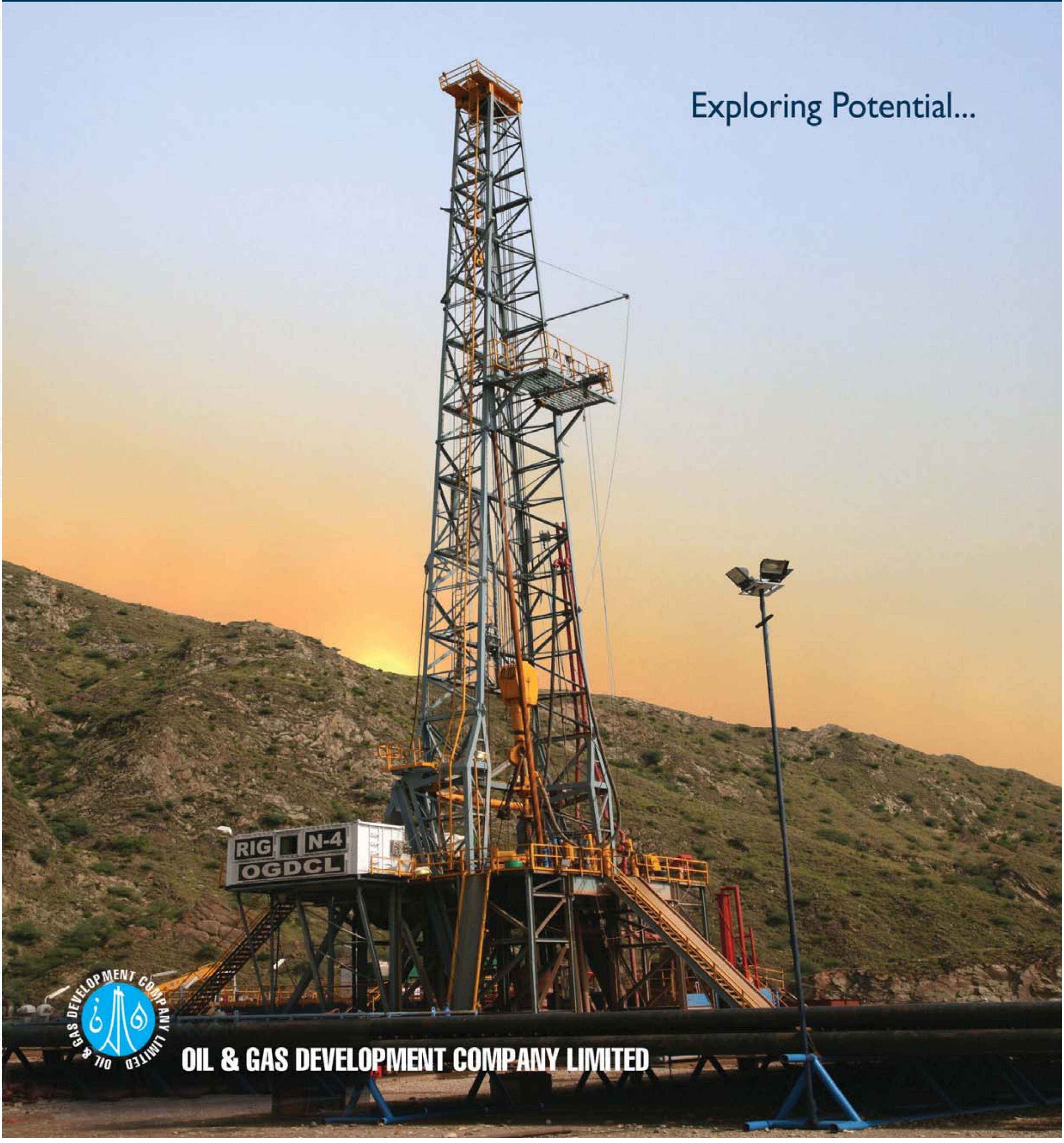
Annual Report 2009



Exploring Potential...

OIL & GAS DEVELOPMENT COMPANY LIMITED

OGDCL - Business Strategies

As the leading exploration and production Company in Pakistan, OGDCL's primary objective is to enhance its reserves and production profile and ultimately maximize value for shareholders. In order to achieve this goal, the Company seeks to execute the following strategies:

- Exploit Exploration Opportunities: by building the Company's future reserves portfolio through its large onshore exploration acreage.

- Accelerate Production Growth: through utilizing cutting edge technologies, utilize Company's significant reserves base and capitalize on the strong economic growth and accelerating energy demand in Pakistan.

- Maintain Low Cost Operations: OGDCL's operating environment, with geographic concentration of its reserves base in Pakistan, is and will be a major factor in allowing it to control its low cost structure.

- Pursue Selective International Expansion: domestic expansion remains OGDCL's core focus, however, the Company intends to grow and diversify its portfolio through selective international expansion in the medium to long-term.

- Implementing International Best Practices: Company ensures an efficient organizational structure and business processes with continuing improvements that are focused on overall improvement of all functions of E&P business and its support functions.

- Being Socially Responsible: OGDCL is committed to act ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local communities and society at large.

Contents

Highlights of the Year

Corporate Highlights

- OGDCL has won the 6th National Forum for Environment and Health (NFEH) Environment Excellence Award 2009 on account of its excellent environmental initiatives and successful implementation of environmental management systems at major sites.

- OGDCL has been ranked amongst the list of winners of the Best Corporate Reports Award for the third consecutive year (2006 to 2008). Reports have been evaluated by the Joint Committee of Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP).

- OGDCL was ranked 2nd in the category of top performing companies by volume of donations for giving the largest amount of donations for social development during 2007 and was conferred with Pakistan Corporate Philanthropy Award.

- OGDCL also received 26th Corporate Excellence Certificate on account of good corporate governance and best management practices. Management Association of Pakistan organized the ceremony.

Operational Highlights

- Two gas/condensate discoveries at Kunnar South-1 and Pasahki West Deep-1 were made by the Company during the year. These newly discovered fields are located in the Sindh province.

- Crude oil production on working interest basis averaged 41,019 barrels of oil per day (bopd).

- Gas production on working interest basis averaged 1,001 MMcf per day (MMcfd).

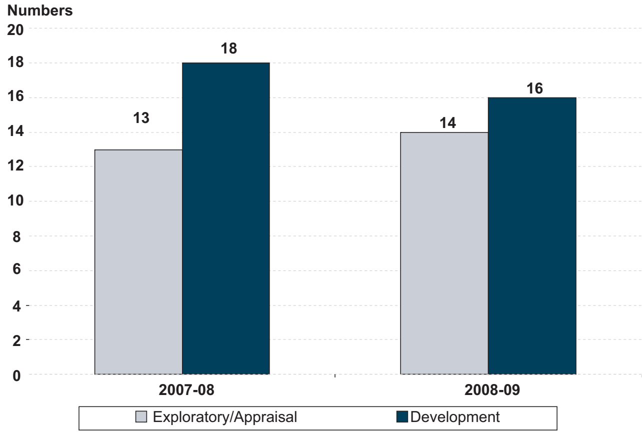
- LPG production on working interest basis averaged 218 M.Tons/day.

- Seismic acquisition of 5,129 L. Kms of 2-D and 1,128 Sq. Kms of 3-D.

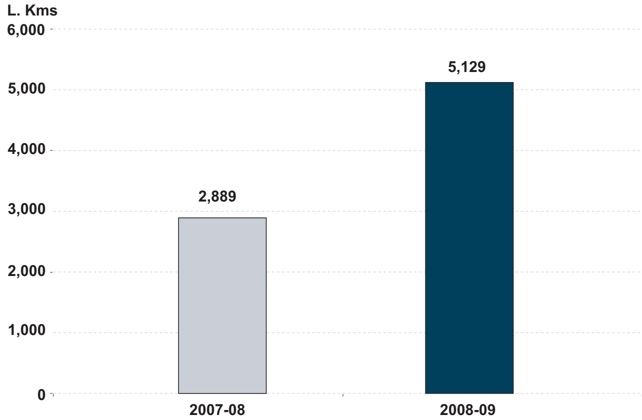
- 30 new wells (14 exploratory/appraisal and 16 development) spudded during the year.

- Commencement of production from Dakhni Deep-2, Dhodak Deep-1, Nandpur-10, Kal-3, Pasahki-5 & 6, Thora-7, Kunnar-8, Qadirpur-33, 35, 36, 37 & 38 and Qadirpur/HRL-2, 3, 4, & 5.

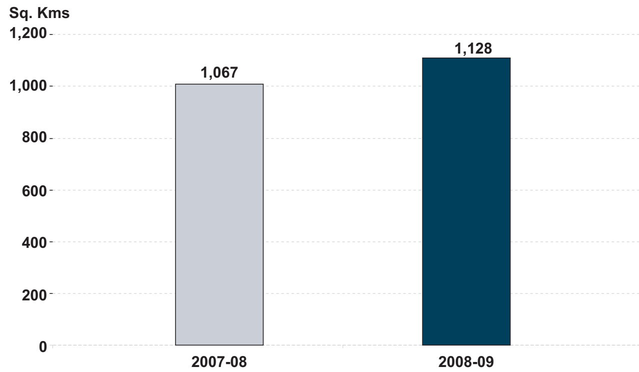
Wells Spudded



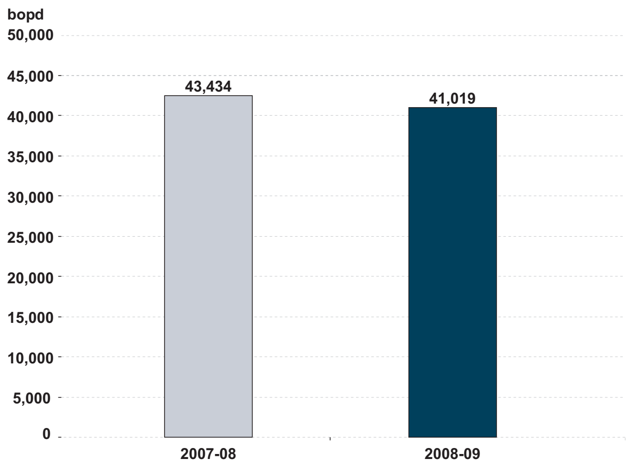
2-D Seismic Survey



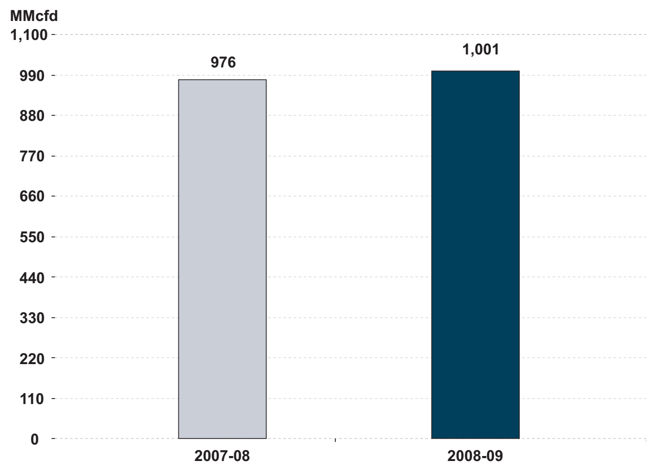
3-D Seismic Survey



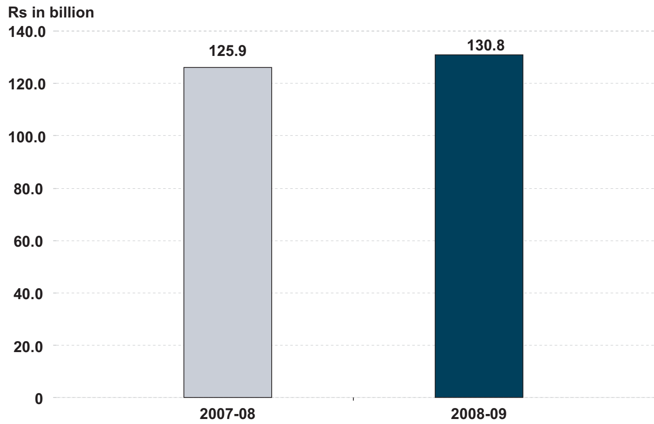
Crude Oil Production (Net)



Gas Production (Net)



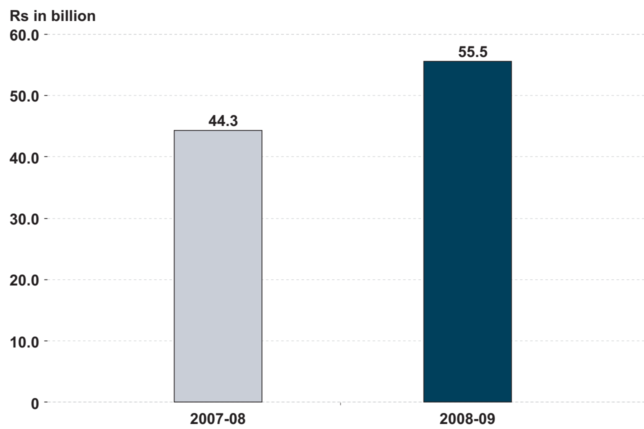
Sales Revenue



Financial Highlights

- Sales revenue increased by 3.9% to Rs 130.8 billion (2007-08: Rs 125.9 billion).
- Net realized prices of crude oil and gas averaged US$ 55.53/bbl and Rs 174.78/Mcf respectively (2007-08: US$ 71.29/bbl and Rs 140.88/Mcf).
- Profit before taxation rose by 3.3% and profit for the year by 25.3% to Rs 80.9 billion and Rs 55.5 billion respectively (2007-08: Rs 78.3 billion and Rs 44.3 billion).
- Earnings per share increased to Rs 12.91 (2007-08: Rs 10.31).
- Dividend declared Rs 8.25 per share (2007-08: Rs 9.50 per share).
- Total assets increased to Rs 178.0 billion from Rs 152.3 billion.
- Contribution to national exchequer Rs 86.5 billion (2007-08: Rs 99.7 billion).

Pofit for the year



Notice of Annual General Meeting

Notice is hereby given that the 12th Annual General Meeting being 22nd meeting of the members of Oil and Gas Development Company Limited will Insha-Allah be held at registered office of the Company, OGDCL House, Plot No: 3, F-6/G-6, Blue Area, Jinnah Avenue, Islamabad on Monday, 28 September 2009 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 11th Annual General Meeting held on 29 September 2008.

2. To receive, consider and adopt the audited accounts of the Company for the year ended 30 June 2009 together with the Directors' and Auditors' Reports thereon.

3. To approve the final cash dividend @ 25.00% i.e. Rs 2.50 per share for the year ended 30 June 2009 as recommended by the Board of Directors. This is in addition to three interim cash dividends totaling to 57.50% i.e. Rs 5.75 per share already paid during the year.

4. To appoint Auditors for the year 2009-10 and fix their remuneration. The present auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants and M/s M. Yousuf Adil Saleem & Co., Chartered Accountants will stand retired on the conclusion of this meeting.

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

By Order of the Board

13 August 2009
Islamabad

(Eram Ali Aziz)
Company Secretary

NOTES:

1 Participation in the Annual General Meeting

A member entitled to attend and vote at this meeting is entitled to appoint another person as his/her proxy to attend and vote. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the meeting.

2 CDC Account holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan:

a) For attending the meeting

In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

In the case of corporate entities, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

b) For appointing proxies

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per regulations, shall submit the proxy form as per the above requirement.

ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii) Attested copies of CNIC or the passport of the beneficial owners and of the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.

v) In the case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

3 Closure of Share Transfer Books

The share transfer books of the Company will remain closed and no transfer of shares will be accepted for registration from Saturday, 19 September 2009 to Monday, 28 September 2009 (both days inclusive). Transfers received in order at the Share Registrars' office by the close of business on Friday, 18 September 2009 will be treated in time for the purpose of payment of final cash dividend, if approved by the Shareholders.

4 Change in Address

Members are requested to promptly notify any change in their addresses.

Vision

To be a leading multinational Exploration and Production company

Mission

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

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

Core Values

Merit

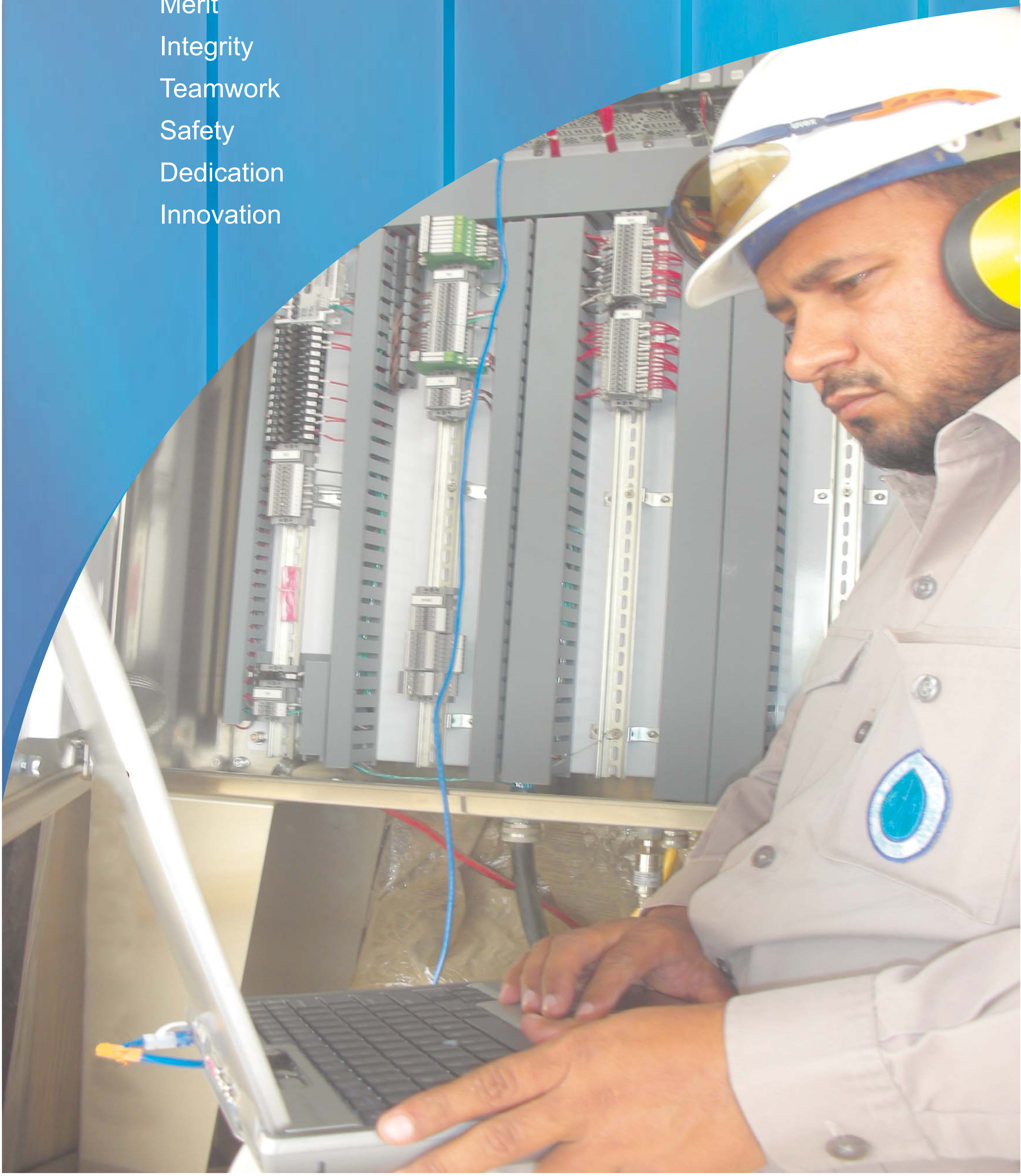
Integrity

Teamwork

Safety

Dedication

Innovation



Goals

Financial Goals

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

Learning and Growth Goals

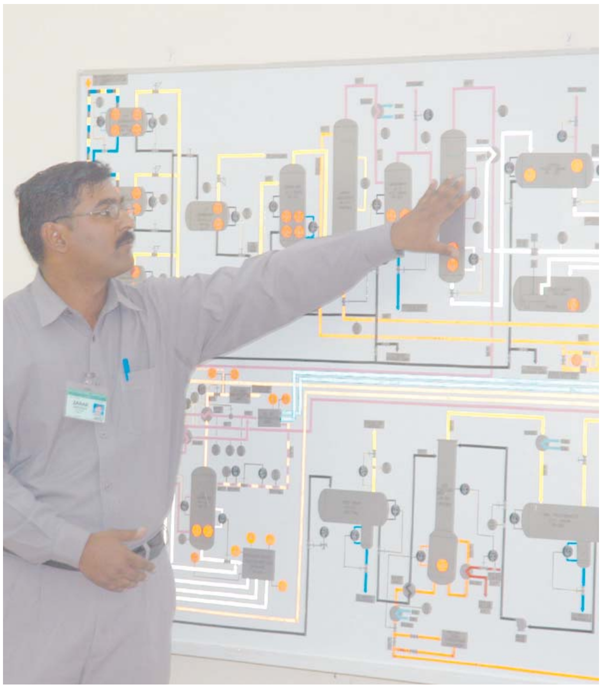
- Motivate our workforce, and enhance their technical, managerial and business skills through modern HR practices.
- Acquire, learn and apply state-of-the-art technology.
- Emphasize organizational learning and research through effective use of knowledge management systems.
- Fill the competency gap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

Customer Goals

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

Internal Process Goals

- Evolve consensus through consultative process inter-linking activities of all departments.
- Excel in exploration, development and commercialization.
- Be transparent in all business transactions.
- Synergize through effective business practices and teamwork.
- Have well-defined SOPs with specific ownerships and accountabilities.
- Improve internal business decision making and strategic planning through state-of-the-art MIS.
- Improve internal controls.
- Periodic business process reengineering.



