, OGDCL during the period under review witnessed increase in its net gas production by 3.2% and crude oil production by 2.6% in comparison with the corresponding period of last year. The increase in gas

production is primarily due to increase in production from Uch, Nashpa and Maru-Reti fields in conjunction with start-up of production from Nim, Dhachrapur and Gopang fields. On the other hand, the rise in crude oil production owes to increase in production from Nashpa, Rajian & Lashari fields and commencement of production from Nim and Jarwar fields accompanied by increase in share of crude oil production from non-operated JV fields.

The average daily net production of crude oil and gas, during the period under review, including share in both operated and non-operated JV fields is as under:

Products	Unit of Measurement	1 st Half 2014-15	1 st Half 2013-14
Crude oil	Barrels per day	41,271	40,215
Gas	MMcf per day	1,173	1,136

Upon completion of OGDCL's ongoing development projects namely: Kunnar Pasahki Deep-Tando Allah Yar (KPD-TAY), Sinjhoru, Uch-II, Jhal Magsi and Nashpa-Mela, daily gross production of the Company will be further enhanced by 6,720 barrels of crude oil, 194 MMcf of gas and 870 tons of LPG in the near future.

Financial Results

During the period under review, OGDCL's financial results were adversely affected mainly due to fall in international oil prices witnessed by the fact that average basket prices of crude oil plunged to US\$ 91.86/barrel from US\$ 106.96/barrel in the corresponding period last year. Resultantly, the Company's average realized prices recorded for crude oil and gas were US\$ 76.57/barrel and 276.69/Mcf compared with US\$ 87.45/barrel and 278.64/Mcf respectively in the last period. However, aforesaid decline in the prices was partially offset by increase in hydrocarbon production leading the Company to register Sales Revenue of Rs 118.644 billion (1H 2013-14: Rs 126.170 billion).

Apart from drop in oil and gas prices, higher exploration & prospecting expenditure on account of increase in geophysical survey coupled with increased operating expenses owing to amortization of development & production assets impacted OGDCL's profitability. Moreover, decline in the other income mainly due to decrease in exchange rate in comparison with the corresponding period of the last year along with tax on prior period assessments contributed to reduced profitability. This has led the Company to register Profit after Tax of Rs 47.828 billion translating into Earnings per Share of Rs 11.12.

Despite decline in the profitability during the period, the Company will continue to carry on the intensified exploratory efforts and fast track completion of ongoing development projects to maintain and enhance the rising trend of its production. The Board in this regard has advised the management for formulating a comprehensive and effective strategy to mitigate the effects of declining trend in oil prices on the revenues and profitability of the Company.

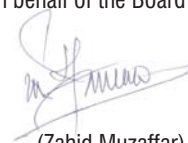
Dividend

The Board has announced second interim cash dividend of Rs 2.00 per share (20%) for the year ending 30 June 2015. This is in addition to the first interim cash dividend of Rs 2.50 per share (25%) already declared during the year.

Acknowledgement

The Board of Directors pays tribute to the management and employees for their dedicated contributions to ensure that OGDCL continues to deliver upstream growth. The Board also wishes to place on record its sincere appreciation for the resolute support extended by all the Company's stakeholders as we look forward to continue unlocking the value in our assets for the benefit of our shareholders and for accelerated growth of the economy as a whole.

On behalf of the Board



(Zahid Muzaffar)
Chairman

4 February 2015

Auditors' Review Report to the Members

Introduction

We have reviewed the accompanying condensed interim balance sheet of Oil and Gas Development Company Limited ("the Company") as at 31 December 2014 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and selected notes to the condensed interim financial information for the six-months period then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other Matters

The figures for the three months period ended 31 December 2014 and 2013 in the condensed interim profit and loss account, condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.