Statement of Ethics and Business Practices (SE & BP)

Oil and Gas Development Company Limited conducts its operations in accordance with highest business ethical consideration, complying with all statutory regulations and best accepted standards of good corporate citizen. This policy applies to all directors and employees of the Company. The Company's core values are Merit, Integrity, Teamwork, Safety, Dedication and Innovation. It is towards the end of fostering these core values in the corporate culture of OGDCL that the Company has adopted this Code of Ethics and Business Practices (the Code). The Code implies as follows:

1. The directors and employees of the Company seek to protect the Company's assets. The Company's assets and services are used solely for legitimate business purposes of the Company. The use of Company's funds for political contributions to any organization or to any candidate for public office is prohibited.

2. The directors and employees adhere, in letter and spirit, to all laws and conform to the accepted standards of good corporate governance and avoid conflict of interest. The conflict of interest, if any must be notified to Company in writing immediately.

3. The Company respects the interests of all the stakeholders and enters into transparent and fairly negotiated contracts.

4. The Company is an equal opportunity employer.

5. The directors and employees reject corruption in all forms - direct, indirect, public or private and do not directly or indirectly engage in bribery, kick backs, payoffs, or any other corrupt business practices.

6. Oil and Gas Development Company Limited respects the privacy of data relating to individual persons (whether employees or third parties) which it may hold or handle as part of its information processing activities or otherwise. Employees maintain confidentiality of the Company's and its customers' confidential information which is disclosed to them.

7. The directors and employees shall not place themselves in a position where their loyalty to the Company becomes divided for any reason including their direct or indirect financial interest in a competitor, supplier, consultant or customer.

8. The directors and employees may not take advantage of the Company's information or property, or their position with the Company, to develop inappropriate personal gains or opportunities. They may, however, receive gifts of token value or accept invitations only if such gifts or invitations have no influence on their decision making and are as per Company policy.

9. Employees may offer tips, gratuity or hospitality of a customary amount or value for routine services or courtesies received as per Company policy.

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


REBOILER

Corporate Information

Board of Directors

Mr. Farooq Rahmatullah	Chairman
Mr. Zahid Hussain	Managing Director/CEO
Mr. Muhammad Ejaz Chaudhry	Director
Mr. Sikandar Hayat Jamali (Late)	Director (expired on 25 July 2009)
Mr. Tariq Iqbal Khan	Director
Mr. Waqar A. Malik	Director
Mr. Rafique Dawood	Director
Mr. Tariq Faruque	Director
Miss Shagufta Jumani	Director
Mr. Iskander Mohammed Khan	Director
Mr. Wasim A. Zuberi	Director

Company Secretary
Mrs. Eram Ali Aziz

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

Legal Advisor
M/s Khokhar Law Chambers

Tax Advisors
M/s Khalid Majid Rahman Sarfaraz Rahim
Iqbal Rafiq, Chartered Accountants

Bankers
Allied Bank Limited
Arif Habib Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Alhabib Limited
Citibank
Deutsche Bank
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
HSBC Bank of Middle East
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Royal Bank of Scotland
Saudi Pak Commercial Bank Limited
Soneri Bank Limited
Standard Chartered Bank
The Bank of Punjab
United Bank Limited

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

Registrar Office
Noble Computer Services (Pvt) Limited, Mezzanine Floor,
House of Habib Building (Siddiqsons Tower), 3-Jinnah
Cooperative Housing Society, Main Shahrah-e-Faisal,
Karachi-75350
Tel: +92 21 4325482-87
Fax: +92 21 4325442
Email: ncsl@noble-computers.com
Website: www.noble-computers.com

Board of Directors

Mr. Farooq Rahmatullah - Chairman

Mr. Farooq Rahmatullah is a law graduate from University of Peshawar. He joined Burmah Shell Oil and Distribution Company in 1968 and worked in different capacities i.e. Chemicals, Human Resources, Marketing, Supply, Distribution, Retail, etc. transferred to Shell International London. In 1994, Mr. Farooq was appointed as a Manager in the Business Strategy Division and was involved in various portfolios covering over 140 countries. On his return in 1998, Mr. Farooq was appointed as Head of Operations of Shell Pakistan and was looking after Middle East and South Asia (MESA). In 2001 Mr. Farooq, was appointed as Chairman of Shell Companies in Pakistan and Managing Director of Shell Pakistan Limited. He retired from Shell on June 30, 2006. He has been a founding member of PAPCO (Pak Arab Pipeline Company). Mr. Farooq has been Chairman of Pakistan Refinery Limited (PRL) since June 2005. In addition to this, he is also Chairman of Oil and Gas Development Company Limited since September 2008. He is also the founding member of Pakistan Human Development Fund, Director on the Boards of Faysal Bank Limited and Society for Sustainable Development, Member of Resource Development Committee of Aga Khan University Hospital, Member of National Commission of Government Reforms, Member of Pakistan Stone Development Company and Member of Board of Trustees of Legends Trust formed by the Government of Sindh.

Mr. Muhammad Ejaz Chaudhry - Director

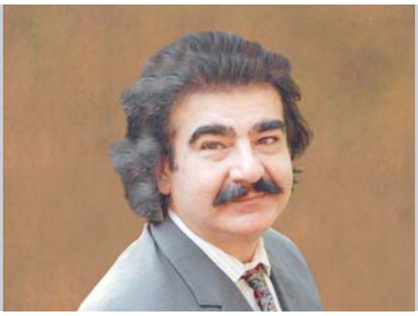
Mr. Muhammad Ejaz Chaudhry, Additional Secretary, Federal Ministry of Petroleum and Natural Resources is a career civil servant. After doing his Master in Psychology from Government College, Lahore in 1978 (1st class 1st), he joined Civil Service of Pakistan in District Management Group in the year 1980 (8th CTP). He has a vast experience of Public Administration in the Province of Sindh, Punjab and Federal Government. He has served as Assistant Commissioner Larkana, Jakobabad and Liaquatabad, Karachi (1981-86). He was Deputy Commissioner Thatta, Karachi Central and Nawabshah (1988-93). He was transferred to Punjab in 1993 and served as Additional Secretary Home (1994-96), Director Labour (1996-98), Registrar Cooperatives Punjab (1998-2002), DCO Multan (2003-05), Joint Secretary, Ministry of Education (2005-06), Director General National Institute of Public Administration, Lahore (2007-08). He is an alumni of Gorge Washington and Harvard University, USA, Civil Service College Singapore, University of Dundee, UK, Government College (Punjab University), Lahore, Administrative Staff College, Lahore and National Defence University, Islamabad. He has extensively traveled abroad in connection with Education, Training and official business. He is also on the Boards of Pakistan State Oil, Mari Gas Company Limited and Inter State Gas Systems (Pvt) Limited.

Mr. Waqar A. Malik - Director

Mr. Waqar A. Malik is the Chief Executive of ICI Pakistan Limited. He is also the Chairman, Pakistan PTA Limited. Both companies are now members of the AkzoNobel Group, Amsterdam, a Fortune 500 company and Chemical Industry leader on the Dow Jones Sustainability Index. Mr. Waqar has over 23 years of extensive experience with the Company and the Group in senior commercial, finance and strategy roles including an overseas secondment at ICI Group Headquarters in London in the Corporate Finance & Strategy Division. He has attended Management and International Executive Programs at the INSEAD and Harvard Business School. Mr. Malik takes active interest in Corporate Sector activities. Mr. Waqar is the President of the Overseas Investors Chamber of Commerce and Industry (OICCI), Vice President of the MAP, a non-Executive Director on the Boards of Engro Polymer and Chemicals Limited, IGI Insurance, Karachi Port Trust (KPT) and Asia Care Pakistan (Health & Life Insurance Company Limited). He is also a Trustee on the Board of The Duke of Edinburgh's Award Foundation of Pakistan, Member on the Board of Governors of National Management Foundation (LUMS) and the Indus Valley School of Art and Architecture. Mr. Malik is a Chartered Accountant by profession and a Fellow of the Institute of Chartered Accountants in England and Wales

Mr. Iskander Mohammed Khan - Director

Mr. Iskander Mohammed Khan is a Law Graduate and Chartered Accountant. He is a businessman and director of Premier Group of Companies. He is on the Boards of Pakistan State Oil Company Limited and Zarai Taraqiati Bank Limited and also remained Chairman, All Pakistan Sugar Mills Association for the year 2002-04, Chairman, Pakistan Polypropylene Woven Sack Manufacturers Association, Chairman, All Pakistan Sugar Mills Association (NWF) for the year 2005-06, Director of Islamabad Stock Exchange for the year 2005 and Member, Managing Committee, Federation of Pakistan Chambers of Commerce and Industry for the year 2005-06.



Mr. Tariq Faruque - Director

Mr. Tariq Faruque is a Graduate form Case Western Reserve University in Economics and Political Science. He currently works as a full time Director of Mirpurkhas Sugar Mills limited. He is also on the Boards of Madian Hydro Power Limited, Unicol Limited, Greaves Air-conditioning (Pvt) Limited, Greaves CNG (Pvt) Limited, Greaves Engineering Services (Pvt) Limited and Zensoft (Pvt) Limited.

Mr. Zahid Hussain - Managing Director / CEO

Mr. Zahid Hussain is a senior Corporate Executive. He is a Science Graduate and done his Law and Masters Degree from Karachi. He is a Fellow Member of International Biographical Centre, USA, Fellow Member of Institute of Management England and Fellow Member of Institute of Marketing Management. He started his career with Pakistan Tobacco Company Limited and has worked in British American Tobacco Company, UK, Pakistan Automobile Corporation. He has been General Manager and Managing Director, Suzuki, Mazda and Toyota Companies, Chairman, Pakistan Industrial Development Corporation, Chairman, State Petroleum Corporation, Chairman, State Cement Corporation, CE, Iran Pakistan Industries (Pvt) Limited and Managing Director, Indus Steel Pipe Limited (subsidiary of PIDC) - revitalized a "sick" unit. He has been Pakistan's High Commissioner / Ambassador to the countries based at Nairobi, Kenya i.e. Republic of Kenya, United Republic of Tanzania, Republic of Uganda, Federal Democratic Republic of Ethiopia, Republic of Rwanda, State of Eritrea and Republic of Burundi. Also remained permanent Representative of United Nations Environment Programme, United Nations Human Settlement Programme, African Union Commission (ACCREDITED) and Chairman Group of 77 & China - Nairobi Chapter. He is also on the Board of Directors of Siemens Pakistan Engineering Limited, Sui Southern Gas Company Limited and Mari Gas Company Limited.

Mr. Tariq Iqbal Khan - Director

Mr. Tariq Iqbal Khan, Chairman / Managing Director, National Investment Trust has matching credentials with his outstanding performance as MD / Chairman, NIT. He successfully completed the transformation of NIT and ICP and turned them around. This is a milestone in giving a new lease of life to Public Sector organizations. NIT was awarded in 2003 and 2004 the Best Mutual Fund Award by the Mutual Fund Association of Pakistan. Even to date NIT continues to outperform KSE 100 Index. Mr. Tariq Iqbal Khan combines very rich and diversified experience of industry, Capital Markets, Corporate Sector, Company Law and as such he has been associated with the leading institutions and Organizations of the Country. In a distinguished career he started his professional life as a Chartered Accountant from A.F. Ferguson & Company. He is a Founder Director of the Islamabad Stock Exchange and also been its President from 1995 to 1998. He has served as Member, Tax Policy and Co-ordination in the Federal Board of Revenue and later joined Securities and Exchange Commission of Pakistan as a Commissioner and officiated as acting Chairman in 2000. He is currently also on the Boards of Attock Refinery Limited, Askari Bank Limited, Bank Al-Habib Limited, Fauji Fertilizer Company Limited, Faysal Bank Limited, GlaxoSmithKline Pakistan Limited, ICI Pakistan Limited, Packages Limited, Sanofi-aventis Pakistan Limited and Sui Northern Gas Pipelines Company Limited besides Oil and Gas Development Company Limited.

Mr. Wasim A. Zuberi - Director

Mr. Wasim A. Zuberi is a Graduate in Geology, Chemistry and Geography from Aligarh Muslim University, India and in Geology with Petroleum Engineering and Geophysics from Birmingham University, UK. He has 50 years of diversified, Oil and Gas Exploration, Production and Managerial experience with domestic and multinational oil and gas companies in Pakistan, Abu Dhabi and USA. Mr. Zuberi is currently a Consultant in IPR TransOil Corporation, a US based multinational Oil and Gas Exploration, Production and technical services provider to oil companies worldwide. He served as Technical Advisor to Premier and Shell Pakistan Limited and as Pakistan Program Director to Canadian International Development Agency (CIDA)'s Oil and Gas Program designed to strengthen Pakistan's public and private sector companies by providing training and technology in Technical, Managerial, Regulatory and Policy matters. Mr. Zuberi served as Advisor to the Chairman POL Board and Managing Director POL, where he helped change the vision and objective of oil and gas producing company to a diversified group of Exploration, Production, Manufacturing and Marketing Company. After working for 22 years in EXXON / ESSO in Pakistan and USA, he joined Abu Dhabi National Oil Company (ADNOC) Abu Dhabi where he coordinated ADNOC's International Operating Company Operations producing about a million barrel of oil per day and ensured implementation of their work program, appraised and analyzed operating companies budget and field development activities. Mr. Wasim A. Zuberi has also served on the Boards of POL, Attock Chemical (Pvt) Limited, Capgas (Pvt) Limited and Attock Industrial Products Limited.

Miss Shagufta Jumani - Director

Miss Shagufta Jumani is a Law Graduate and also holds Masters Degree in Religion and Political Science. She is a Member of National Assembly and holding the office of Minister of State for Religious Affairs. She was elected as Member of Sindh Assembly in 1988 and Member of National Assembly in 2002 and 2007. She is also Member of Young Parliamentarians Forum of Pakistan. Miss Shagufta Jumani is Member of Standing Committees on Housing & Library and Religious Affairs, Zakat & Ushr. She is also Member of the Committee for Women Welfare Laws. Miss Shagufta Jumani also takes active part in social activities. She has been associated with Aurat Foundation and has also worked for Women Development. She is Chief Patron MAAGZ and Learner's Club.

Mr. Rafique Dawood - Director

Mr. Rafique Dawood is a Graduate from Manchester University, UK and Master in Business Administration from Harvard Business School. He is a businessman and Chairman of First Dawood Group, Chairman & Director of Dawood Islamic Bank Limited and Chairman & Director of Dawood Power (Pvt) Limited (formerly Win Power (Pvt) Limited). He is on the Boards of First Dawood Investment Bank Limited, BRR Investment (Pvt) Limited, GlaxoSmithKline Pakistan Limited and Pioneer Cement Limited.

Committees of the Board

In order to ensure effective implementation of a sound internal control system and compliance with the Code of Corporate Governance, the Board has constituted three committees and approved their Terms of Reference. Composition of Committees and their Terms of Reference are as follows:

1. Operations and Finance Committee

Composition

Mr. Wasim Zuberi	Chairman
Mr. Zahid Hussain	Member
Mr. Muhammad Ejaz Chaudhry	Member
Mr. Tariq Iqbal Khan	Member
Mr. Tariq Faruque	Member
Miss Shagufta Jumani	Member
Executive Director (Finance)	Secretary

Terms of Reference

- Approval of Exploration License applications, along with proposed work program, financial/budgetary commitment and related prospectivity/financial analysis, etc.
- Recommendations for Farm-in and Farm-out proposals along with financial commitments and prospects.
- Recommendations for participation in offshore and overseas opportunities.
- Procurement of plant machinery and store items etc. exceeding the powers delegated to MD.
- Award of contracts for civil works, development of fields, etc. exceeding the powers delegated to MD.
- Recommend/review the progress of physical work programs (seismic acquisition, exploratory and development drilling, project development and production, etc) and financial targets thereto.
- Formulation of Technical & Financial Policies and Controls including the policies required under the Code of Corporate Governance.
- Annual and quarterly budgets and analysis of variances thereof.
- Review & approve option for Investment of surplus funds of the Company and request for establishing credit lines/borrowing limits with financial institutions.
- Consider any other issue or matter as may be assigned by the Board of Directors.

2. Audit Committee

Composition

Mr. Tariq Iqbal Khan	Chairman
Mr. Muhammad Ejaz Chaudhry	Member
Mr. Rafique Dawood	Member
Mr. Iskander Mohammed Khan	Member
Head of Internal Audit	Secretary

Terms of Reference

- Recommend appointment of external auditors to the Board of Directors and consider any questions of resignation or removal of external auditors, audit fees, etc.
- Recommend appointment of financial consultant for any service to the Company in addition to audit of its financial statements.
- Recommend appointment of suitable candidate(s) for the position of Head of Internal Audit.
- Determine appropriate measures to safeguard the Company's assets.
- Review preliminary announcements of financial results prior to publication.
- Review quarterly, half-yearly and annual financial statements of the Company prior to their approval by the Board of Directors, focusing on:
  - major judgmental areas.
  - significant adjustments resulting from the audit.
  - the going concern assumption.
  - any changes in accounting policies and practices.
  - compliance with applicable accounting standards.
  - compliance with listing regulations and other statutory and regulatory requirements.
- Facilitate external audit and discuss with external auditors major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary).
- Review Management letter issued by external auditors and Management's response thereto.
- Ensure coordination between the internal and external auditors of the Company.
- Review the scope and extent of internal audit and ensure that the internal audit function has adequate resources and is appropriately placed within the Company.

- Consider major findings of internal investigations and management's response thereto.

- Ascertain that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective.

- Review the Company's statement on internal control systems prior to endorsement by the Board of Directors.

- Institute special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and consider remittance of any matter to the external auditors or to any other external body.

- Determine compliance with relevant statutory requirements.

- Monitor compliance with the best practices of corporate governance and identification of significant violations thereof.

- Consider any other issue or matter as may be assigned by the Board of Directors.

3. Human Resource Committee

Composition

Mr. Iskander Mohammed Khan	Chairman
Mr. Farooq Rahamtullah	Member
Mr. Zahid Hussain	Member
Mr. Muhammad Ejaz Chaudhry	Member
Mr. Sikandar Hayat Jamali	Member
Mr. Waqar A. Malik	Member
Miss Shagufta Jumani	Member
Executive Director (HR)	Secretary

Terms of Reference

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

- Guidance/recommendations for CBA agreements.

- Restructuring of the organization.

- Review of compensation package.

- Review of HR policies including the policies required under the Code of Corporate Governance.

- Consider any other issue or matter as may be assigned by the Board of Directors.

Company Profile

Oil and Gas Development Company Limited (OGDCL) is the leading Exploration & Production (E&P) Company in Pakistan, listed on all the three Stock Exchanges of Pakistan as well as on London Stock Exchange.

The Company was initially created as a Public Sector Corporation under an Ordinance in 1961 and was subsequently, in pursuance of the Petroleum Policy 1994, converted from a statutory Corporation into a Public Limited Company effective 23 October 1997.

Government of Pakistan (GoP) divested 4.98% of its shareholding in the Company in October 2003 through an Initial Public Offering (IPO). GoP further divested 9.5% of its shareholding through Secondary Offering in the form of Global Depository Shares (1 GDS = 10 ordinary shares of the Company) to international institutional investors in December 2006 and 0.5% to the general public in February 2007. GoP now owns 85.02% of the shares of the Company.

OGDCL's concessions portfolio as of 30 June 2009 stood at 35 own and operated Joint Venture (JV) exploration licenses covering an area of 68,310.92 Sq. Kms which is the largest exploration acreage held by any single company in Pakistan. In addition, OGDCL also holds working interest in another 7 exploration licenses operated by other JV partners.

OGDCL has 44 development and production/mining leases which are operated by it besides working interest ownership in 15 non-operated leases.

OGDCL's remaining recoverable reserves as of 30 June 2009 stood at 145.427 million barrels of oil and 10,211.76 billion cubic feet of gas.

During the year 2008-09, OGDCL's daily production from its own fields and share in operated and non-operated JV fields averaged 41,019 barrels of oil and 1,001 MMcf of gas. The Company also produced 218 M. Tons of LPG and 64 M. Tons of Sulphur on daily basis.

OGDCL's strategic direction has recently been revisited by its top management and Company's Vision & Mission statements have been redefined in the light of Company's present standing and future outlook.

Going forward, Company is following strategy of sustainable growth with the primary objective to enhance its reserves and production profile and ultimately maximize value for shareholders and ensure energy security of the country.

Leadership Team

Mr. Zahid Hussain
Managing Director/CEO

Mr. Aftab Ahmad
Executive Director
(Finance)/CFO

Mr. Shah Mehboob Alam
Executive Director
(Security)

Mr. Masood Nabi
Executive Director
(Joint Venture)

Mr. Fasih Azhar
Executive Director
(Human Resources)

From left to right: Mr. Masood Nabi, Mr. Aftab Ahmad, Mr. Zahid Hussain, Mr. Shah Mehboob Alam, Mr. Fasih Azhar

Senior Management

Mr. Zahid Hussain
Managing Director/CEO

Mr. Aftab Ahmad
Executive Director
(Finance)/CFO

Mr. Shah Mehboob Alam
Executive Director
(Security)

Mr. Masood Nabi
Executive Director
(Joint Venture)

Mr. Fasih Azhar
Executive Director
(Human Resources)

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

Mr. M. Zafar Chaudhry
General Manager
(Strategic Business Planning)

Mr. Afzal Chaudhry
General Manager
(Legal Services)

Mr. Khalid Jamil Khan
General Manager
(Supply Chain Management)

Mr. Muhammad Rafi
General Manager
(Finance)

Mr. Basharat A. Mirza
General Manager
(Projects)

Brig (Rtd) M. A. Asif Sirhindi
General Manager
(Administration)

Mr. Muhammad Riaz Khan
General Manager
(Production)

Mr. Fawad Rauf
General Manager
(System Support)

Mr. Shoukat Elahi Qazi
General Manager
(Reservoir Management)

Mr. Zahid Imran Farani
General Manager
(Prospect Generation)

Mr. Pervaiz Alam Sethi
General Manager
(Geological Well Supervision)

Mr. Shamim Iftikhar Zaidi
General Manager
(Drilling Operations)

Mr. Aijaz Muhammad Khan
General Manager
(Commercial)

Mr. Shafqat Gondal
General Manager
(Communication)

Mr. M. Mureed Rahimoon
General Manager
(Human Resources)

Mr. Amjad Javed
General Manager
(CB/IR)

Mr. Muhammad Azam Malik
General Manager
(Policy)

Mr. Sarfraz Siddqui
General Manager
(OGTI)

Mr. Zafar Iqbal Awan
Acting General Manager
(Seismic Operations/GS)

Mr. Ashraf Anis
Acting General Manager
(Plant & Process)

Mr. Tahir Shaukat
Acting General Manager
(C & ESS)

Mr. Muhammad Azhar Chugtai
Manager I/C
(Internal Audit)

Mrs. Eram Ali Aziz
Company Secretary

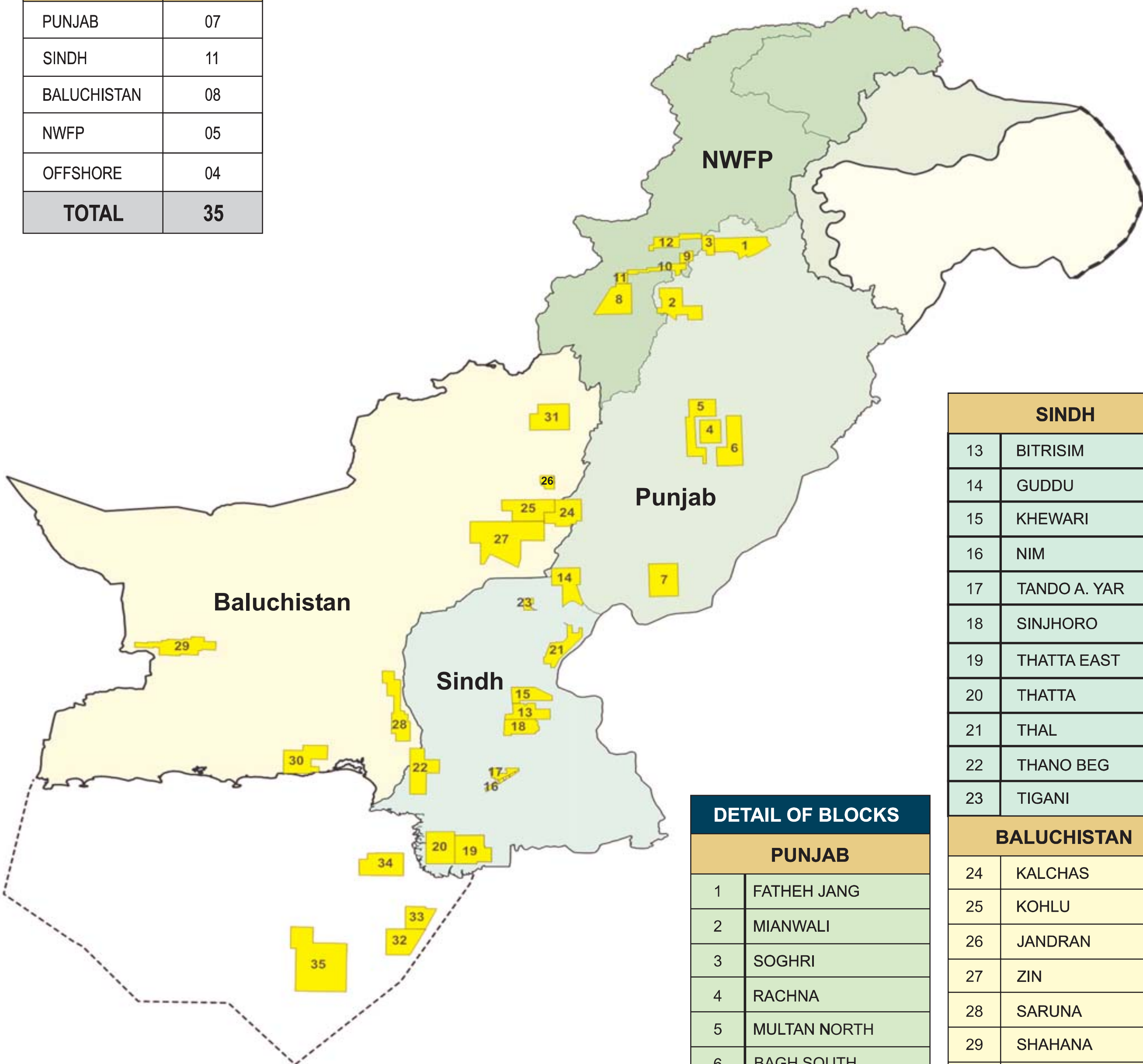
Exploration Licenses
held by OGDCL as on 30 June 2009

Sr. No.	Blocks	Districts/Province	Area (Sq.Kms)	Date of Grant	Working Interest
100% Own Concessions					
1	Fateh Jang	Islamabad, Rawalpindi & Attock, Punjab	2,136.46	05-11-02	OGDCL 100%
2	Jandran	Loralai, Barkhan & Kohlu Agency, Balochistan	408.00	20-09-89	OGDCL 100%
3	Rachna	Lieah, Jhang, Tobatek Singh, Khanewal & Muzaffar Garh, Punjab	1,189.55	08-11-03	OGDCL 100%
4	Saruna	Khuzdar & Lasbella, Balochistan	2,431.62	17-02-04	OGDCL 100%
5	Shahana	Kharan & Panjgur, Balochistan	2,445.06	29-12-04	OGDCL 100%
6	Multan North	Lieah, Jhang, Khanewal, Multan & Muzaffar Garh, Punjab	2,498.97	11-02-05	OGDCL 100%
7	Samandar	Awaran & Uthal, Balochistan	2,495.33	06-07-05	OGDCL 100%
8	Thatta	Thatta, Sindh	2,438.85	20-09-05	OGDCL 100%
9	Bagh South	Jhang, Tobatek Singh, Khanewal, Sahiwal & Vihari, Punjab	2,497.05	24-10-05	OGDCL 100%
10	Thatta East	Thatta, Sindh	2,459.39	24-10-05	OGDCL 100%
11	Khiranwala	Bahawalpur & Rahim Yar Khan, Punjab	2,497.35	24-10-05	OGDCL 100%
12	Latamber	Waziristan Agency, Karak & Banuu, NWFP	331.47	24-10-05	OGDCL 100%
13	Tigani	Shikarpur, Jacobabad & Sukkur, Sindh	270.60	13-02-06	OGDCL 100%
14	Thano Beg	Lasbela, Dadu & Karachi, Sindh	2,404.73	13-02-06	OGDCL 100%
15	Thal	Khairpur, Sukkur & Ghotki, Sindh	1,622.67	13-02-06	OGDCL 100%
16	Wali	North & South Waziristan Agencies, Banuu & Lakki Marwat, NWFP	2,179.26	31-05-06	OGDCL 100%
17	Mianwali	Mianwali, Chakwal & Khushab, Punjab	2,280.91	31-05-06	OGDCL 100%
18	Soghri	Kohat & Attock, NWFP/Punjab	588.09	31-05-06	OGDCL 100%
19	Offshore Indus-S	Offshore Area	2,129.91	23-03-07	OGDCL 100%
20	Offshore Indus-R	Offshore Area	1,492.23	19-04-07	OGDCL 100%
21	Eastern Offshore Indus-A	Offshore Area	2,500.00	05-07-07	OGDCL 100%
22	Shaan	Qila Saifullah, Zoib, Musa Khel Bazar, Balochistan	2,489.80	13-07-07	OGDCL 100%
			41,787.30		
Operated JV Concessions (OGDCL 95% & GHPL 5%)					
1	Bitrisim	Nawabshah & Khairpur, Sindh	1,445.11	27-09-97	OGDCL 95%, GHPL 5%
2	Khewari	Nawabshah & Khairpur, Sindh	1,276.40	29-12-99	OGDCL 95%, GHPL 5%
3	Nim	Tharparkar & Hyderabad, Sindh	234.76	23-11-04	OGDCL 95%, GHPL 5%
4	Tando Allah Yar	Hyderabad, Sindh	403.34	27-09-97	OGDCL 95%, GHPL 5%
5	Zin	Mari Baugti, Nasirabad & Kachhi, Balochistan	5,559.74	15-08-99	OGDCL 95%, GHPL 5%
			8,919.35		
Operated JV Concessions (with other E & P Companies)					
1	Indus-G	Offshore Area	7,466.02	22-10-99	OGDCL 50%, Petrobrass 50%
2	Gurgalot	Kohat & Attock, NWFP/Punjab	347.84	28-06-00	OGDCL 75%, POL 20%, GHPL 5%
3	Nashpa	Attock, Mianwali, Kohat, Karak & N.W. Agency, Punjab/NWFP	778.94	16-04-02	OGDCL 65%, PPL 30%, GHPL 5%
4	Kohat	Kohat, Nowshera & Peshawar, NWFP	1,107.21	27-04-05	OGDCL 40%, Tullow 30%, MGCL 20%, Saif Energy 10%
5	Sinjhoro	Sanghar & Khairpur, Sindh	1,283.43	29-12-99	OGDCL 76%, OPI 19%, GHPL 5%
6	Kalchas	Kohlu, Dera Bugti & D.G. Khan, Balochistan/Punjab	2,068.32	29-12-04	OGDCL 50%, MGCL 20%, Tullow 30%
7	Kohlu	Kohlu, Dera Bugti & Barkan, Balochistan	2,459.11	29-12-04	OGDCL 40%, MGCL 30%, Tullow 30%
8	Guddu	Rajanpur, Rahim Yar Khan, Sukkur & Jacobabad, Punjab/Sindh	2,093.40	17-02-07	OGDCL 70%, IPR 25%, GHPL 5%
			17,604.27		
			68,310.92		
Non-operated JV Concessions					
1	Block-28	Sibbi, Kohlu & Loralai, Balochistan	6,200.00	14-01-91	Tullow 95%, OGDCL 5%
2	Bunnu West	Bannu & North Waziristan, NWFP & Tribal Areas	1,229.57	27-04-05	Tullow 40%, OGDCL 40%, MGCL 10%, SEL 10%
3	Tal Block	Kohat, Karak & Bannu, NWFP & Tribal Areas	3,714.78	11-02-99	MOL 10%, OGDCL 30%, PPL 30%, POL 25%, GHPL 5%
4	Sari South	Jamshoro,Thatta & Malir, Sindh	535.33	25-10-05	SEL 30%, OGDCL 50%, OMV 20%
5	Offshore Indus-U	Offshore Area	6,294.28	21-07-06	BPXA 72.5%, OGDCL 27.5%
6	Offshore Indus-V	Offshore Area	7,377.03	21-07-06	BPXA 72.5%, OGDCL 27.5%
7	Offshore Indus-W	Offshore Area	7,270.17	21-07-06	BPXA 80%, OGDCL 20%
			32,621.16		

Concession Map (Exploration Licenses)

as on 30 June 2009

TOTAL BLOCKS	
PROVINCE	NO. OF BLOCKS
PUNJAB	07
SINDH	11
BALUCHISTAN	08
NWFP	05
OFFSHORE	04
TOTAL	**35**



DETAIL OF BLOCKS

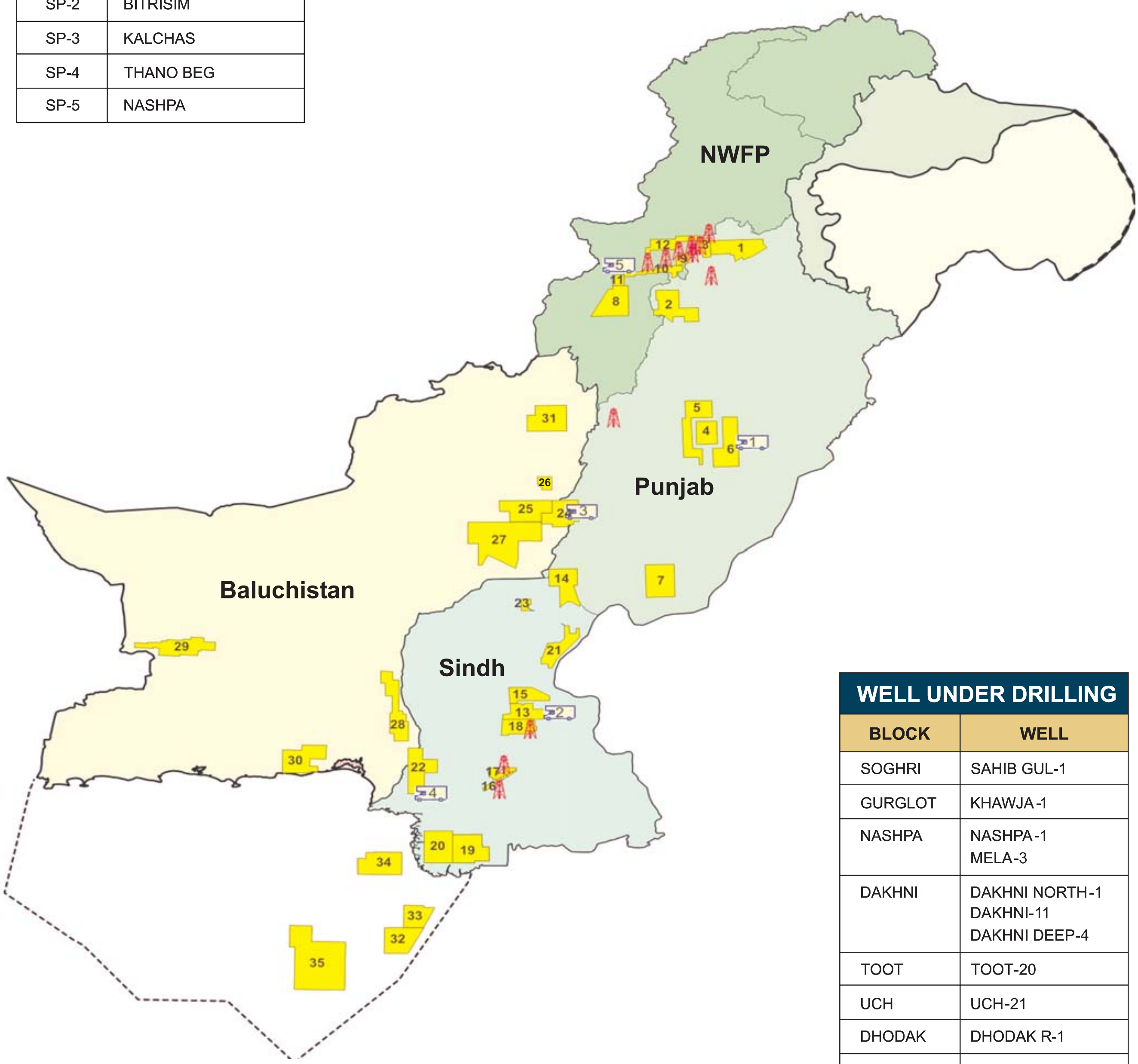
PUNJAB	
1	FATHEH JANG
2	MIANWALI
3	SOGHRI
4	RACHNA
5	MULTAN NORTH
6	BAGH SOUTH
7	KHIRANWALA
NWFP	
8	WALI
9	GURGLOT
10	NASHPA
11	LATAMBER
12	KOHAT
SINDH	
13	BITRISIM
14	GUDDU
15	KHEWARI
16	NIM
17	TANDO A. YAR
18	SINJHORO
19	THATTA EAST
20	THATTA
21	THAL
22	THANO BEG
23	TIGANI
BALUCHISTAN	
24	KALCHAS
25	KOHLU
26	JANDRAN
27	ZIN
28	SARUNA
29	SHAHANA
30	SAMANDAR
31	SHAAN
OFFSHORE	
32	OFFSHORE INDUS S
33	OFFSHORE INDUS R
34	EASTERN OFFSHORE INDUS A
35	INDUS G