A.F. Ferguson & Co.
Chartered Accountants
Islamabad
Date: 4 February 2015

Engagement Partner: Asim Masood Iqbal



KPMG Taseer Hadi & Co.
Chartered Accountants
Islamabad
Date: 4 February 2015

Engagement Partner: Syed Bakhtiyar Kazmi

Condensed Interim Balance Sheet [unaudited]

As at 31 December 2014

		Unaudited 31 December 2014	Audited 30 June 2014
	Note	----- (Rupees '000) -----	
SHARE CAPITAL AND RESERVES			
Share capital		43,009,284	43,009,284
Capital reserves		7,031,000	6,606,000
Unappropriated profit		369,282,469	346,055,921
		<u>419,322,753</u>	<u>395,671,205</u>
NON CURRENT LIABILITIES			
Deferred taxation		17,221,519	22,270,517
Deferred employee benefits		10,821,493	9,827,561
Provision for decommissioning cost		21,958,655	20,417,830
		<u>50,001,667</u>	<u>52,515,908</u>
CURRENT LIABILITIES			
Trade and other payables	4	52,197,364	48,045,567
		<u>521,521,784</u>	<u>496,232,680</u>
CONTINGENCIES AND COMMITMENTS			
	5		

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.



Chief Executive

		Unaudited 31 December 2014	Audited 30 June 2014
	Note	----- (Rupees '000)- -----	
NON CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	6	89,975,134	71,803,994
Development and production assets - intangible	7	78,662,545	74,329,473
Exploration and evaluation assets	8	7,736,173	9,637,788
		176,373,852	155,771,255
Long term investments	9	140,698,609	140,393,508
Long term loans and receivable		5,541,703	5,170,798
Long term prepayments		595,809	736,992
		323,209,973	302,072,553
CURRENT ASSETS			
Stores, spare parts and loose tools		19,192,523	18,502,922
Stock in trade		308,356	420,626
Trade debts	10	109,208,458	100,510,995
Loans and advances	11	7,990,436	7,909,281
Deposits and short term prepayments		1,580,956	1,336,238
Interest accrued		10,335,128	10,110,450
Other receivables		134,955	661,017
Income tax - advance	12	11,608,155	14,319,141
Other financial assets	13	32,791,979	37,537,297
Cash and bank balances		5,160,865	2,852,160
		198,311,811	194,160,127
		521,521,784	496,232,680

Director

Condensed Interim Profit and Loss Account [unaudited]

For the Six Months ended 31 December 2014

	Note	Three months ended 31 December		Six months ended 31 December	
		2014	2013	2014	2013
		----- (Rupees '000) -----			
Sales - net	14	54,247,664	63,753,775	118,643,636	126,170,200
Royalty		(6,105,213)	(7,384,273)	(13,520,997)	(14,508,972)
Operating expenses		(12,919,639)	(10,005,499)	(26,132,872)	(20,313,415)
Transportation charges		(419,260)	(582,810)	(1,034,203)	(1,198,434)
		(19,444,112)	(17,972,582)	(40,688,072)	(36,020,821)
Gross profit		34,803,552	45,781,193	77,955,564	90,149,379
Other income	15	3,941,181	4,694,540	10,221,540	12,119,582
Exploration and prospecting expenditure		(2,521,237)	(2,869,983)	(6,272,836)	(4,824,555)
General and administration expenses		(742,966)	(390,409)	(2,074,747)	(1,143,777)
Finance cost		(630,883)	(461,167)	(1,242,395)	(1,092,894)
Workers' profit participation fund		(1,743,678)	(2,339,421)	(3,932,092)	(4,763,187)
Share of profit in associate - net of taxation		23,900	34,250	54,709	56,008
Profit before taxation		33,129,869	44,449,003	74,709,743	90,500,556
Taxation	16	(13,611,571)	(10,810,568)	(26,881,371)	(23,273,626)
Profit for the period		19,518,298	33,638,435	47,828,372	67,226,930
Earnings per share - basic and diluted (Rupees)	17	4.54	7.82	11.12	15.63

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.