Activity Map

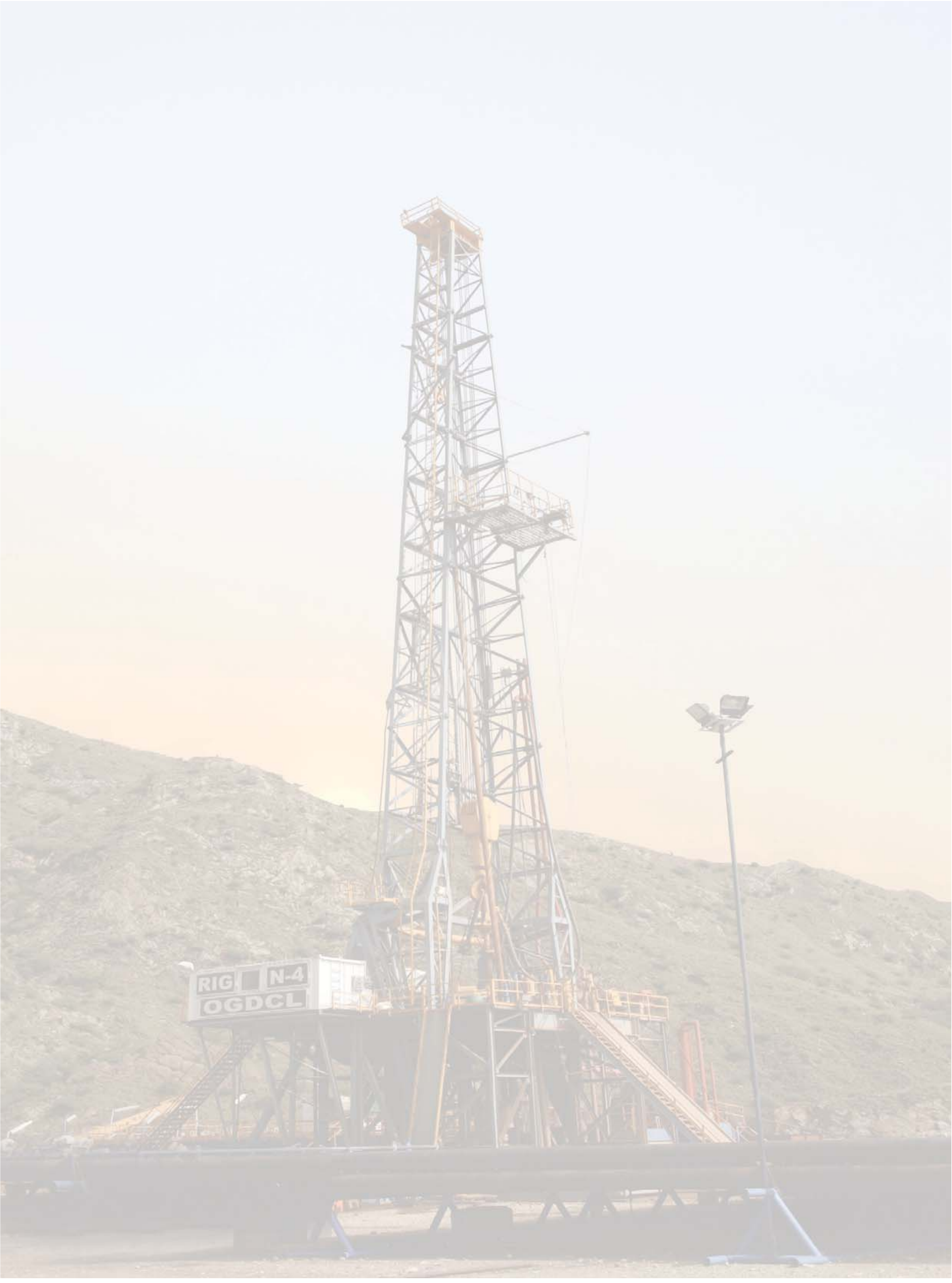
as on 30 June 2009

SEISMIC ACQUISITION	
CREW	**BLOCK**
SP-1	MULTAN NORTH
SP-2	BITRISIM
SP-3	KALCHAS
SP-4	THANO BEG
SP-5	NASHPA

OGDCL's exploration activities are extended in all the four Provinces and Offshore



WELL UNDER DRILLING	
BLOCK	**WELL**
SOGHRI	SAHIB GUL-1
GURGLOT	KHAWJA-1
NASHPA	NASHPA-1 MELA-3
DAKHNI	DAKHNI NORTH-1 DAKHNI-11 DAKHNI DEEP-4
TOOT	TOOT-20
UCH	UCH-21
DHODAK	DHODAK R-1
QADIRPUR	QADIRPUR-39
GUDDU	RETI-1
SINJHORO	BALOCH-1
NIM	RIND BALOCH-1
T. A. YAR	TANDO JAM-1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OGDCL

Development and Production/Mining Leases (D&PL)

held by OGDCL as on 30 June 2009

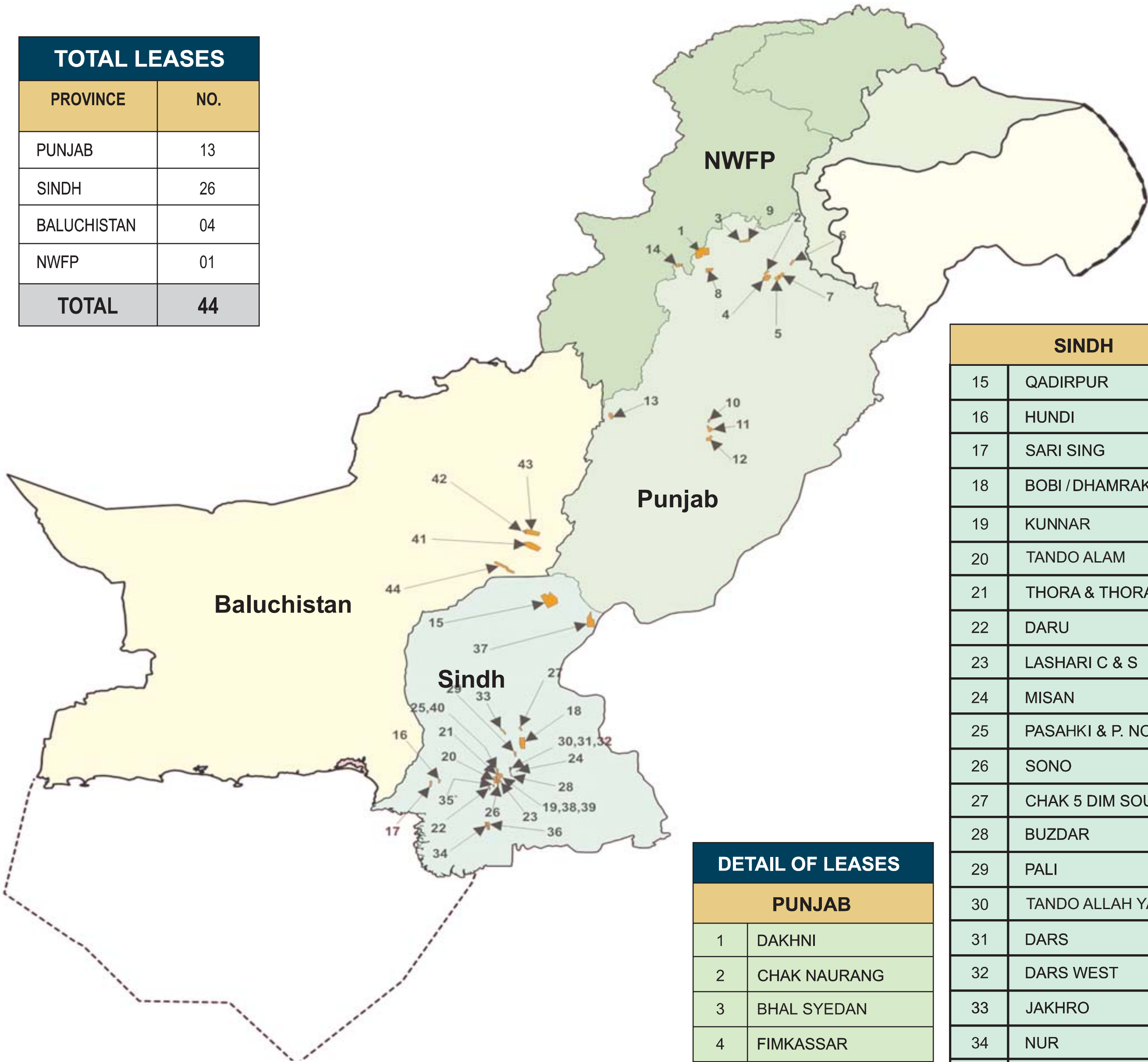
Sr. No.	Lease	Districts/Province	Area (Sq.Kms)	Date of Grant
Own and Operated JV Leases				
1	Fimkassar	Chakwal, Punjab	27.98	19-12-92
2	Bhal Syedan	Attock, Punjab	16.41	30-06-02
3	Chak Naurang (ML)	Chakwal, Punjab	72.70	14-11-08
4	Chanda	Kohat, NWFP	32.32	01-06-02
5	Dakhni (ML)	Attock, Punjab & Kohat, NWFP	267.80	23-04-04
6	Kal	Chakwal, Punjab	41.96	01-01-05
7	Missakeswal	Rawalpindi, Punjab	23.43	11-04-94
8	Rajian	Chakwal & Jehlum, Punjab	39.09	28-02-06
9	Sadkal	Attock, Punjab	26.77	24-01-94
10	Toot (ML)	Attock, Punjab	67.62	01-11-08
11	Qadirpur	Jacobabad & Sukkur, Sindh	389.16	18-10-92
12	Dhodak	Dera Gazi Khan, Punjab	41.92	01-02-95
13	Loti (ML)	Dera Bugti Agency, Balochistan	204.19	14-11-06
14	Nandpur	Multan & Jhang, Punjab	45.05	12-03-96
15	Punjpir	Multan & Jhang, Punjab	45.18	12-03-96
16	Pirkoh ML (Additional)	Dera Bugti Agency, Balochistan	13.57	14-07-08
17	Pirkoh	Sibi (Bugti Tribal Territory), Balochistan	141.69	08-08-02
18	Bahu	Jhang, Punjab	11.22	19-05-08
19	Sara West	Ghotki, Sindh	168.41	08-06-01
20	Uch	Dera Bugti, Balochistan	121.00	01-07-96
21	Bagla	Thatta & Badin, Sindh	29.70	27-02-06
22	Bobi / Dhamarkhi (ML)	Sanghar, Sindh	128.98	23-01-90
23	Buzdar & Buzdar North	Hyderabad, Sindh	49.80	13-12-99
24	Chak 5 Dim South	Sanghar, Sindh	15.92	18-03-96
25	Dars	Hyderabad, Sindh	6.02	24-01-05
26	Dars West	Hyderabad, Sindh	5.199	24-01-05
27	Daru	Thatta, Sindh	10.26	07-04-90
28	Hundi	Dadu & Hyderabad, Sindh	15.04	21-09-02
29	Jakhro	Sanghar, Sindh	35.05	13-02-02
30	Kunnar Deep (ML)	Hyderabad, Sindh	16.07	17-05-08
31	Kunnar West (ML)	Hyderabad, Sindh	3.13	17-05-09
32	Kunnar (ML)	Hyderabad, Sindh	34.21	23-01-90
33	Lashari Centre & South	Hyderabad, Sindh	23.15	25-06-89
34	Missan	Hyderabad, Sindh	2.33	12-07-99
35	Noorai Jagir	Hyderabad, Sindh	2.43	16-08-08
36	Nur	Thatta & Badin, Sindh	30.64	27-02-06
37	Pali	Sanghar, Sindh	16.43	17-11-01
38	Pasahki Deep	Hyderabad, Sindh	18.08	17-05-08
39	Pasahki & Pasahki North	Hyderabad, Sindh	27.95	27-01-90
40	Sari Sing	Dadu & Hyderabad, Sindh	25.60	30-07-08
41	Sono	Hyderabad, Sindh	25.08	23-07-89
42	Tando Alam (ML)	Hyderabad, Sindh	38.64	30-07-05
43	Tando Allah Yar	Hyderabad, Sindh	3.35	24-01-05
44	Thora / Thora East & Thora Additional (ML)	Hyderabad, Sindh	15.20	23-01-90

Sr. No.	Lease	Districts/Province	Area (Sq.Kms)	Operator	Partners
Non-Operated JV Leases					
1	Badin-II	Tando Muhammad Khan, Thatta & Badin, Sindh	186.05	BPP 51%	OGDCL 49%
2	Badin-II Rev	Thatta, Hyderabad & Badin, Sindh	33.88	BPP 76%	OGDCL 24%
3	Badin-III	Tando Muhammad Khan, Thatta & Badin, Sindh	40.63	BPP 60%	OGDCL 15%, GHPL 25%
4	Manzalai	Karak, Kohat & Bannu, NWFP & Tribal Areas	382.89	MOL 8.42%	OGDCL 27.028%, PPL 27.028%, GHPL 15%, POL 22.524%
5	Adhi	Rawalpindi & Jehlum, Punjab	199.68	PPL 39%	OGDCL 50%, POL 11%
6	Ratana	Attock, Punjab	214.50	OPII 65.91%	OGDCL 25%, AOC 4.545%, POL 4.545%
7	Dhurnal	Attock, Punjab	64.13	OPII 70%	OGDCL 20%, AOC 5%, POL 5%
8	Bhangali	Gujjar Khan, Punjab	45.30	OPII 40%	OGDCL 50%, AOC 3%, POL 7%
9	Bhit	Dadu, Sindh	250.08	ENI 40%	OGDCL 20%, PKP 6%, PKP-II 6%, Shell 28%
10	Badhra	Dadu, Sindh	230.26	ENI 40%	OGDCL 20%, PKP 6%, PKP-II 6%, Shell 28%
11	Kadanwari	Khairpur, Sindh	457.82	ENI 18.42%	OGDCL 50%, PKP 15.79%, PKP-II 15.79%
12	Miano	Sukkur, Sindh	815.00	OMV 17.68%	OGDCL 52%, PPL 15.16%, ENI 15.16%
13	Pindori	Chakwal, Punjab	86.58	POL 35%	OGDCL 50%, AOC 15%
14	Badar	Jacobabad, Sindh	123.00	PEL 26.32%	OGDCL 50%, SHERRITT 15.79%, Novus 7.89%
15	Sara & Suri	Ghotki, Sindh	106.54	Tullow 38.1818%	OGDCL 40%, POL 15.54%, AOC 7.27%

Lease Map (D&PL)

as on 30 June 2009

TOTAL LEASES	
PROVINCE	NO.
PUNJAB	13
SINDH	26
BALUCHISTAN	04
NWFP	01
TOTAL	**44**



DETAIL OF LEASES

PUNJAB	
1	DAKHNI
2	CHAK NAURANG
3	BHAL SYEDAN
4	FIMKASSAR
5	KAL
6	MISSAKESWAL
7	RAJIAN
8	TOOT
9	SADKAL
10	BAHU
11	PANJPIR
12	NANDPUR
13	DHODAK
NWFP	
14	CHANDA

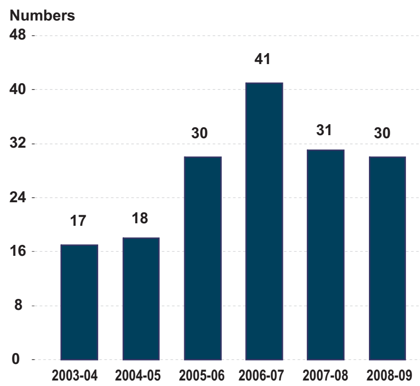
SINDH	
15	QADIRPUR
16	HUNDI
17	SARI SING
18	BOBI / DHAMRAKHI
19	KUNNAR
20	TANDO ALAM
21	THORA & THORA EAST
22	DARU
23	LASHARI C & S
24	MISAN
25	PASAHKI & P. NORTH
26	SONO
27	CHAK 5 DIM SOUTH
28	BUZDAR
29	PALI
30	TANDO ALLAH YAR
31	DARS
32	DARS WEST
33	JAKHRO
34	NUR
35	NOORAI JAGIR
36	BAGLA
37	SARA WEST
38	KUNNAR DEEP
39	KUNNAR WEST
40	PASAHKI DEEP
BALUCHISTAN	
41	LOTI
42	PIRKOH ADD
43	PIRKOH
44	UCH

Six Years Summary

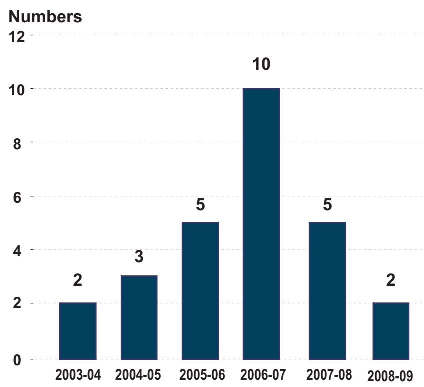
	UOM	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Operational Performance							
Seismic Survey - 2D	L. Kms	2,060	1,891	4,902	3,282	2,889	5,129
- 3D	Sq. Kms	148	262	395	661	1,067	1,128
Exploratory & Development Wells Spudded	Numbers	17	18	30	41	31	30
Oil & Gas Discoveries	Numbers	2	3	5	10	5	2
Quantity Sold							
Crude Oil	Thousand bbl	9,941	13,045	12,956	13,930	15,037	14,438
Gas	MMcf	297,224	345,949	344,164	344,032	358,868	364,036
LPG	M.Tons	101,322	120,063	128,654	139,480	125,482	79,145
Sulphur	M.Tons	18,917	25,884	22,006	16,638	29,065	24,673
White Petroleum Products	Thousand bbl	890	885	959	895	547	148
Financial Results							
Net Sales	Rs in billion	52.62	74.85	97.31	100.73	125.91	130.83
Other Revenues	Rs in billion	0.01	0.03	0.03	0.04	0.04	0.06
Profit Before Taxation	Rs in billion	31.18	49.10	65.76	60.75	78.31	80.93
Profit for the Year	Rs in billion	22.86	33.01	45.80	45.25	44.34	55.54
Dividend Declared	Rs in billion	17.20	32.26	38.71	38.71	40.86	35.48
Balance Sheet							
Share Capital	Rs in billion	43.01	43.01	43.01	43.01	43.01	43.01
Reserves	Rs in billion	40.18	47.06	58.46	63.93	67.41	83.16
Non Current Liabilities	Rs in billion	17.36	19.62	16.65	18.55	20.46	30.53
Current Liabilities	Rs in billion	4.40	13.59	11.09	11.26	21.44	21.29
Total Equity and Liabilities	Rs in billion	**104.94**	**123.28**	**129.21**	**136.75**	**152.31**	**177.99**
Fixed Assets	Rs in billion	42.74	45.73	47.77	57.49	67.71	86.32
Long Term Investments, Loans, Rec. & Prepayments	Rs in billion	4.34	4.84	4.62	4.34	4.78	4.84
Current Assets	Rs in billion	57.87	72.71	76.82	74.92	79.82	86.83
Total Assets	Rs in billion	**104.94**	**123.28**	**129.21**	**136.75**	**152.31**	**177.99**
Cash Flow Summary							
Net Cash from Operating Activities	Rs in billion	25.36	40.18	43.50	37.21	51.60	52.98
Net Cash used in Investing Activities	Rs in billion	(3.98)	(8.29)	(7.04)	(12.72)	(15.59)	(22.91)
Net Cash used in Financing Activities	Rs in billion	(14.34)	(18.62)	(41.44)	(38.15)	(41.47)	(39.41)
(Decrease)/Increase in Cash and Cash Equivalent	Rs in billion	**7.03**	**13.27**	**(4.99)**	**(13.66)**	**(5.46)**	**(9.34)**
Cash and Cash Equivalent at beginning of the Year	Rs in billion	22.08	29.11	42.38	37.39	23.74	18.28
Cash and Cash Equivalent at end of the Year	Rs in billion	**29.11**	**42.38**	**37.39**	**23.74**	**18.28**	**8.94**
Key Indicators							
Earnings Per Share (EPS)	Rupees	5.31	7.68	10.65	10.52	10.31	12.91
Gross Profit Margin	%	68%	71%	72%	69%	69%	70%
Net Profit Margin	%	43%	44%	47%	45%	35%	42%
EBITDA	Rs in billion	36.24	55.33	70.94	67.47	87.41	92.20
EBITDA Margin	%	69%	74%	73%	67%	69%	70%
Current Ratio	Times	13.15	5.35	6.92	6.65	3.72	4.08
Quick Ratio	Times	11.23	4.76	5.89	5.44	2.94	3.25
Debtors Turnover Ratio	Times	3.94	4.66	4.50	3.84	3.66	2.70
Total Assets Turnover Ratio	%	53%	66%	77%	76%	87%	79%
Return on Average Capital Employed	%	29%	38%	48%	43%	41%	47%
Return on Assets/Return on Investment (ROI)	%	23%	29%	36%	34%	31%	34%
Break-up Value Per Share	Rupees	19.34	20.94	23.59	24.86	25.67	29.34
Market Price Per Share - As on June 30	Rupees	64.50	105.30	136.75	119.80	124.36	78.64
- High during the Year		71.25	189.75	168.80	156.00	140.80	125.49
- Low during the Year		36.10	58.40	98.55	113.20	104.90	40.56
Price Earning Ratio	Times	12.14	13.71	12.84	11.39	12.06	6.09
Dividend Per Share	Rupees	4.00	7.50	9.00	9.00	9.50	8.25
Dividend Payout Ratio	%	75%	98%	85%	86%	92%	64%
Dividend Yield Ratio	%	6%	7%	7%	8%	8%	10%
Dividend Cover Ratio	Times	1.33	1.02	1.18	1.17	1.09	1.57
Contribution to National Exchequer	Rs in billion	39.58	61.46	79.66	78.31	99.75	86.45

Note: Comparative operational and financial information is inclusive of figures of Pirkoh Gas Company (Pvt) Ltd. (PGCL), formerly wholly owned subsidiary of the Company. PGCL has been merged with OGDCL effective 01 January 2009.