Chief Executive



Director

Condensed Interim Statement of Comprehensive Income [unaudited]

For the Six Months ended 31 December 2014

	Three months ended 31 December		Six months ended 31 December	
	2014	2013	2014	2013
----- (Rupees '000) -----				
Profit for the period	19,518,298	33,638,435	47,828,372	67,226,930
Other comprehensive income/(loss) for the period				
Items that will not be reclassified to profit or loss				
Remeasurement loss on employee retirement benefit plans	-	(2,074,464)	(1,059,171)	(2,074,464)
Tax credit related to remeasurement loss on employee retirement benefit plans	-	12,439,444	537,454	12,439,444
Current tax credit	-	(11,401,797)	-	(11,401,797)
Deferred tax charge	-	1,037,647	537,454	1,037,647
	-	(1,036,817)	(521,717)	(1,036,817)
Total comprehensive income for the period	19,518,298	32,601,618	47,306,655	66,190,113

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.



Chief Executive



Director

Condensed Interim Cash Flow Statement [unaudited]

For the Six Months ended 31 December 2014

	Note	Six months ended 31 December	
		2014	2013
----- (Rupees '000) -----			
Cash flows from operating activities			
Profit before taxation		74,709,743	90,500,556
Adjustments for:			
Depreciation		2,646,225	1,974,051
Amortization of development and production assets		8,874,936	6,357,511
Impairment on assets		433,276	720,860
Reversal of impairment on assets		-	(583,758)
Royalty		13,520,997	14,508,972
Workers' profit participation fund		3,932,092	4,763,187
Provision for employee benefits		2,105,014	2,068,034
Un-winding of discount on provision for decommissioning cost		1,234,735	1,085,469
Interest income		(9,121,213)	(9,026,619)
Un-realized gain on investments at fair value through profit or loss		(24,245)	(33,280)
Dividend income		(18,615)	(17,026)
Loss/(gain) on disposal of property, plant and equipment		3,465	(779)
Share of profit in associate		(54,709)	(56,008)
Stores inventory written off		1,671	12,140
		<u>98,243,372</u>	<u>112,273,310</u>
Working capital changes			
(Increase)/decrease in current assets:			
Stores, spare parts and loose tools		(691,272)	(1,969,574)
Stock in trade		112,270	(29,885)
Trade debts		(8,697,463)	(10,065,538)
Deposits and short term prepayments		(244,718)	75,675
Advances and other receivables		(272,773)	(2,131,906)
Increase/(decrease) in current liabilities:			
Trade and other payables		6,520,096	(2,737,693)
Cash generated from operations		<u>94,969,512</u>	<u>95,414,389</u>
Royalty paid		(13,319,666)	(13,951,802)
Employee benefits paid		(12,542,425)	(5,198,585)
Long term prepayments		141,183	(239,394)
Received from workers' profit participation fund		346,775	525,459
Income taxes paid		(28,681,929)	(20,172,466)
		<u>(54,056,062)</u>	<u>(39,036,788)</u>
Net cash from operating activities		<u>40,913,450</u>	<u>56,377,601</u>
Cash flows from investing activities			
Capital expenditure		(31,506,840)	(22,826,725)
Interest received		9,144,897	9,326,161
Dividends received		36,990	35,401
Purchase of investments		(517,129)	(425,000)
Proceeds from disposal of property, plant and equipment		14,421	9,135
Net cash used in investing activities		<u>(22,827,661)</u>	<u>(13,881,028)</u>
Cash flows from financing activities			
Dividends paid		(20,546,647)	(12,015,985)
Net cash used in financing activities		<u>(20,546,647)</u>	<u>(12,015,985)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(2,460,858)</u>	<u>30,480,588</u>
Cash and cash equivalents at beginning of the period		40,113,906	42,414,472
Cash and cash equivalents at end of the period	18	<u>37,653,048</u>	<u>72,895,060</u>

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.



Chief Executive



Director

Condensed Interim Statement of Changes in Equity [unaudited]

For the Six Months ended 31 December 2014

	Share capital	Capital reserves		Unappropriated profit	Total equity
		Capital reserve	Self insurance		
----- (Rupees '000) -----					
Balance at 01 July 2013	43,009,284	836,000	4,920,000	263,500,737	312,266,021
Transfer to self insurance reserve	-	-	426,517	(426,517)	-
Charged to self insurance reserve	-	-	(1,517)	1,517	-
Total comprehensive income for the period					
Profit for the period	-	-	-	67,226,930	67,226,930
Other comprehensive loss for the period	-	-	-	(1,036,817)	(1,036,817)
Total comprehensive income for the period	-	-	-	66,190,113	66,190,113
Transactions with owners, recorded directly in equity					
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)
Total distributions to owners	-	-	-	(20,429,410)	(20,429,410)
Balance at 31 December 2013	<u>43,009,284</u>	<u>836,000</u>	<u>5,345,000</u>	<u>308,836,440</u>	<u>358,026,724</u>
Balance at 01 July 2014	43,009,284	836,000	5,770,000	346,055,921	395,671,205
Transfer to self insurance reserve	-	-	431,847	(431,847)	-
Charged to self insurance reserve	-	-	(6,847)	6,847	-
Total comprehensive income for the period					
Profit for the period	-	-	-	47,828,372	47,828,372
Other comprehensive loss for the period	-	-	-	(521,717)	(521,717)
Total comprehensive income for the period	-	-	-	47,306,655	47,306,655
Transactions with owners, recorded directly in equity					
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)
Total distributions to owners	-	-	-	(23,655,107)	(23,655,107)
Balance at 31 December 2014	<u>43,009,284</u>	<u>836,000</u>	<u>6,195,000</u>	<u>369,282,469</u>	<u>419,322,753</u>

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.



Chief Executive



Director

Selected Notes to and forming part of the Condensed Interim Financial Information [unaudited]

For the Six Months ended 31 December 2014

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 (1GDS = 10 ordinary shares of the Company) are listed on the London Stock Exchange.

2 BASIS OF PREPARATION

This condensed interim financial information of the Company for the six months period ended 31 December 2014 has been prepared in accordance with the requirements of International Accounting Standard 34-Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. The disclosures in this condensed interim financial information, do not include those reported for full audited annual financial statements and should therefore be read in conjunction with the audited annual financial statements for the year ended 30 June 2014. Comparative condensed interim balance sheet is extracted from the audited annual financial statements as of 30 June 2014, whereas comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity are stated from unaudited condensed interim financial information for the six months period ended 31 December 2013.

This condensed interim financial information is unaudited and is being submitted to the members as required under Section 245 of the Companies Ordinance, 1984 and listing regulations of Karachi Stock Exchange Limited.

3 ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The accounting policies, significant judgements made in the application of accounting policies, key sources of estimations, the methods of computation adopted in preparation of this condensed interim financial information and financial risk management policies are the same as those applied in preparation of annual audited financial statements for the year ended 30 June 2014.

		Unaudited 31 December 2014	Audited 30 June 2014
		----- (Rupees '000) -----	
4 TRADE AND OTHER PAYABLES	Note		
Creditors		885,841	1,534
Payable to Government of Pakistan-on account of Kunnar discount	4.1	2,085,112	2,085,112
Accrued liabilities		5,268,542	5,461,545
Royalty payable		5,231,584	5,030,253
Excise duty payable		260,186	263,989
General sales tax payable		1,790,254	1,843,507
Gas Infrastructure Development Cess (GIDC) Payable		1,934,852	-
Provincial sales tax payable		-	7,528
Payable to joint venture partners		5,153,833	4,554,969
Retention money		4,826,714	1,617,016
Trade deposits		122,210	73,478
Employees' pension trust		2,180,914	11,791,096
Workers' profit participation fund - net		3,932,092	-
Un-paid dividend	4.2	17,280,885	13,936,304
Un-claimed dividend		180,098	416,219
Payable to benevolent fund		-	15
Advances from customers		776,137	873,443
Other payables		288,110	89,559
		<u>52,197,364</u>	<u>48,045,567</u>

Selected Notes to and forming part of the Condensed Interim Financial Information [unaudited]

For the Six Months ended 31 December 2014

- 4.1 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 5.1.1 to the condensed interim financial information.
- 4.2 This includes an amount of Rs 7,605 million (30 June 2014: Rs 5,228 million) payable to OGDCL Employees' Empowerment Trust. The payment of dividend has been withheld since the GoP is considering to revamp Benazir Employees' Stock Option Scheme (BESOS) as communicated to the Company by Privatization Commission of Pakistan through Letter No. 13(4)12/PC(BESOS)/OGDCL dated 30 June 2014.