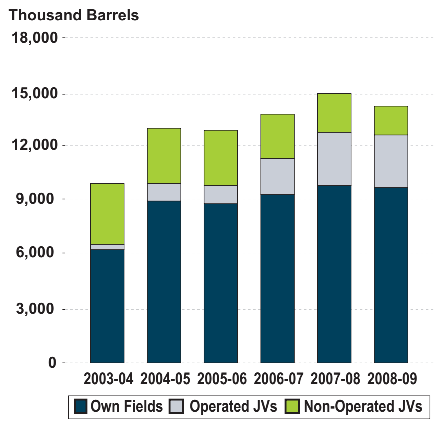
Wells Spudded



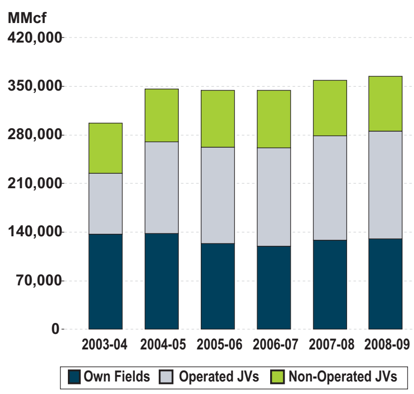
Discoveries



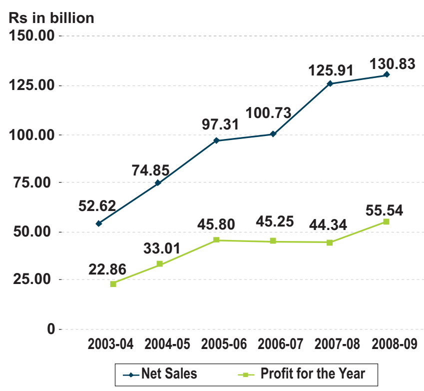
Quantity Sold - Crude Oil



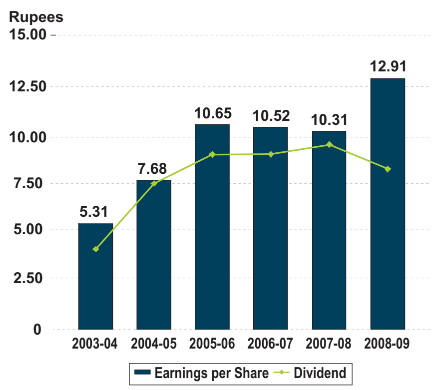
Quantity Sold - Gas



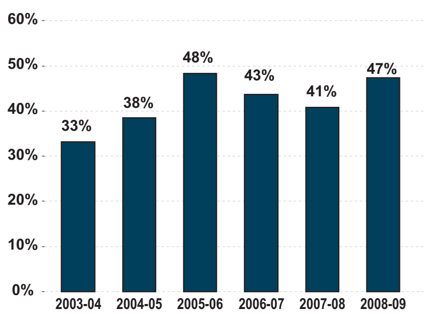
Net Sales Vs Profit for the Year



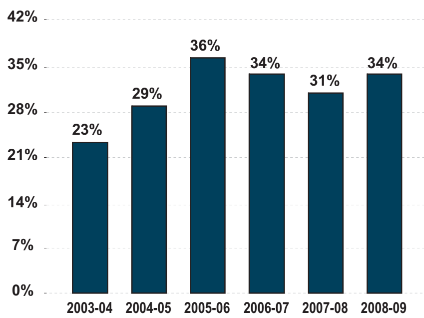
Dividend and Earnings per Share



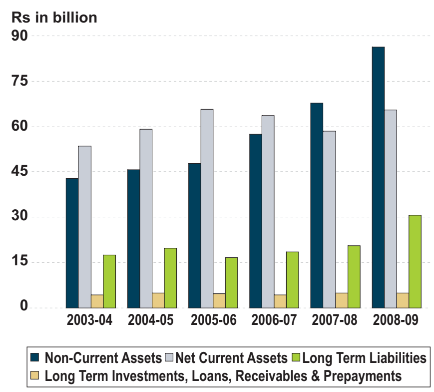
Return on Average Capital Employed



Return on Assets



Assets and Liabilities



Vertical and Horizontal Analysis

Vertical Analysis

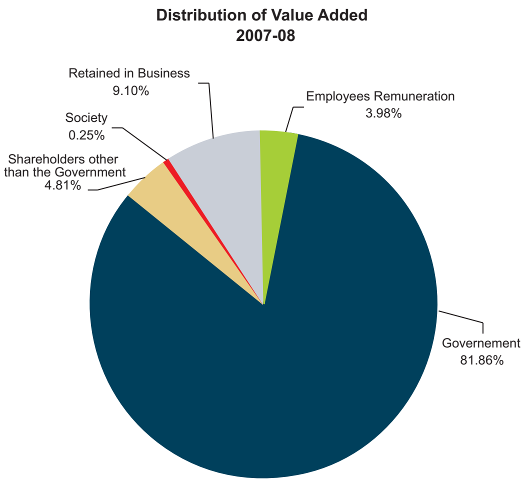
Profit and Loss Account	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Net Sales	100.0	100.0	100.0	100.0	100.0	100.0
Royalty	10.9	11.0	11.2	10.9	13.8	11.6
Operating Expenses including Amortization	20.0	17.1	16.3	19.0	15.6	17.3
Transportation Charges	1.0	1.0	1.0	1.1	1.2	1.2
Gross Profit	**68.0**	**70.9**	**71.5**	**69.0**	**69.5**	**69.9**
Other Income	2.6	3.0	4.5	4.0	3.1	2.6
Exploration and Prospecting Expenditure	6.5	3.6	3.8	7.4	5.3	5.7
General and Administration Expenses	1.8	1.3	1.1	1.3	1.0	1.0
Provision for Impairment Loss	-	-	-	0.4	0.3	-
Finance Cost	0.1	0.0	0.0	0.5	0.4	0.7
Workers' Profit Participation Fund	3.1	3.5	3.6	3.2	3.5	3.3
Share of Profit in Associate	0.0	0.0	0.0	0.0	0.0	0.0
Profit before Taxation	**59.3**	**65.6**	**67.6**	**60.3**	**62.2**	**61.9**
Taxation	15.8	21.5	20.5	15.4	27.0	19.4
Profit for the Year	**43.4**	**44.1**	**47.1**	**44.9**	**35.2**	**42.5**
Balance Sheet						
Share Capital & Reserves	79.3	73.1	78.5	78.2	72.5	70.9
Non Current Liabilities	16.5	15.9	12.9	13.6	13.4	17.2
Current Liabilities	4.2	11.0	8.6	8.2	14.1	12.0
Total Equity and Liabilities	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Non Current Assets	44.9	41.0	40.5	45.2	47.6	51.2
Current Assets	55.1	59.0	59.5	54.8	52.4	48.8
Total Assets	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

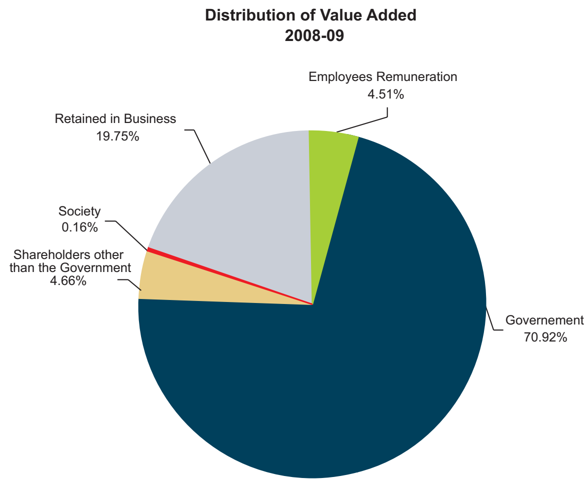
Horizontal Analysis

Profit and Loss Account	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Net Sales	100.0	142.3	184.9	191.4	239.3	248.6
Royalty	100.0	144.0	190.9	190.7	302.1	264.3
Operating Expenses including Amortization	100.0	121.1	149.9	181.7	185.9	214.9
Transportation Charges	100.0	138.5	171.6	198.2	268.3	277.4
Gross Profit	**100.0**	**148.3**	**194.5**	**194.3**	**244.5**	**255.6**
Other Income	100.0	159.4	313.6	286.4	277.8	242.2
Exploration and Prospecting Expenditure	100.0	78.6	108.3	218.0	194.6	219.5
General and Administration Expenses	100.0	101.1	116.0	138.9	134.5	143.6
Provision for Impairment Loss	-	-	-	100.0	85.1	-
Finance Cost	100.0	15.8	25.9	1,382.2	1,392.9	2,402.9
Workers' Profit Participation Fund	100.0	158.0	212.1	195.9	267.4	259.6
Share of Profit in Associate	100.0	419.2	449.3	574.9	579.5	745.8
Profit before Taxation	**100.0**	**157.5**	**210.9**	**194.9**	**251.2**	**259.6**
Taxation	100.0	193.3	239.8	186.3	408.2	305.1
Profit for the Year	**100.0**	**144.4**	**200.4**	**198.0**	**194.0**	**243.0**
Balance Sheet						
Share Capital & Reserves	100.0	108.3	122.0	128.5	132.7	151.7
Non Current Liabilities	100.0	113.1	95.9	106.9	117.9	175.9
Current Liabilities	100.0	308.7	252.1	255.8	487.1	483.7
Total Equity and Liabilities	**100.0**	**117.5**	**123.1**	**130.3**	**145.1**	**169.6**
Non Current Assets	100.0	107.4	111.3	131.3	154.0	193.7
Current Assets	100.0	125.6	132.7	129.5	137.9	150.0
Total Assets	**100.0**	**117.5**	**123.1**	**130.3**	**145.1**	**169.6**

Statement of Value Addition

	2007-08	2008-09
	(Rs in million)	
Gross Revenue	139,626	142,913
Less:		
Operating, General and Administration, Transportation & Exploration Expenses	15,478	17,506
	124,148	**125,407**
Add:		
Income from Financial Assets	3,500	2,539
Income from Non-Financial Assets	365	832
Other	45	58
Less:		
Other Expenses	856	926
Total Value Added	**127,202**	**127,909**
Distribution:		
Employees as Remuneration	**5,062**	**5,768**
Governement as		
Corporate Tax	33,969	25,388
Dividends	34,739	33,824
Levies - Sales Tax	12,146	10,534
Excise Duty	1,511	1,505
Development Surcharge	61	45
Royalty	17,320	15,156
Workers' Profit Participation Fund	4,387	4,259
	104,133	**99,711**
Shareholders other than the Government as		
Dividends	**6,121**	**5,960**
To Society	**316**	**200**
Retained in Business		
Capital Reserve	229	155
Depreciation	3,130	3,306
Amortization	4,961	6,208
Net Earning/Unappropriated Profit	3,250	15,601
	11,570	**25,270**
Total Value Added	**127,202**	**127,909**





Directors' Report

The Directors of Oil & Gas Development Company Limited are pleased to present their report and the audited financial statements for the year ended 30 June 2009, together with Auditors' Report thereon.

The year 2008-09 was yet another year of sustained progress across key business areas. Despite decline in crude oil and LPG production, Company's operational performance together with high realized prices in rupee term led to the delivery of improved financial results which exceeded the results achieved during last year. This progress was due to the dedicated efforts of employees under the able guidance of the Management and the Board of Directors. Going forward, considering the results achieved during the year under review, we remain confident of Company's sustainable growth in future.

During the year under review, Company's sales and profitability continued to record a rising trend as its sales revenue and profit for the year increased to Rs 130.830 billion and Rs 55.540 billion respectively resulting into Earnings Per Share (EPS) of Rs 12.91 compared to Rs 10.31 of last year.

On the operational front, Company was able to complete 5,129 L. Kms of 2-D and 1,128 Sq. Kms of 3-D Seismic Survey in the various exploration blocks and spudded thirty (30) new exploratory/appraisal and development wells. Company's exploratory efforts resulted into discovery of two gas/condensate fields at Kunnar South-1 and Pasahki West Deep-1. Both the discovered fields are located in Sindh province. Subsequently, on 12 August 2009 another gas discovery was made by the Company at Reti-1A in Guddu Exploration License, District Ghotki, Sindh province.

OGDCL's production on working interest basis averaged 41,019 barrels of oil per day (bopd), 1,001 MMcfd of gas, 218 M.Tons/day of LPG and 64 M.Tons/day of sulphur. Seventeen (17) new wells namely Dakhni Deep-2, Dhodak Deep-1, Nandpur-10, Kal-3, Pasahki-5, Pasahki-6, Thora-7, Kunnar-8, Qadirpur-33, Qadirpur-35, Qadirpur-36, Qadirpur-37, Qadirpur-38, Qadirpur/HRL-2, Qadirpur/HRL-3, Qadirpur/HRL-4, and Qadirpur/HRL-5 were brought into production.

MERGER OF SUBSIDIARY COMPANY

Board of Directors of OGDCL and its 100% owned subsidiary, Pirkoh Gas Company (Pvt) Limited (PGCL), in their meetings of 20 August 2008 and 19 August 2008 respectively approved merger of PGCL with OGDCL with effect from 01 July 2008. Consequently, on the directions of the Honorable Islamabad High Court, meetings of the members of both the Companies were held on 24 December 2008 under the chairmanship of Registrar of Companies to consider and approve the scheme of merger. The members of both the Companies approved the scheme of merger which was subject to sanction by the Honorable Islamabad High Court. On 28 January 2009, the Honorable Islamabad High Court approved the scheme of merger with effect from 01 January 2009. Audited financial statements of PGCL for six months ended 31 December 2008 were approved by the Board of Directors of PGCL for merger of the Company with OGDCL and therefore, the process of merger was completed effective 01 January 2009 and Company's financial statements for the year ended 30 June 2009 have been prepared after implementation of the merger scheme.

FORMULATION OF STRATEGIC DIRECTION

Pursuant to the resolution passed by the Board of Directors in its meeting held on 20 January 2009, a Strategic Direction Workshop was organized by the Company on 27-29 March 2009 which was attended by the Board Members and Senior Management of OGDCL. The purpose of holding this workshop was to revisit the Strategic Direction of the Company with the objectives of revamping the Vision & Mission Statements, devising initiatives in line with revised Vision & Mission Statements and chalking out action plans to be completed to attain the new goals. During the three-day workshop, the participants reviewed and deliberated upon many aspects of formulating the Strategic Direction of the Company including approval of new Vision & Mission Statements and Financial, Learning & Growth, and Internal Process improvement goals. In order to achieve new goals/targets specific initiatives with responsibilities were identified and action plans were agreed for implementation.

AWARDS CONFERRED

Best Corporate Reports Award

OGDCL Annual Report for the year 2008 has won the Best

Mr. Zahid Hussain, MD/CEO OGDCL receiving Environment Excellence Award 2009 from Federal Minister for Environment Mr. Hameedullah Jan Afridi

Corporate Reports Award evaluated by the Joint Committee of Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost & Management Accountants of Pakistan (ICMAP). OGDCL has been ranked amongst the list of winners of the Best Corporate Reports Award for the third consecutive year.

Environment Excellence Award 2009

OGDCL has won the 6th National Forum for Environment and Health (NFEH) Environment Excellence Award 2009 on account of its excellent environmental initiatives and successful implementation of environmental management systems at major sites. The National Forum for Environment and Health (NFEH) organized the 6th Annual Environment Excellence Awards 2009 in Karachi. The event was held in collaboration with United Nations Environment Programme. Federal Minister for Environment, Mr. Hameedullah Jan Afridi was the chief guest on the occasion, and Sindh Minister for Environment and Alternative Energy, Mr. Askari Taqvi was the guest of honor.

Corporate Excellence Certificate

OGDCL also received 26th Corporate Excellence Certificate on account of good corporate governance and best management practices. Management Association of Pakistan (MAP) organized the ceremony. MAP is committed to excellence in management through human capital development, creating awareness and recognizing best management practices to enhance the competitiveness.

Corporate Philanthropy Award

The Pakistan Centre for Philanthropy (PCP) is an independent non-profit support organization with a mission to promote the volume and effectiveness of Philanthropy for social development in Pakistan. The PCP seeks to promote altruistic efforts of national and international philanthropists (individual, corporate and diaspora) and as an acknowledgment of corporate contribution, continues to honor leading endeavors of supporting social causes and community development. Based on yearly ranking, awards are given to the top 25 companies. Awards were presented to 5 top performing companies by volume of donations as well as to 5 best performing companies giving the highest percentage of profit before tax (PBT) as donations for the year 2007, OGDCL was ranked 2nd in the category of donations by volume. The award was presented by Mr. Shoukat Tareen, Advisor to the Prime Minister for Finance, Revenue, Economic Affairs and Statistics. Mr. Zahid Hussain, MD/CEO, OGDCL received the award as an acknowledgment of OGDCL's efforts for this noble cause.

Mr. Aftab Ahmad, ED Finance/CFO OGDCL receives the Corporate Report Award from Syed Salim Raza, Governor, State Bank of Pakistan

FINANCIAL RESULTS

During the year under review, Company's total sales revenue grew by 3.9% to Rs 130.830 billion compared with Rs 125.908 billion in 2007-08. Increase in product sales revenue is mainly on account of increase in revenue from sale of gas which grew by Rs 13.070 billion on account of increase in realized prices and enhanced sales volume. However, this increase in product sales revenue was partially offset by Rs 8.124 billion due to decline in realized prices and sale volume of crude oil, LPG, naphtha, sulphur and other petroleum products, resulted into a net increase of Rs 4.946 billion in product sales revenue. Net realized prices of crude oil, gas and LPG averaged at US$ 55.53/bbl, Rs 174.78/Mcf and Rs 36,935/M.Ton respectively compared to US$ 71.29/bbl, Rs 140.88/Mcf and Rs 36,567/M.Ton respectively during last year.

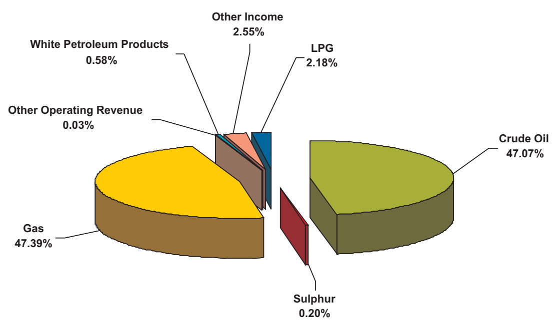
Profit before taxation for the year under review was Rs 80.928 billion compared to Rs 78.307 billion during last year. Compared with increase in profit before taxation by 3.3%, profit for the year increased by 25.3% to Rs 55.540 billion compared to Rs 44.338 billion in 2007-08. Increase in profit for the year is mainly due to decrease in provision for taxation by Rs 8.581 billion and decrease in royalty by Rs 2.165 billion. During 2007-08, tax charge of litigious taxation issues for prior years was incorporated after Board's approval and royalty levied on condensate and LPG from Dhodak & Dakhni fields and royalty levied on gross proceeds from Uch gas from date of inception was recorded. Increase in profit for the year resulted into Earnings Per Share (EPS) of Rs 12.91 compared to Rs 10.31 in 2007-08.