5 CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

5.1.1 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. Upto 31 December 2014, the tax authorities have recovered Rs 3,532 million (30 June 2014: Rs 1,375 million) from the Company. The Company has filed an appeal before Appellate Tribunal Inland Revenue (ATIR) where hearing of the case has been concluded and order of ATIR is awaited. 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.

5.1.2 Claims against the Company not acknowledged as debts amounted to Rs 1,486.038 million at the period end (30 June 2014: Rs 1,486.038 million).

5.1.3 Certain banks have issued guarantees on behalf of the Company in ordinary course of business aggregating Rs 1.707 million (30 June 2014: Rs 1.707 million).

5.2 Commitments

5.2.1 Commitments outstanding at period end amounted to Rs 45,449.425 million (30 June 2014: Rs 47,553.857 million). These include amounts aggregating to Rs 28,306.205 million (30 June 2014: Rs 27,035.950 million) representing the Company's share in the minimum work commitments under Petroleum Concession Agreements.

5.2.2 Letters of credit issued by various banks on behalf of the Company in ordinary course of the business, outstanding at period end amounted to Rs 21,808.118 million (30 June 2014: Rs 28,731.248 million).

5.2.3 The Company's share of associate commitments for capital expenditure based on the financial information of associate for the period ended 30 September 2014 was Rs 1,594.181 million (31 June 2014: Rs 1,782 million).

		Unaudited 31 December 2014	Audited 30 June 2014
6 PROPERTY, PLANT AND EQUIPMENT		----- (Rupees '000) -----	
Carrying amount at beginning of the period/ year		71,803,994	52,605,226
Additions/adjustments during the period/ year	6.1	21,466,065	25,086,393
Book value of disposals		(17,886)	(25,397)
Depreciation charge for the period/ year		(3,087,449)	(5,485,142)
Impairment charge for the period/ year		(189,590)	(135,668)
Revision in estimate of decommissioning cost during the period/ year		-	(241,418)
Carrying amount at end of the period/ year		89,975,134	71,803,994

Selected Notes to and forming part of the Condensed Interim Financial Information [unaudited]

For the Six Months ended 31 December 2014

	Unaudited 31 December 2014	Audited 30 June 2014
	----- (Rupees '000) -----	
6.1 Additions/adjustments during the period/ year		
Freehold land	-	364
Buildings, offices and roads on freehold land	13,056	527,424
Buildings, offices and roads on leasehold land	65,971	973,440
Plant and machinery	4,087,065	11,190,956
Rigs	(454,895)	2,950,401
Pipelines	1,454,848	1,425,869
Office and domestic equipment	179,754	61,249
Office and technical data computers	47,342	195,848
Furniture and fixture	8,169	12,490
Vehicles	120,671	352,682
Decommissioning cost	-	(397,025)
Capital work in progress (net)	15,433,537	6,728,832
Stores held for capital expenditure (net)	510,547	1,063,863
	<u>21,466,065</u>	<u>25,086,393</u>
7 DEVELOPMENT AND PRODUCTION ASSETS - INTANGIBLE		
Carrying amount at beginning of the period/ year	74,329,473	74,651,460
Additions during the period/ year	8,438,560	18,189,251
Transfer from exploration and evaluation assets during the period/ year	5,013,134	1,244,211
Amortization charge for the period/ year	(8,874,936)	(18,061,296)
Impairment charge for the period/ year	(243,686)	(585,192)
Reversal of impairment during the period/ year	-	583,758
Revision in estimate of decommissioning cost during the period/ year	-	(1,692,719)
Carrying amount at end of the period/ year	<u>78,662,545</u>	<u>74,329,473</u>
8 EXPLORATION AND EVALUATION ASSETS		
Balance at beginning of the period/ year	7,913,076	4,811,334
Additions during the period/ year	5,432,224	8,784,888
	<u>13,345,300</u>	<u>13,596,222</u>
Cost of dry and abandoned wells during the period/ year	(2,775,609)	(4,438,935)
Cost of wells transferred to development and production assets during the period/ year	(5,013,134)	(1,244,211)
	<u>(7,788,743)</u>	<u>(5,683,146)</u>
	5,556,557	7,913,076
Stores held for exploration and evaluation activities	2,179,616	1,724,712
Balance at end of the period/ year	<u>7,736,173</u>	<u>9,637,788</u>