During the year net cash from operations, after working capital changes and payments of royalty and corporate tax of Rs 39.003 billion, was Rs 52.979 billion, an increase of Rs 1.380 billion over 2007-08. Payment of Rs 25.072 billion as capital expenditure and receipt of Rs 2.161 billion as interest and dividend income resulted into net cash utilized in investing activities of Rs 22.910 billion against Rs 15.587 billion during last year. Net cash used in payment of dividends was Rs 39.406 billion as against Rs 41.473 billion. Cash flow from operating activities and net cash utilized in investing and financing activities resulted in a net cash decrease of Rs 9.337 billion to ending cash balance of Rs 8.940 billion.

Financial results for the year ended 30 June 2009 are summarized below:

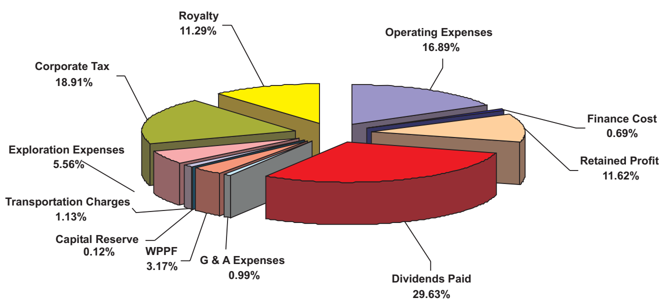
			Rs in billion
Profit before taxation			80.928
Taxation			(25.388)
Profit for the year			55.540
Unappropriated profit brought forward			63.903
Profit available for appropriations			**119.443**
Appropriations:			
Transfer to capital reserve			(0.155)
Distribution through Dividends:			
Final dividend 2007-08	@ Rs 3.50 per share (35.00%)	(15.053)	
First interim dividend 2008 -09	@ Rs 2.00 per share (20.00%)	(8.602)	
Second interim dividend 2008-09	@ Rs 1.75 per share (17.50%)	(7.527)	
Third interim dividend 2008-09	@ Rs 2.00 per share (20.00%)	(8.602)	(39.784)
Unappropriated profit carried forward			**79.504**

Sources of Net Income
2008-09



Total Rs 134.26 billion

Utilization of Net Income
2008-09



Total Rs 134.26 billion

DIVIDEND

The Board of Directors is pleased to announce final cash dividend of 25.00% (Rs 2.50 per share). This is in addition to three interim cash dividends at 57.50% (Rs 5.75 per share) already declared during the year. This makes a total of 82.50% (Rs 8.25 per share) for the year ended 30 June 2009.

CONTRIBUTION TO NATIONAL EXCHEQUER

During the year 2008-09, OGDCL contributed Rs 86.45 billion (2007-08: Rs 99.75 billion) to the national exchequer in the form of royalty, dividends, corporate tax, general sales tax, excise duty and development surcharge. This is in addition to Company's contribution towards savings in foreign exchange through import substitution.

EXPLORATION AND DEVELOPMENT

OGDCL is dynamically engaged in exploring sedimentary basins including offshore areas of Pakistan. As a leading E&P Company, OGDCL is endeavoring to keep a healthy portfolio. In the beginning of the year 2008-09, Company's portfolio consisted of 44 exploration licenses, however, during the year few of the OGDCL's operated blocks were relinquished due to non availability of economically viable prospects, although extensive seismic data was acquired, processed and interpreted and extensive studies were carried out to firm up the identified leads. Exploration blocks relinquished during the year included Dhermund, Bagh-o-Bahar, Pakhiwala, Dhok Sultan, Offshore Indus Delta-A, Chakral, Zamurdan, Dhudial, Multan South and Kotra. As of 30 June 2009, OGDCL was operating in 35 Exploration blocks (22 blocks with 100% share and 13 blocks as operated JVs) including 4 Offshore blocks covering an area of 68,310.92 Sq. Kms. OGDCL is also working in old Development & Production Lease (D&PL) areas and efforts are ongoing on various leads, which could mature as prospects in near future.

OGDCL has submitted 11 new Exploration Licenses as 1st applicant to DGPC for grant of Petroleum Exploration Rights namely Rajdhani, Chotiali, Jandran West, Khuzdar North, Thar West, Dera Ismail Khan, Parkini Block-A, Parkini Block-B, Rasmalan, Rasmalan West and Dhok Sultan.

Recently DGPC has advertised 53 new blocks. OGDCL is doing its utmost efforts to enhance its concession portfolio by participating in the current bidding round.

During the year, OGDCL achieved 5,129 L. Kms of 2-D seismic data acquisition in Bagh South, Hundi D&PL, Khewari, Nashpa South, Sinjhoro, Multan North, Bitrism, Kalchas, Rachna, Jhampir, Thano Beg concessions and Offshore blocks A & R and 1,128 Sq. Kms of 3-D seismic data acquisition in Soghri, Thal South concessions and Offshore block-S. Company could not start exploration activities in ten (10) concessions due to non availability of security clearance from the concerned authorities, which constitute 33.57% of total acreage held by OGDCL. However, Government of Baluchistan has granted security clearance for start of activities in Shahana, Samandar and Shaan concessions. While seismic data acquisition in Kalchas E.L was completed in June 2009. Geological field party covered 300 linear kilometers geological traverses in Shaan Exploration License Area. In addition to field work, the party also completed geological report of Kalchas area. OGDCL carried out drilling operations on number of

exploratory, appraisal and development wells. During the year, Company spudded 30 new wells including 14 exploratory/appraisal and 16 development wells. Exploratory/ appraisal wells were spudded at Dakhni North-1, Wahid Bux-1, Thatta East-1, Allah Waria-1, Dhodak Deep-2, Pasahki West Deep-1, Qaim-1, Baloch-1, Sahib Gul-1, Dhodak Rubbly-1, Rind Baluch-1, Reti-1A, Tando Jam-1 and Dakhni Deep-4. Development wells have been spudded at Chak Naurang 5 & 5A, Dakhni-11, Qadirpur 34, 35, 36, 37, 38 & 39, Qadirpur/HRL 3, 4 & 5, Pasahki Deep-2, Pasahki-6, Toot-20 and Uch-21. Workover jobs on additional 14 wells were also carried out.

Pakistan Basin Study Project has been successfully completed on 30 April 2009, which was commenced in October 2005 by consultant, M/s Fugro Robertson (FRL) of UK. On successful completion of Pakistan Basin Study Project, M/s FRL consultant gave detailed presentation on the synopsis and out come of the study to the Government, Ministry of Petroleum & Natural Resources, DGPC and Senior Management of OGDCL. A brochure on the Basin Study Project was prepared and presented at the Pakistan Exploration Promotion Conference (PEPC), which was held from 23 July to 31 July 2009, at London (UK), Houston (USA) and Calgary (Canada) respectively.

OGDCL is actively involved in exploring possible overseas JVs and in this connection OGDCL visited data room for evaluation of ENI offered Yemen Blocks 06 & 17 for farm in. In addition, Company also evaluated prospectivity of the ENI offered West Timor Indonesia Block and Vietnam Offshore Block of Premier Oil for farm in. OGDCL also evaluated Louga Block of Senegal offered by M/s Blackstairs Energy. Presently, OGDCL is evaluating an oil field (heavy oil) in Sakhlin Island, Russia.

NON-OPERATED JOINT VENTURES

Tal Block

MOL Pakistan Oil and Gas is the Operator of Tal Block, OGDCL's share is 30% in exploration and 27.76% in production phase. The Operator has drilled 07 wells in Manzalai Field, 02 wells on Makori and 01 well on Mami Khel structure, while 02 exploratory wells i.e. Kahi Deep & Sumari Deep were drilled in the block which were unsuccessful, another exploratory well is under drilling. Manzalai Field is on commercial production since March 2006. Makori discovery is currently in appraisal phase and its commerciality declaration is expected before 30 September 2009. Currently, MOL Pakistan is supplying around 38 MMcfd of gas and 441 bpd of condensate from Manzalai field and 26 MMcfd associated gas and 1,867 bpd of condensate from Makori Field, through Extended Well Testing (EWT). The Manzalai central processing facility is expected to be completed by end of September 2009, with a design capacity of processing 300 MMcfd of gas to SNGPL and 10,000 bpd of oil/condensate.

Miano Field
OMV is the Operator of Miano Field with 17.68% share, while OGDCL holds 52%. During the year, G&G activities continued and updating of 3D Reservoir Model was completed. During the year, Miano-13, Khipro-1ST, Miano-12 & Miano-9 (P&S) were drilled and completed. Miano-13 and Khipro-1ST are producing whereas Miano-12 is completed and shut in and Miano-9 (P&S) is plugged. A total of 33.85 Bcf of gas, with an average daily production of 92.71 MMcfd has been produced from Miano Gas Field during the year. Miano faced tough challenges to maintain the committed gas supply during the year, however, commissioning of two new wells with innovative rigless technology made it possible.

Pindori Field
Pakistan Oilfield Limited (POL) is the Operator of this Field with 35% share, OGDCL holds 50%. The Reservoir Simulation Study of Pindori Field has been completed. Pindori-7 well was plugged and abandoned. Pindori-3 well workover has been completed whereas, Pindori-4 well (workover), is under testing. During the year the field produced 296,248 bbls of oil, 914 MMscf of gas and 3,154 M.Tons of LPG.

Kadanwari, Bhit and Badhra Fields
Eni Pakistan Ltd. (ENI) is the Operator of these three fields and holds 18.42% share in Kadanwari and 40% in other two fields. OGDCL holds 50%, 20%, and 20% respectively in the three fields. Bado Jabal-1 (exploratory well) was spudded on 24 March 2009, drilling of which is on going. 3-D seismic interpretation is also continued. Two wells i.e. Bhit-10 & Bhit-12 were successfully spudded, tied-in and commissioned on 16 April 2009 and 29 December 2008, respectively. Gross production from Bhit and Badhra Fields during the year was 120.2 Bcf of gas and 133,698 bbls of condensate. In Kadanwari D&PL, gas discovery was made in K-17. 3D seismic processing to PSDM is on-going while the location of K-19 well has been approved by the JV partners. K-14 ST and K-20 wells were successfully drilled. After tie-in job of K-14 ST on 29 December 2008 the production has started from this well effective 30 December 2008, while K-20 remained suspended. Gross production from Kadanwari Field during the year was 16.1 Bcf of gas and 5,563 bbls of condensate.

Badin-II, Badin-II Revised and Badin-III Fields
BP Pakistan Exploration and Production Inc., (BP) is the Operator of Badin fields under Badin-II, Badin-IIR and Badin-III concessions with 51%, 76% and 60% share respectively. OGDCL holds 49%, 24% and 15% share respectively. A total of seven wells were drilled during the year, out of which one well was Salt Water Disposal (SWT) and the remaining six were development wells (two wells were oil producing and four were gas producing). Total production during the year was 1.153 million bbls of oil and 33.335 Bcf of gas with a production of 3,158 bopd and 91.3 MMcfd of gas.

Dhurnal, Bhangali and Ratana Fields
These fields are operated by M/s OPII and OGDCL share is 20%, 50% and 25% respectively. In Dhurnal Mining Lease, 105 Sq. Kms 3-D seismic data was acquired during the year which is under processing. In Bhangali D&PL, the JV partners have decided to deepen Bhangali-1 to test deeper potential. Deepening operations are planned to take place during the year 2009-10. In Ratana D&PL, deepening of Ratana-2 started during June 2009 to test the potential of Datta/ Kingriali formation. During the year, the three fields produced 149,935 bbls of oil and 1,091 MMscf of gas.

Sari South E.L.
Saif Energy Pvt. Ltd. (SEL) is the Operator of Sari South Block with 30% share while OGDCL holds 50%. During the year, additional 157 L. Kms 2D seismic in the Northern and Southern parts of the block was acquired to delineate structure to fulfil outstanding drilling obligations. Based on the results of the mapping the Operator has proposed a structure which the JV partners i.e. OGDCL and OMV have not agreed and suggested to the Operator to let the License lapse. OGDCL has requested DGPC for transfer of its share of minimum work obligation to another block or pay the same to the Government as per the provision of the PCA. The matter is still to be resolved.

Badar Field
Pakistan Exploration Pvt. Ltd. (PEL) is the Operator of Badar gas field with 26.32 %, OGDCL share is 50%. During the year, Seismic Inversion Study on acquired seismic data was conducted by M/s Fugro Jason. Drilling of another well is to be finalized after completion of mapping and pressure survey on the existing well i.e. Badar X-1. The total gas production from Badar gas field during the year remained 5.513 Bcf with an average production of 15.061 MMcfd.

Sara and Suri Fields
Sara and Suri gas fields are operated by Tullow Pakistan (Development) Ltd. with 38.1818%. OGDCL's share is 40%. These fields came on production in 1999. The gas is being supplied to WAPDA's Guddu Thermal Power Station (GTPS). The field is currently producing 2 MMcfd of gas at Well Head Flow Pressure (WHFP) of 115 Psig.

Adhi Mining Lease
Pakistan Petroleum Limited (PPL) is the Operator of Adhi Mining Lease with 39% share, OGDCL holds 50% stake in it. Eleven wells are in production at Adhi Field out of which two wells are producing crude oil from Sakesar formation and the remaining Tobra/Khewra wells are producing oil, NGL and gas. Currently, production rates are around 3,000 bpd of NGL, 1,800 bopd, 42 MMcfd of gas and 145 M. Tons/day of LPG. Based on encouraging results of hydraulic fracturing at Adhi-18 (T/K) which increased the productivity more than two-fold in 2007, three additional wells are planned to be hydraulically fractured back to back starting in October 2009 to increase oil recovery and provide additional gas to the plant.

DISCOVERIES

OGDCL's exploratory efforts resulted into the following two gas/condensate discoveries during the year ended 30 June 2009.

Kunnar South-1

Kunnar South-1 was discovered on 23 July 2008, in Tando Allah Yar E.L. which is located in district Hyderabad of Sindh province. The short duration initial testing results of Zone-1 of the well produced 200 bpd of condensate and 11 MMcfd of gas at well head flowing pressure of 2,125 psi through 32/64" choke size. Similarly, Zone-2 of the well produced 250 bpd of condensate and 14.7 MMcfd of gas at well head flowing pressure of 3,000 psi through 32/64" choke size.

Pasahki West Deep-1

Pasahki West Deep-1 was discovered on 14 May 2009 which is located in district Hyderabad of Sindh province. The short duration initial testing results of Zone-2 of the well produced 80 bpd of condensate and 6.70 MMcfd of gas at well head flowing pressure of 1,400 psi through 32/64" choke size.

DEVELOPMENT PROJECTS
ONGOING PROJECTS

UCH-II Development Project

The UCH Gas field is located about 67 Km South-East of Dera Bugti in Balochistan province. OGDCL has drilled 15 wells and is supplying 106,000 million BTU gas per day to Uch Power Plant (UPL). After carrying out detailed study of UCH gas field, it is envisaged that OGDCL is in a position to commit around additional 160 MMcfd for 25 years to a power producer. Hence UCH-II development project was undertaken by the Company. After the completion of the project, the sale gas from UCH Gas field will be enhanced from 250 MMcfd to 410 MMcfd. Basic Engineering and tender documents to engage Engineering, Procurement, Construction and Commissioning (EPCC) Contractor has been completed and Gas Sale Agreement (GSA) is being negotiated between OGDCL and UPL. Bidding process in connection with hiring of EPCC Contractor is in process. Locations for six wells have been marked on ground and drilling at Well No. 21 is in progress.

Qadirpur Compression Project

Qadirpur field is expected to start depleting in near future and in order to maintain the plateau, compression facilities are required to be installed which will help maintain the production plateau to 650 MMcfd of gas supply up to 2013. The Contract for Engineering, Procurement & Construction

on lump sum turnkey basis was awarded to M/s China Petroleum Engineering & Construction Corporation (CPECC) in November 2006. The activities were held up due to litigation however, an alternate arrangement (Reciprocating Compressors) for a period of 3 years is being worked out. The Reciprocating Compressors are expected to start work by first quarter 2010.

Dhakni Expansion Project

Dakhni gas processing plant started commercial production in early 1990 with a design capacity of 30 MMcfd. Over the years the composition of H2S contents of raw gas has increased considerably resulting in processing limitation on the existing plant. Due to this change the existing plant is currently processing 18-20 MMcfd of sour feed gas. The incremental production after expansion will be sales gas: 12 MMcfd, condensate: 720 bpd, sulphur: 80 M. Tons/day and LPG: 12 M. Tons/day. Contract for the supply of Sulphur Recovery Unit (SRU) was signed in May 2008. Delivery of the unit is expected in September 2009. Most of the material/equipments were received at site except for Power Generation, Refrigeration Package and Instrument Cable which is in the pipeline. Technical/Financial evaluation of Refrigeration Package has been completed and the case is under process for award of the Contract. The tender document for PCC Contractor has been advertised and the Bid will be opened on 31 August 2009. The project is expected to be completed by August 2010.

Sinjhoro Development Project

The Project is located at district Sanghar, Sindh. The surface facilities to be installed by the Company include gas gathering system for 14 wells, trunk line from Sinjhoro to Bobi field, gas treatment plant, LPG recovery and compression system etc. The project will enhance OGDCL production capacity by 2,100 bopd, 31 MMcfd of gas and about 138 M.Tons/day of LPG. Tenders for development of the field were advertised on 20 February 2009 however, the bidding process is held up under the Sindh High Court directive till next hearing.

Kunnar and Pasahki Deep/TAY Integrated Development Project

The Company intends to undertake KPD-TAY Integrated Development Project. The objective of the Project is to install a Gas Processing Facility to process raw gas from Kunnar Pasahki Deep (KPD) and Tando Allah Yar (TAY) gas/condensate fields to supply processed sale gas to Sui Southern Gas Company Limited (SSGCL). Fields are located about 25 Kms from Hyderabad city, Sindh province, Pakistan. The Gas Processing Plant will be installed adjacent to the Company's existing Kunnar LPG Plant.

The expected production will be 278 MMcfd of gas, 4,700 bopd and 361 M.Tons/day of LPG. Tender for development of the fields were advertised on 20 February 2009, however the bidding process is held up since 19 March 2009 due to litigation.

UPCOMING PROJECTS

Sara West Development Project

The Sara West field is located in district Khairpur, Sindh province and was discovered in 1996. So far three wells have been drilled at the field. The field has gas of low hydrocarbon contents and can be used for power generation only. The Company intends to develop the field for supply of gas to a power generation company. The field Development Plan is under consideration and development of the field is dependent upon negotiating a suitable gas price.

Jhal Magsi Project

Jhal Magsi field is located in Dera Murad Jamali and was discovered in 2003. It is a JV between the OGDCL, GHPL and POL. Three wells have been drilled out of which two (02) are producers. The field has high contents of H2S which would require removal before the gas is injected into the transmission network. DGPC approved the development plan on 25 July 2009. OGDCL Management and JV partners have approved the engagement of Engineering Consultant for preparation of Basic Design Engineering Package and Invitation to Bid (ITB). OGDCL has given go ahead to M/s Enar Engineering consultant to start work on preparation of bid documents. Upon completion of the project 15 MMcfd gas will be produced.

Bahu Field Development Project

Bahu Gas field is located about 75 Kms North-East of Multan city in Punjab province. The first well Bahu-1 was drilled in February 2006, targeting Cretaceous Lumshiwal and Jurrassic Samanasuk formations which produced commercial quantity of hydrocarbon. The field has total of 04 gas producers. Based upon the facilities to be installed and development cost involved, development of this field is economically viable, therefore, OGDCL has planned to develop the field with total production profile of fifteen (15) years. Total gas of four wells will be transported to Nandpur plant through pipeline where the gas will be dehydrated and delivered to M/s FKPCL. The field will produce 24 MMcfd raw gas and with expected start-up from 4th quarter of 2010.

OIL AND GAS RESERVES

The gas reserves of Chak-5 Dim South field were revised upward from 3.688 Bcf to 8.938 Bcf with its condensate yield increasing from 0.55 MMstb to 1.075 MMstb to cater its production profile for the remaining years. The probable gas reserves of Hundi and Nandpur were shifted towards proved reserves category and half of the probable oil reserves of Mela were also shifted towards proved reserves category due to better production performance of these fields during the year.

Kunnar reserves were also revised upward based on the production history performance of the field. The in-place oil of the Kunnar oil field has been revised based on the reservoir simulation study of the Kunnar field carried out by M/s Furgo Robertson. There is no downward revision in the reserves during the same period. During the year 2008-09, cumulative oil and gas production recorded was 14.695987 MMstb and 393.97895 Bcf respectively at an average rate of 40,263 bopd and 1,074 MMcfd. OGDCL's remaining recoverable reserves as of 30 June 2009 stood at 145.427 MMstb of oil and 10,211.76 Bcf of gas.

PRODUCTION

OGDCL's production activities are focused towards oil and gas enhancement and to implement innovative techniques

to achieve the production targets. Most of the Company's wells in Southern region are on Enhance Oil Recovery (EOR). OGDCL has been successful in minimizing the down time of the rotary equipment. Moreover, the natural decline in oil production has been arrested to minimum through rig/rig-less workovers, stimulation and other innovative techniques.

Crude Oil Production

During the year under review, crude oil production from Company's 100% owned fields and share in operated JV fields decreased by 3.3% (1,236 bopd) compared with last year. This decrease is mainly due to decline in production from Dhodak, Thora, Lashari, Bobi, Sono, Tando Alam and Chanda fields partially offset by increase in production from Kunnar, Mela, Pasahki and start of production from Moolan North and Chak-66 NE fields. Share of crude oil production from non-operated JV fields also decreased by 19.4% (1,179 bopd) which resulted into net decrease in crude oil production by 5.6% (2,415 bopd).

Compared with Business Plan targets, crude oil production from 100% owned fields and share in operated JV fields was on the lower side by 5.2% (1,989 bopd) mainly due to lower than forecasted production from Bobi, Qadirpur and Mela fields on account of mechanical problems, natural decline in production at Dhodak and Kal fields and abandonment of Chanda-3 development well due to mechanical problem during drilling phase. However, production from Sono, Pasahki, Rajian, Kunnar, Moolan North and Chak-66 NE fields was higher than the Business Plan targets. Company could not achieve targeted share of crude oil production from non-operated JV fields which was lower by 1,524 bopd as against business plan target primarily due to decline in production from Pindori Field.

Gas Production

Company's Gas production during the year was slightly higher than the Business Plan targets and actual gas produced during last year. Yield improvements resulted into increase in gas production from Nandpur-10, Dakhni Deep-2 and Mela-1. However, gas production targets from Pirkoh and Chanda could not be achieved because of natural decline and security issues at Pirkoh and abandonment of Chanda-3 development well during drilling phase due to mechanical complications.

LPG Production

Compared with actual numbers of last year and Business Plan targets of year under review, LPG production decreased by 35.6% and 32.5% respectively mainly due to water break through at Dhodak field and operational problems at Bobi plant. Share of LPG production from non-operated JV fields was also on the lower side than anticipated.

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

Products	Own Fields	Share in Operated JVs	Share in Operated JVs	Total
Crude Oil (bopd)	27,976	8,141	4,902	41,019
Gas (MMcfd)	360	426	215	1,001
LPG (M. Tons/day)	129	14	75	218
Sulphur (M. Tons/day)	64	-	-	64

- Daily production for the year 2008-09 has been worked out at 365 days per annum (2007-08: 366 days per annum)

BOARD OF DIRECTORS

The Board comprises of eleven Directors including the Chairman and MD/CEO. During the year under review, Mr. Zahid Hussain was appointed as Managing Director of OGDCL in place of Mr. Arshad Nasar, who relinquished the charge of Chief Executive Officer on 11 July 2008. The Board records its appreciation for the valuable contributions and services rendered by Mr. Arshad Nasar. The present Board was elected in the Annual General Meeting held on 29 September 2008 for a term of three years. Mr. Zahid Hussain, MD/CEO welcomed the new Board. The Board wished to record its appreciation for the contribution and services rendered by the outgoing Directors during their tenure.

The Board presently comprises of the following Directors:

Mr. Farooq Rahmatullah	Chairman
Mr. Zahid Hussain	Managing Director/CEO
Mr. Muhammad Ejaz Chaudhry	Director
Mr. Sikandar Hayat Jamali (late)	Director
Mr. Tariq Iqbal Khan	Director
Mr. Waqar A. Malik	Director
Mr. Rafique Dawood	Director
Mr. Tariq Faruque	Director
Miss Shagufta Jumani	Director
Mr. Iskander Mohammed Khan	Director
Mr. Wasim A. Zuberi	Director

We state with sorrow and grief that Mr. Sikandar Hayat Jamali, Director, OGDCL Board, passed away on Saturday, 25 July 2009. May Allah bless his soul, provide eternal peace and give courage to the members of bereaved family to bear this loss (Ameen). The Board of Directors wishes to record its appreciation for the contributions and services rendered by late Mr. Sikandar Hayat Jamali.

MEETINGS OF THE BOARD

Fourteen meetings of the Board of Directors were held between 01 July 2008 to 30 June 2009 and the attendance of each Director is given below:

Name of the Directors	Total No. of Meetings*	Meetings attended
Mr. Arshad Nasar, (former Chairman & CEO)	04	03
Mr. Alman Aslam, (former Director)	04	01
Mr. Asad Umar, (former Director)	04	04
Al-Syed Abdul Qadir Jamaluddin Al-Gillani, (former Director)	04	01
Mr. Aslam Khaliq, (former Director)	04	02
Mr. Azam Faruque, (former Director)	04	03
Mr. Irshad Ahmed Kaleemi, (former Director)	04	03
Mr. Khalid Rafi, (former Director)	04	04
Mr. M. Naeem Malik, (former Director)	04	04
Mr. Sikandar Hayat Jamali (late)	14	10
Mr. Zahid Majid, (former Director)	04	01
Mr. Zahid Hussain, MD/CEO	13	13
Mr. Farooq Rahmatullah, Chairman	10	10
Mr. Iskander Mohammed Khan	10	09
Miss Shagufta Jumani	10	07
Mr. Muhammad Ejaz Chaudhry	10	08
Mr. Rafique Dawood	10	06
Mr. Tariq Faruque	10	07
Mr. Tariq Iqbal Khan	10	06
Mr. Waqar A. Malik	10	03
Mr. Wasim A. Zuberi	10	09

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

COMMITTEES OF THE BOARD

Audit Committee

The Audit Committee consists of the following 4 non-Executive Directors for assisting the Board in implementation of the Code of Corporate Governance. Terms of Reference of Audit Committee are approved by the Board of Directors. During the year under review, four meetings of the Audit Committee were held and attendance by its members was as follows:-

Name of the Directors	Total No. of Meetings*	Meetings attended
Mr. Khalid Rafi, (Former Chairman)	01	01
Mr. Aslam Khaliq, (Former Member)	01	01
Mr. Irshad Ahmed Kaleemi, (Former Member)	01	01
Mr. Tariq Iqbal Khan, Chairman	03	03
Mr. Iskander Mohammed Khan	03	02
Mr. Rafique Dawood	03	03
Mr. Waqar A. Malik, (Former Member)	02	01
Mr. Muhammad Ejaz Chaudhry	02	Nil

* Meetings held during the period concerned directors were on the Committee.

Operations and Finance Committee

Operations and Finance Committee of the Board comprises of six (6) Directors including MD/CEO. Terms of Reference of the Finance Committee are approved by the Board of Directors. During the year under review, three (3) meetings of the Operations and Finance Committee were held and attendance by its members was as follows:

Name of the Directors	Total No. of Meetings*	Meetings attended
Mr. Wasim A. Zuberi, Chairman	03	03
Miss Shagufta Jumani	03	03
Mr. Zahid Hussain	03	01
Mr. Muhammad Ejaz Chaudhry	03	02
Mr. Tariq Faruque	03	02
Mr. Tariq Iqbal Khan	03	02

* Meetings held during the period concerned directors were on the Committee.

Human Resource Committee

Human Resource Committee of the Board comprises seven (7) Directors including the Chairman and MD/CEO. Terms of Reference of Human Resource Committee are approved by the Board of Directors. During the year under review, seven (7) meetings of the Human Resource Committee were held and attendance by its members was as follows:

Name of the Directors	Total No. of Meetings*	Meetings attended
Mr. Iskander Mohammed Khan, Chairman	07	06
Miss Shagufta Jumani	07	04
Mr. Farooq Rahmatullah,	07	05
Mr. Muhammad Ejaz Chaudhry	07	06
Mr. Sikandar Hayat Jamali	07	02
Mr. Waqar A. Malik	07	02
Mr. Zahid Hussain	07	07

* Meetings held during the period concerned directors were on the Committee.

CORPORATE GOVERNANCE

The Company is committed to high standards of corporate governance and the Board of Directors is accountable to the shareholders for good corporate governance. Management is continuing to comply with the provisions of best practices set out in the Code of Corporate Governance particularly with regard to independence of non-executive directors. The Company remains committed to conduct its business in line with listing regulations of the Stock Exchanges, which clearly defines the role and responsibilities of Board of Directors and Management. Vision & Mission statements have been redefined in the light of Company's present standing and future outlook which was approved by the Board. Core values and Statement of Ethics and Business Practices have already been prepared and approved by the Board. Significant policies as required under the Code of Corporate Governance have been framed and submitted for the review of the Board.

The following specific statements are being given to comply with the requirements of the Code of Corporate Governance:

- The financial statements prepared by the Management, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements. Accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data of the last six (6) years in summarized form is annexed.
- Value of investments, including bank deposits, of various funds as at 30 June 2008, based on their respective audited accounts, is as under:
  - Pension and Gratuity Fund Rs 9,875.840 million
  - General Provident Fund Rs 1,581.740 million

AUDITORS

The present auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants and M/s M. Yousuf Adil Saleem & Co., Chartered Accountants have completed their assignment for the year ended 30 June 2009 and shall retire on the conclusion of 12th Annual General Meeting. In accordance with the Code of Corporate Governance, the Audit Committee considered and recommended the re-appointment of M/s KPMG Taseer Hadi & Co., Chartered Accountants, and M/s M. Yousuf Adil Saleem & Co., Chartered Accountants, as joint statutory auditors for the year 2009-10 and the Board of Directors also endorsed the recommendations of the Audit Committee.

PATTERN OF SHAREHOLDING

The pattern of shareholding as on 30 June 2009 is annexed.

INTERNAL CONTROL AND AUDIT

OGDCL has implemented a system of internal control which is sound in design and has effectively been implemented and monitored with ongoing efforts to improve it further. This system is based on the plan of the Company and all of the methods and measures adopted within its business to safe guard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. The controls within Company's system of internal control are characterized as either administrative or accounting. Administrative controls relate to the internal control objectives of efficient operations and adherence to managerial policies. Accounting controls, on the other hand, relate to safeguarding of assets and reliability of financial information.

Company's administrative controls include the plan of OGDCL and procedures and records that are concerned with the decision processes leading to management's authorization of transactions with the responsibility for achieving the objectives of the Company. Accounting controls comprise the plan of OGDCL and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records and consequently are designed to provide reasonable assurance that the transactions are executed in accordance with management's authorization, as per existing polices and procedures, transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets, access to assets is permitted only in accordance with management's authorization and the accounting record of assets is compared with physically available assets at reasonable intervals and appropriate action is taken with respect to any differences.

The function of Internal Audit in OGDCL is catered through an independent in-house Internal Audit Department to assist the Board of Directors and the Management in maintaining and constantly improving internal controls in accordance with business risks assessment. Internal Audit Department is headed by a full time employee of the Company functionally reporting to Chairman Audit Committee. The performance of the Internal Audit Department is monitored through Audit Committee of the Board of Directors. The scope of the Department has been defined by the Board as recommended by the Audit Committee and the Department's head has free and unfettered access to management information needed to carry out its work on behalf of Audit Committee besides the Chairman of the Audit Committee, members of Board/employee and other persons.

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

HUMAN RESOURCE (HR)

OGDCL fully recognizes its committed and capable workforce of around 11,000 as the primary asset in providing value

addition to the Company and all its stakeholders. The Company is committed in ensuring employee satisfaction and motivation and is consistently improving all HR policies in line with the best practices being employed in the industry. The core activities of HR include re-structuring OGDCL's organogram and introduction of performance driven evaluation system based on management by objectives. Integration of Oracle HRMS and Oracle payroll modules have been put in place to streamline and monitor the HR function. Trainings are being regularly conducted based on the assessed training needs of our professionals and their motivational needs are also being looked after on a continuous basis. In house training courses are being conducted mostly at the Company's training Institute. Management relations with CBA remained friendly and industrial peace prevailed at all locations during the year.

TRAINING AND DEVELOPMENT

Oil & Gas Training Institute (OGTI) provides wide range of upstream training programs to meet the training needs of OGDCL and other E&P Companies working in Pakistan. The Institute is imparting education and training in various disciplines of petroleum sector including Exploration, Drilling Engineering, Mechanical Engineering, Reservoir Engineering, Production Engineering, Process Engineering, Instrumentation & Process Control, Health, Safety & Environment and Petroleum Management. OGTI provides basic training to the petroleum industry graduates and technicians enabling their career induction, as well as, refresher and advanced training to experienced professionals.

Basic Training at OGTI

201 Geoscientists and Engineers belonging to 18 different groups completed their 11 months training at OGTI during this period. A total of 77 courses (Technical, IT, HSE and Management) were conducted for these trainees. In addition, they were placed with their respective departments including rigs, production fields, geological and seismic parties for on job training.

Refresher Courses at OGTI

During the year, 60 courses were conducted for oil industry professionals. 834 participants from OGDCL and 51 from other oil companies participated in these courses. These include courses in Technical, Managerial, HSE and IT Skills.

Special Trainees from Dera Bugti

A group of 22 DAE/Engineers from Dera Bugti belonging to different companies including OGDCL are currently undergoing two-year training program at OGTI. A total of 19 courses were conducted for these trainees. They also perform on job training with the respective companies.

Technical Schools at Quetta and Karak

One year training program at Technical Training Center, Karak and Technical Training Center, Quetta is in progress. 100 students are undergoing training at each of these centers.

INFORMATION TECHNOLOGY (IT)

The Company continued its efforts towards improving in-house Financial Information and Control Systems to bring more efficiency, transparency and controls. In this regard existing Oracle ERP Systems were further enhanced and additional modules were acquired that include Budgeting and Control, Internal Control Manager, Treasury and Business Intelligence. The Budgeting and Control solution will facilitate efficient preparation of annual budgets and will help enforcing necessary controls and have gone live in July 2009 while the rest of the new modules will be operational in a few months time.

As part of the exercise to acquire new technologies in core area of Seismic Data Processing, a project has been initiated to replace the existing old system through competitive bidding. On the Network side, steps were taken towards expanding LAN/WAN to Company operation sites situated at remote locations. The initiative for networking and broad band data connectivity with the major production fields using country-wide fiber optics facility of PTCL was followed up this year as well and during the period under review a total of ten major production fields were covered. The exercise has provided local network connectivity and also a faster WAN (Wide Area Network) link between the Head Office and these fields facilitating efficient and timely exchange of operational information within the fields and also with the Head Office.

Under a technology upgrade plan, about 500 old Personal Computers were replaced with latest machines.

M/s IBM has been selected through a competitive bidding process for carrying out a revamping exercise for existing OGDCL data center at the Head Office. The project includes data center revamp and induction of new technologies in terms of Blade Servers, Storage Area Network (SAN) and network infrastructure including network security equipment. The work on the project has started in July 2009 and will take about 3-4 months to complete.

HEALTH, SAFETY, ENVIRONMENT AND QUALITY (HSEQ)

Being the leading E&P Company in Pakistan, OGDCL strives to provide a healthy, cleaner and safe environment to the employees and has taken numerous steps to move Company a step forward in the field of HSEQ. In this respect, the Company has adopted a proactive approach to fulfil the legal requirements along with the efforts carried out to emerge as an entity having high HSE values.

National Forum for Environment and Health (NFEH) affiliated with United Nation Environment Program (UNEP) unanimously decided to award Environment Excellence Award 2009 to OGDCL. The Company strives for achieving the highest standards in HSEQ.

Initial Environmental Examination (IEE) studies of current seismic projects and exploratory and development wells were carried out utilizing internal resources. IEE studies for 2-D seismic survey in Offshore block-R & A were carried out by the renowned consultant M/s Hagler Bailly Pakistan and

submitted to the concerned EPAs for issuance of NOCs. Similarly EIA study for Extension of Facilities Project in River Indus was carried out by M/s NESPAK and submitted to the concerned in EPA for issuance of NOC.

To be in line with the leading E&P companies on the international horizon M/s DNV is conducting ISO 14001 and OHSAS 18001 certification audits at our two major fields i.e. Qadirpur and Dhodak. Consequently, all major fields and plants will be ISO certified.

Considering the training as a first line of defence against accidents HSEQ Department arranged training programs for the employees using in-house resource persons as well as from abroad. The training carried out include Integrated Waste Management, Environmental Pollution and Mitigation Measures, Risk Assessment, Accident Investigation, Fire Prevention and Safety, Air & Noise Pollution etc.

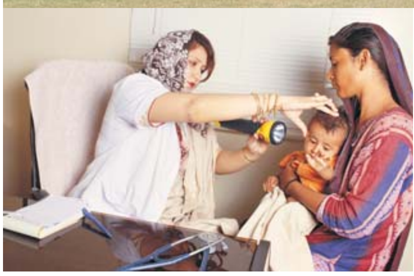
A new HSE Policy Statement and commitment has been formulated, approved by MD/CEO and circulated throughout the Company for implementation. This HSE Policy provides a framework by which HSE System will be implemented throughout the Company fulfilling the requirements of ISO 14001 and OHSAS 18001 international standards.

CORPORATE SOCIAL RESPONSIBILITY

OGDCL being a socially responsible corporate entity is always committed to go beyond what is required by law to make a positive impact on society and the environment through management and operations and through their engagement with stakeholders including employees, investors and communities. The quality of our management in terms of people and processes and the nature and quantity of our Corporate Social Responsibility (CSR) activities has a positive impact on communities in the areas. OGDCL's CSR is a continuing commitment to act ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local communities and society at large.

Healthcare

OGDCL firmly believes that healthcare is a prerequisite for a healthy society and a base for economic development. Our dedication to this is emphasized through the fact that at present OGDCL has 17 welfare dispensaries and two mobile dispensaries providing free health care to the people of those areas. We intend to enhance our base and provide the same to other concession areas where we have not reached.



Water Supply

OGDCL is playing a positive role in providing clean drinking water to especially those areas where there is shortage of water and subsurface water is not available. Water is being supplied to these areas through hired water tankers with local community involvement; OGDCL is also involved in developing permanent water supply for these areas.

Education

OGDCL endeavors to bring changes in the lives of people associated with us and for this we are already operating two training institutes in NWFP at Karak and at Quetta in Baluchistan. Training in these institutes is being provided in petroleum technologies to students living in the area by providing a monthly stipend. Similarly we have opened a vocational training school in Tando Muree area for girls, where they are trained in the art of stitching and embroidery. Improvement in government schools by building new classrooms, providing scholarships to students of remote areas, provision of transport to students and faculty members are a part of our CSR policy.

Infrastructure

OGDCL spends a major portion of its CSR funds on development of infrastructure in the areas of its operations; mainly the expenditure is on construction of roads and bridges. These works have been done in all four provinces making farm to market roads, bridges and culverts for the convenience of the locals of the area. Provision of street lights and construction of drains have also been done as per requirements of the people.