Selected Notes to and forming part of the Condensed Interim Financial Information [unaudited]

For the Six Months ended 31 December 2014

		Unaudited 31 December 2014	Audited 30 June 2014
9	LONG TERM INVESTMENTS	----- (Rupees '000) -----	
	Investment in related party - associate, quoted		
	Mari Petroleum Company Limited (MPCL)	412,141	375,807
	Investments held to maturity		
	Term Deposit Receipts (TDRs)	5,862,129	5,345,000
	Investment in Pakistan Investment Bonds	52,424,339	52,672,701
	Investment in Term Finance Certificates	82,000,000	82,000,000
		<u>140,286,468</u>	<u>140,017,701</u>
		<u>140,698,609</u>	<u>140,393,508</u>

9.1 The Company's share of distributable profits of MPCL, for the purpose of applying equity method of accounting for the six months period ended 31 December 2014, is based on unaudited financial information of MPCL, for the quarter ended 30 September 2014 (2013:30 September 2013) prorated for the six months period. The financial information of MPCL for the six months period ended 31 December 2014 were not issued till the date of authorization of condensed interim financial information of the Company.

9.2 These represent investments in local currency TDRs carrying effective interest rate of 9.91% (30 June 2014: 10.75%) per annum. These investments are earmarked against self insurance reserve.

9.3 This represents investment in Pakistan Investment Bonds (PIBs) 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.

9.4 This represents investment in Privately Placed Term Finance Certificates (TFCs) issued by Power Holding (Private) Limited (PHPL). 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. 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. The interest due as of 31 December 2014 is Rs 7,443 million (30 June 2014: Rs 6,911 million) of which Rs 4,605 million (30 June 2014: Rs 4,083 million) was past due as of the balance sheet date.

		Unaudited 31 December 2014	Audited 30 June 2014
----- (Rupees '000) -----			
10	TRADE DEBTS		
	Un-secured, considered good	109,208,458	100,510,995
	Un-secured, considered doubtful	112,782	112,782
		<u>109,321,240</u>	<u>100,623,777</u>
	Provision for doubtful debts	(112,782)	(112,782)
		<u>109,208,458</u>	<u>100,510,995</u>

Selected Notes to and forming part of the Condensed Interim Financial Information [unaudited]

For the Six Months ended 31 December 2014

- 10.1 Trade debts include overdue amount of Rs 67,273 million (30 June 2014: Rs 53,265 million) mainly on account of Inter-Corporate Circular debt, receivable from oil refineries and gas companies. 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.

11 LOANS AND ADVANCES

This includes an amount of Rs 3,180 million (30 June 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 from 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 debts. 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 from 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. Management and its legal advisor are confident that the Intra Court appeal by UPL will also be decided in favour of the Company.

	Unaudited 31 December 2014	Audited 30 June 2014
12 INCOME TAX - ADVANCE	Note	----- (Rupees '000) -----
Income tax - advance/ (provision for taxation) at beginning of the period/ year	14,319,141	(2,238,065)
Income tax paid during the period/ year	26,524,339	53,272,836
Income tax recovered by tax authorities during the period/ year	2,157,590	1,374,654
Provision for current taxation for the period/ year - Profit and loss account	(22,526,773)	(52,258,517)
Tax credit related to remeasurement loss on employee retirement benefit plans for the period/ year - other comprehensive income	537,454	13,204,249
Provision for taxation - prior years	(9,403,596)	963,984
Income tax - advance at end of the period/ year	12.1 <u>11,608,155</u>	<u>14,319,141</u>

- 12.1 This includes Rs 3,532 million (30 June 2014: Rs 1,375 million) recovered by tax authorities as fully explained in note 5.1.1 to this condensed interim financial information.

	Unaudited 31 December 2014	Audited 30 June 2014
13 OTHER FINANCIAL ASSETS	Note	----- (Rupees '000) -----
Investments:		
At fair value through profit or loss - NIT units	299,796	275,551
Investment in Term Deposits	13.1 <u>32,492,183</u>	<u>37,261,746</u>
	<u>32,791,979</u>	<u>37,537,297</u>

- 13.1 This includes foreign currency TDRs amounting to USD 302.953 million (30 June 2014: USD 319.401 million), carrying interest rate ranging from 4.50% to 4.85% (30 June 2014: 3.25% to 3.95%) per annum, having maturities between three months to six months. These also include local currency TDRs amounting to Rs 2,000 million (30 June 2014: Rs 5,587 million), carrying interest rate of 10.25% (30 June 2014: 9.85% to 9.90%) per annum having maturities up to three months.

Selected Notes to and forming part of the Condensed Interim Financial Information [unaudited]

For the Six Months ended 31 December 2014

	Three months ended 31 December		Six months ended 31 December	
	2014	2013	2014	2013
14 SALES - net	----- (Rupees '000) -----			
Gross sales				
Crude oil	25,684,918	35,002,632	57,677,053	66,722,353
Gas	34,819,541	33,197,884	71,761,705	68,628,509
Liquefied petroleum gas	1,734,049	1,465,387	3,450,813	2,675,343
Sulphur	75,676	-	338,645	252,362
Other operating revenue	13,734	16,170	32,705	28,844
	<u>62,327,918</u>	<u>69,682,073</u>	<u>133,260,921</u>	<u>138,307,411</u>
Government levies				
Excise duty	(820,995)	(839,175)	(1,699,668)	(1,743,997)
General sales tax	(5,324,407)	(5,089,123)	(10,982,765)	(10,393,214)
Gas Infrastructure Development Cess (GIDC)	(1,934,852)	-	(1,934,852)	-
	<u>(8,080,254)</u>	<u>(5,928,298)</u>	<u>(14,617,285)</u>	<u>(12,137,211)</u>
	<u>54,247,664</u>	<u>63,753,775</u>	<u>118,643,636</u>	<u>126,170,200</u>

14.1 Oil and 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.

14.2 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 Southren Gas Company Limited (SSGCL) claimed that as per applicable petroleum policy the delivery point should be Ex-KPD field instead of JJVL plant. The matter was later decided between SSGCL and OGDCL and term sheet was signed in 2013, based on which delivery point was changed to Ex-KPD and OGDCL renounced its right on LPG 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 & condensate from the JJVL field 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 Ex-JJVL to Ex-KPD. These credit and debit notes recorded in the books of accounts in prior year 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.

	Three months ended 31 December		Six months ended 31 December	
	2014	2013	2014	2013
15 OTHER INCOME	----- (Rupees '000) -----			
Interest income	4,592,023	4,599,526	9,121,213	9,026,619
Dividend income from NIT units	-	-	18,615	17,026
Un-realized gain on investments at fair value through profit or loss	33,734	41,907	24,245	33,280
Exchange (loss)/gain-net	(776,567)	455,397	806,451	2,819,902
Others	91,991	(402,290)	251,016	222,755
	<u>3,941,181</u>	<u>4,694,540</u>	<u>10,221,540</u>	<u>12,119,582</u>

Selected Notes to and forming part of the Condensed Interim Financial Information [unaudited]

For the Six Months ended 31 December 2014

	Three months ended 31 December		Six months ended 31 December	
	2014	2013	2014	2013
----- (Rupees '000) -----				
16 TAXATION				
Current - charge/(credit)				
- for the period	9,745,365	14,988,306	22,526,773	27,253,815
- for prior period	8,304,218	(3,339,307)	9,403,596	(3,339,307)
	<u>18,049,583</u>	<u>11,648,999</u>	<u>31,930,369</u>	<u>23,914,508</u>
Deferred - charge/(credit)				
- for the period	1,132,019	289,370	1,220,305	486,919
- for prior period	(5,570,031)	(1,127,801)	(6,269,303)	(1,127,801)
	<u>(4,438,012)</u>	<u>(838,431)</u>	<u>(5,048,998)</u>	<u>(640,882)</u>
	<u>13,611,571</u>	<u>10,810,568</u>	<u>26,881,371</u>	<u>23,273,626</u>

17 EARNINGS PER SHARE - BASIC AND DILUTED

Profit for the period (Rupees '000)	19,518,298	33,638,435	47,828,372	67,226,930
Average number of shares outstanding during the period	4,300,928	4,300,928	4,300,928	4,300,928
Earnings per share - basic (Rupees)	4.54	7.82	11.12	15.63

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

	Unaudited 31 December 2014	Unaudited 31 December 2013
	----- (Rupees '000) -----	
18 CASH AND CASH EQUIVALENTS		
Cash and bank balances	5,160,865	14,154,470
Short term highly liquid investments	32,492,183	58,740,590
	<u>37,653,048</u>	<u>72,895,060</u>

19 RELATED PARTIES TRANSACTIONS

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 the period end are as follows:

	Six months ended 31 December	
	2014	2013
----- (Rupees '000) -----		
Associated company		
Share of profit in associate-net of taxation	54,709	56,008
Major shareholders		
Government of Pakistan		
Dividend paid	9,673,623	8,867,488
Payable as at 31 December-Dividend	8,061,352	-
Related parties by virtue of common directorship and GoP holdings		
Government Holdings (Private) Limited (GHPL)		
GHPL share (various fields)	22,592	45,933
Receivable as at 31 December	829,084	459,140

Selected Notes to and forming part of the Condensed Interim Financial Information [unaudited]

For the Six Months ended 31 December 2014

	Six months ended 31 December	
	2014	2013
	- - - - (Rupees '000) - - - -	
RELATED PARTIES TRANSACTIONS - continued		
Power Holding (Private) Limited (PHPL)		
Markup earned	4,615,095	4,228,392
Receivable as at 31 December - Investment in TFCs and markup	89,443,129	88,901,569
State Bank of Pakistan		
Interest earned on Pakistan Investment Bonds (PIBs)	2,943,426	2,943,426
Receivable as at 31 December - Investment in PIBs and markup	53,428,182	53,428,182
Pak Arab Refinery Company Limited		
Sale of crude oil	6,067,298	3,463,749
Trade debts as at 31 December	2,485,774	-
Advance as at 31 December	-	3,492,367
Sui Northern Gas Pipelines Limited		
Sale of natural gas	26,640,668	31,281,309
Purchase of high BTU value gas	1,986,766	1,349,672
Trade debts as at 31 December	15,412,397	11,744,196
Payable as at 31 December	199,454	1,098
Sui Southern Gas Company Limited		
Sale of natural gas	28,519,971	29,753,692
Pipeline rental charges	18,330	28,029
Trade debts as at 31 December	63,004,360	43,600,771
Pakistan State Oil Company Limited		
Purchase of petroleum, oil and lubricants	2,038,667	2,194,827
Trade debts as at 31 December	1,867	1,867
Payable as at 31 December	2,700	-
National Insurance Company Limited		
Insurance premium paid	264,301	178,965
National Logistic Cell		
Crude transportation charges paid	683,278	625,470
Payable as at 31 December	552,292	433,204
Enar Petrotech Services Limited		
Consultancy services	800	85,662
Sale of crude oil	5,592,136	6,992,026
Trade debts as at 31 December	1,296,210	2,137,875
Payable as at 31 December	5,147	1,761
Other related parties		
Contribution to staff benefit funds	12,036,812	4,502,712
Remuneration including benefits and perquisites of key management personnel	298,509	230,374

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

Selected Notes to and forming part of the Condensed Interim Financial Information [unaudited]
For the Six Months ended 31 December 2014

20 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 2014.

21 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

21.1 The Board of Directors approved interim cash dividend at the rate of Rs 2.00 per share amounting to Rs 8,602 million in its meeting held on 04 February 2014.

22 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 04 February 2015 by the Board of Directors of the Company.

23 GENERAL

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



Chief Executive



Director



Oil & Gas Development Company Limited
OGDCL House, Plot No. 3, F-6/G-6, Blue Area,
Jinnah Avenue, Islamabad - Pakistan.
www.ogdcl.com