BUSINESS RISKS AND CHALLENGES

OGDCL as an E&P Company is exposed to operational and non-operational risks. Management of the Company appreciates its responsibilities as leading national E&P Company with largest oil and gas reserves, strong production base and largest exploration acreage spread over all four provinces and offshore. Management is committed to cope with the given challenges within its ambit of controls with its strong core of trained and experienced professionals, sound equipment base and sound financial position. Key operational and non-operational risks which can influence the operations of the Company are as follows:

Crude Oil Price

Crude oil pricing in Pakistan is based on a basket of Arabian crude adjusted for yield differential and freight adjustment. Change in international oil prices is largely uncontrollable and OGDCL is vulnerable to increase/decrease in such prices.

Exchange Rate Risk

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

Exploration and Drilling Risks

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

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

Reserves Depletion

Oil and gas production usually reflects a decline after reaching its peak production. Oil and gas reserves are assumed to produce 3/4th in case of gas with compression and oil around 1/3rd of the original reserves in place which can be further improved through EOR to around 2/3rd of total recoverable reserves over the reserve life. Some of the major oil and gas assets of OGDCL are mature structures which bear the risk of depletion. OGDCL utilizes its core competence to maintain production levels.

Legislation

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

Environmental risks

OGDCL is vulnerable to environmental changes including earth quakes, heavy rains, floods etc. that may materially impact production at various fields. Compliance to changes in environmental regulations relating to HSE could result into higher cost to the Company.

Law and Order

Security concerns have increased since the start of escalation in adjoining border areas to few of our exploration blocks. This is potentially detrimental to OGDCL's exploration efforts. Due to uncertain and uncontrollable situation, OGDCL's operations may be curtailed.

FUTURE OUTLOOK

OGDCL as a leading exploration and production Company has set very aggressive targets in its strategic plan for the next five years (2009-10 to 2013-14).

In order to achieve its strategic plan targets which are in line with the redefined vision, mission and goals, Company is following the strategies of continuous reserve additions through design and maintenance of a balanced exploration portfolio of all blocks ranked according to size of reserves, profitability and associated risks, optimizing company's portfolio through aggressive exploration activities, formation of joint ventures with leading E&P Companies inside and outside the Country and continuous review and improvement of policies and internal processes. In addition, Company is enduring to further enhance corporate goodwill through focused social welfare activities for the benefit of the local communities.

OGDCL is also pursuing selective international expansion while domestic expansion remains OGDCL's core focus, the Company intends to grow and diversify its portfolio through selective international expansion in the medium to long-term. In order to achieve its strategies, the Company is implementing international best practice by ensuring an efficient organizational structure and business processes that are focused on enhancing its production and reserves base.

OGDCL's primary objective is to enhance its reserves and production profile and ultimately maximize value for shareholders. In order to achieve this goal, the Company is focusing on the execution of its strategies which include accelerating production growth through utilizing cutting edge technologies, allowing the Company to utilize its significant reserves base and capitalize on the economic growth and accelerating energy demand envisaged in Pakistan. The Company is seeking to exploit exploration opportunities by building the Company's future reserves portfolio through its large onshore exploration acreage.

Moreover, as part of its strategies, OGDCL is maintaining low cost operations as its operating environment, namely the geographic concentration of its reserves base within Pakistan, is a major factor in allowing it to control its low cost structure. Within Pakistan, the Company's leading position also enables it to access economies of scale across its significant reserves base and operations.

Company's strategies will further strengthen Company's production base and with sustained growth we anticipate improving financial results in the years ahead which will help the Company in carrying out its exploration and development activities set out in its Strategic plan. Our exploration, development and production efforts backed by healthy financial position will help in adding significant value for the shareholders in the years to come.

ACKNOWLEDGMENTS

On behalf of the Board, I am extremely appreciative to our shareholders, JV partners, customers, suppliers/contractors, provincial and federal government departments particularly the Ministry of Petroleum & Natural Resources, for their continuing association and support towards the growth of the Company. I am also proud of our employees and appreciate their devotion, commitment and professional efforts towards the operational performance and encouraging financial results achieved by the Company during the year. I also appreciate the Management and my fellow Directors whose consistent efforts and guidance in directing the Company's affairs contributed significantly in achieving the financial and operational results. With devotion and commitment we will continue to play our role as a dynamic and growing E&P Company by implementing strategies drawn up, monitoring results and ensuring achievement in line with redefined vision and mission of the Company. We also assure that interest of the shareholders will remain the prime concern of the Board of Directors and Management of the Company.

On behalf of the Board

(Farooq Rahmatullah)
Chairman

13 August 2009

Pattern of Shareholding as at 30 June 2009

Number of Shareholders	Shareholding From	Shareholding To	Shares held
1,942	1	100	116,494
14,763	101	500	6,954,889
9,262	501	1,000	8,965,334
7,187	1,001	5,000	16,903,489
1,159	5,001	10,000	8,873,909
627	10,001	20,000	9,205,970
285	20,001	30,000	7,245,225
129	30,001	40,000	4,611,437
120	40,001	50,000	5,527,023
123	50,001	75,000	7,585,969
79	75,001	100,000	7,245,032
68	100,001	150,000	8,527,447
50	150,001	200,000	8,975,408
25	200,001	250,000	5,608,007
15	250,001	300,000	4,159,839
20	300,001	400,000	7,072,917
13	400,001	500,000	5,891,766
7	500,001	600,000	3,954,568
15	600,001	700,000	9,870,804
11	700,001	800,000	8,113,874
8	800,001	900,000	6,805,354
5	900,001	1,000,000	4,877,392
12	1,000,001	1,500,000	15,551,822
10	1,500,001	2,000,000	17,078,870
13	2,000,001	3,000,000	30,942,042
8	3,000,001	5,000,000	28,300,241
5	5,000,001	8,000,000	31,143,297
4	8,000,001	9,000,000	34,079,319
-	9,000,001	10,000,000	-
5	10,000,001	25,000,000	71,773,122
1	25,000,001	50,000,000	34,831,720
1	50,000,001	100,000,000	66,201,200
1	100,000,001	160,000,000	157,136,500
1	160,000,001	4,000,000,000	3,656,798,120
35,974			**4,300,928,400**

Categories of Shareholders as at 30 June 2009

Categories of Shareholders	Number of Shareholders	Shares held	Percentage
Individuals	35,175	122,570,689	2.85
Investment Companies	16	4,987,671	0.12
Insurance Companies	27	26,759,670	0.62
Joint Stock Companies	317	16,855,284	0.39
Banks, DFIs, NBFIs	28	27,468,789	0.64
Modarabas and Mutual Funds	18	4,060,402	0.09
Foreign Investors	99	303,433,309	7.06
Cooperative Societies	2	3,003	0.00
Charitable Trusts	42	2,355,036	0.05
Others	249	135,636,427	3.15
Government of Pakistan	1	3,656,798,120	85.02
TOTAL	**35,974**	**4,300,928,400**	**100.00**

Pattern of Shareholding	Number of Shareholders	Shares held	Percentage
Associated Companies, Undertakings and Related Parties and Shareholders holding 10% and above shares			
Government of Pakistan	1	3,656,798,120	85.02
NIT & ICP			
National Investment Trust Limited (NIT)	2	9,313,660	0.22
National Bank of Pakistan Trustee Department	2	11,295,757	0.26
Directors, Chief Executive Officer and their spouses and minor children			
Executives	2	3,353	0.00
Investment Companies	16	4,987,671	0.12
Insurance Companies	27	26,759,670	0.62
Joint Stock Companies	317	16,855,284	0.39
Banks, DFIs, NBFIs	28	27,468,789	0.64
Modarabas and Mutual Funds	18	4,060,402	0.09
Foreign Investors	99	303,433,309	7.06
Cooperative Societies	2	3,003	0.00
Charitable Trusts	42	2,355,036	0.05
Individuals	35,169	101,957,919	2.37
Others	249	135,636,427	3.15
TOTAL	**35,974**	**4,300,928,400**	**100.00**

SHAREHOLDING:

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

Review Report to the Members on Statement of Compliance with the Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Oil and Gas Development Company Limited ("the Company") to comply with the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

KPMG Taseer Hadi & Co.

KPMG TASEER HADI & Co.
Chartered Accountants

13 August 2009
Islamabad

M. Yousuf Adil Saleem & Co.

M. YOUSUF ADIL SALEEM & Co.
Chartered Accountants

13 August 2009
Islamabad

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of all the three Stock Exchanges of the Country for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Government of Pakistan holds more than 85% stake in the Company and nominates all the directors. All the directors are non-executive directors.

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

3. All the Directors of the Company are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or being a member of a Stock Exchange has been declared as defaulter by the Stock Exchange.

4. Vision, Mission statements have been redefined in the light of the Company's present standing and future outlook and approved by the Board.

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

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

7. A complete record of particulars of significant policies and Board decisions along with the dates on which they were approved or amended has been maintained.

8. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration where ever applicable and terms and conditions of employment of the CEO, CFO, Company Secretary, Head of Internal Audit and other Executive Directors have been taken ratified by the Board.

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

10. All the directors are on the Boards of other companies and have adequate exposure of corporate matters and well aware of their duties and responsibilities. Appropriate orientation courses of the directors are being arranged in consultation with the Board.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters which are required to be disclosed.

12. The CEO and CFO have duly endorsed the financial statements of the Company before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

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

15. The audit committee comprises four members, including the Chairman of the committee. All members of the committee including Chairman are non-executive directors.

16. The terms of reference of the Audit Committee have been formed and duly approved by the Board and advised to the committee for compliance.

17. An independent internal audit department was established even before the incorporation of OGDCL as a public limited company and is functioning in line with the Company's policies and procedures. To augment the internal control function and make it more effective, the Board has approved terms of reference of Internal Audit Department.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on the code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. The related party transactions have been placed before the audit committee and approved by the Board of Directors to comply with the requirements of listing regulation number 37 of the Karachi Stock Exchange (Guarantee) Limited.

21. We confirm that all other material principles contained in the Code have been compiled except for those referred in preceding paragraphs and for that the Company intends to seek compliance during next accounting year.

On behalf of the Board

(Farooq Rahmatullah)
Chairman

13 August 2009

Statement of Compliance with the Best Practices on Transfer Pricing for the year ended 30 June 2009

The Company has fully complied with the best practices on Transfer Pricing as contained in the respective Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges.

(Zahid Hussain)
Managing Director/CEO

13 August 2009

Auditors' Report to the Members
of Oil and Gas Development Company Limited

We have audited the annexed balance sheet of Oil and Gas Development Company Limited ("the Company") as at 30 June 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion-

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 30 June 2009 and of the profit, its cashflows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The comparative figures in the annexed financial statements of the Company include balances of Pirkoh Gas Company (Private) Limited, formerly wholly owned subsidiary of the Company, which were audited by M/s KPMG Taseer Hadi & Co., Chartered Accountants as sole auditors whose report dated 19 August 2008 expressed an unqualified opinion thereon.

KPMG Taseer Hadi & Co.

KPMG TASEER HADI & Co.
Chartered Accountants
Audit Engagement Partner: Riaz Akbar Ali Pesnani

13 August 2009
Islamabad

M. Yousuf Adil Saleem & Co.

M. YOUSUF ADIL SALEEM & Co.
Chartered Accountants
Audit Engagement Partner: Mohammed Saleem

13 August 2009
Islamabad

Balance Sheet
as at 30 June 2009

	Note	2009	2008
		(Rupees '000)	
SHARE CAPITAL AND RESERVES			
Share capital	4	43,009,284	43,009,284
Capital reserves	5	3,658,318	3,503,064
Unappropriated profit		79,503,794	63,902,995
		126,171,396	**110,415,343**
NON CURRENT LIABILITIES			
Deferred taxation	6	17,710,497	12,131,932
Deferred employee benefits	7	2,008,499	1,528,444
Provision for decommissioning cost	8	10,814,506	6,795,141
		30,533,502	**20,455,517**
CURRENT LIABILITIES			
Trade and other payables	9	18,747,328	17,215,555
Provision for taxation	10	2,540,170	4,223,048
		21,287,498	**21,438,603**
		177,992,396	**152,309,463**
CONTINGENCIES AND COMMITMENTS	11		

The annexed notes 1 to 39 form an integral part of these financial statements.

Chief Executive

	Note	2009	2008
		(Rupees '000)	
NON CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	12	28,482,194	23,229,631
Development and production assets - intangible	13	49,057,766	36,808,041
Exploration and evaluation assets	14	8,779,699	7,672,444
		86,319,659	**67,710,116**
Long term investments	15	2,903,133	2,860,132
Long term loans and receivable	16	1,849,707	1,806,620
Long term prepayments		85,357	108,937
		91,157,856	**72,485,805**
CURRENT ASSETS			
Stores, spare parts and loose tools	17	17,464,351	16,615,095
Stock in trade		108,301	151,782
Trade debts	18	56,140,092	40,705,299
Loans and advances	19	2,633,965	2,339,037
Deposits and short term prepayments	20	419,621	679,165
Interest accrued		27,156	180,295
Other receivables	21	979,319	638,921
Other financial assets	22	5,087,917	10,207,516
Cash and bank balances	23	3,973,818	8,306,548
		86,834,540	**79,823,658**
		177,992,396	**152,309,463**

Chairman

Profit and Loss Account
for the year ended 30 June 2009

	Note	2009	2008
		(Rupees '000)	
Sales - net	24	**130,829,579**	**125,908,304**
Royalty		(15,155,667)	(17,320,187)
Operating expenses	25	(22,673,893)	(19,613,345)
Transportation charges		(1,522,489)	(1,472,615)
		(39,352,049)	**(38,406,147)**
Gross profit		**91,477,530**	**87,502,157**
Other income	26	3,370,823	3,865,536
Exploration and prospecting expenditure	27	(7,459,560)	(6,612,836)
General and administration expenses	28	(1,332,982)	(1,248,640)
Provision for impairment loss		-	(319,283)
Finance cost	29	(926,027)	(536,799)
Workers' profit participation fund		(4,259,364)	(4,387,411)
Share of profit in associate - net of taxation	15	57,503	44,680
Profit before taxation		**80,927,923**	**78,307,404**
Taxation	30	(25,388,282)	(33,969,293)
Profit for the year		**55,539,641**	**44,338,111**
Earnings per share - basic and diluted (Rupees)	31	**12.91**	**10.31**

The annexed notes 1 to 39 form an integral part of these financial statements.

Chief Executive

Chairman

Cash Flow Statement
for the year ended 30 June 2009

	Note	2009	2008
		(Rupees '000)	
Cash flows from operating activities			
Profit before taxation		80,927,923	78,307,404
Adjustments for:			
Depreciation		3,306,407	3,129,882
Amortization of development and production assets		6,208,403	4,961,145
Royalty		15,155,667	17,320,187
Workers' profit participation fund		4,259,364	4,387,411
Provision for employee benefits		1,712,815	759,409
Un-winding of discount on provision for decommissioning cost		911,683	527,695
Interest income		(1,775,671)	(2,653,859)
Un-realized loss on investments at fair value through profit or loss		115,778	42,225
Dividend income		(29,512)	(28,150)
Fixed assets reconciliation adjustment		-	59,094
Gain on disposal of property, plant and equipment		(160,737)	(114,615)
Interest income on long term receivables		(36,861)	(54,789)
Provision for obsolete and slow moving inventory		251,868	319,283
Share of profit in associated company		(57,503)	(44,680)
Trade debts written off		-	1,445
Stores inventory written off		298,930	-
Provision for doubtful advances reversed		(2,416)	(9,864)
Provision for doubtful debts		3,173	-
		111,089,311	**106,909,223**
Working capital changes			
(Increase)/decrease in current assets:			
Stores, spare parts and loose tools		(1,400,054)	(3,010,044)
Stock in trade		43,481	(57,994)
Trade debts		(15,437,966)	(12,688,599)
Deposits and short term prepayments		259,544	(386,035)
Advances and other receivables		(120,165)	(435,009)
Increase/(decrease) in current liabilities:			
Trade and other payables		3,683,603	2,188,473
Cash generated from operations		**98,117,754**	**92,520,015**
Royalty paid		(17,510,087)	(13,112,399)
Employee benefits paid		(1,232,760)	(906,179)
Payments of workers' profit participation fund - net		(4,902,992)	(3,910,117)
Income taxes paid		(21,492,595)	(22,992,422)
		(45,138,434)	**(40,921,117)**
Net cash from operating activities		**52,979,320**	**51,598,898**
Cash flows from investing activities			
Capital expenditure		(25,072,050)	(18,347,224)
Interest received		2,107,850	2,962,831
Dividends received		53,157	52,081
Purchase of investments		(188,183)	(450,000)
Proceeds from encashment of investments		-	50,061
Proceeds from disposal of property, plant and equipment		165,946	214,535
Long term prepayments		23,581	(69,116)
Net cash used in investing activities		**(22,909,701)**	**(15,586,832)**
Cash flows from financing activities			
Dividends paid		(39,406,171)	(41,473,422)
Net cash used in financing activities		**(39,406,171)**	**(41,473,422)**
Net decrease in cash and cash equivalents		(9,336,552)	(5,461,356)
Cash and cash equivalents at beginning of the year		18,276,380	23,737,736
Cash and cash equivalents at end of the year	33	**8,939,828**	**18,276,380**

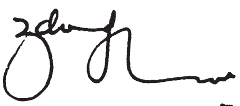
The annexed notes 1 to 39 form an integral part of these financial statements.

Chief Executive **Chairman**

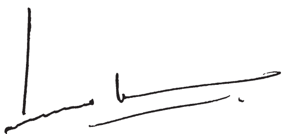
Statement of Changes in Equity
for the year ended 30 June 2009

	Share capital	Capital reserves: Bonus share	Capital reserves: Self insurance	Unappropriated profit	Total equity
			(Rupees '000)		
Balance at 01 July 2007	43,009,284	836,000	2,438,228	60,652,540	106,936,052
Changes in equity for the year ended 30 June 2008					
Final dividend 2007: Rs 3.50 per share	-	-	-	(15,053,249)	(15,053,249)
First interim dividend 2008: Rs 1.75 per share	-	-	-	(7,526,625)	(7,526,625)
Second interim dividend 2008: Rs 2.00 per share	-	-	-	(8,601,857)	(8,601,857)
Third interim dividend 2008: Rs 2.25 per share	-	-	-	(9,677,089)	(9,677,089)
Transfer to capital reserve	-	-	228,836	(228,836)	-
Profit for the year	-	-	-	44,338,111	44,338,111
Total recognized income and expense for the year	-	-	-	44,338,111	44,338,111
Balance at 30 June 2008	**43,009,284**	**836,000**	**2,667,064**	**63,902,995**	**110,415,343**
Balance at 01 July 2008	43,009,284	836,000	2,667,064	63,902,995	110,415,343
Changes in equity for the year ended 30 June 2009					
Final dividend 2008: Rs 3.50 per share	-	-	-	(15,053,249)	(15,053,249)
First interim dividend 2009: Rs 2.00 per share	-	-	-	(8,601,857)	(8,601,857)
Second interim dividend 2009: Rs 1.75 per share	-	-	-	(7,526,625)	(7,526,625)
Third interim dividend 2009: Rs 2.00 per share	-	-	-	(8,601,857)	(8,601,857)
Transfer to capital reserve	-	-	155,254	(155,254)	-
Profit for the year	-	-	-	55,539,641	55,539,641
Total recognized income and expense for the year	-	-	-	55,539,641	55,539,641
Balance at 30 June 2009	**43,009,284**	**836,000**	**2,822,318**	**79,503,794**	**126,171,396**

The annexed notes 1 to 39 form an integral part of these financial statements.



Chief Executive



Chairman

1 LEGAL STATUS AND OPERATIONS

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

Government of Pakistan owns 85.02% (2008: 85.02%) of the ordinary shares of the Company as of 30 June 2009.

1.1 MERGER OF WHOLLY OWNED SUBSIDIARY

On 28 January 2009, the Honorable Islamabad High Court approved the scheme of merger of Pirkoh Gas Company (Private) Limited (PGCL) wholly owned subsidiary, with the Company effective from 01 January 2009. Consequently, PGCL has been merged with the Company and these financial statements have been prepared in accordance with the said merger scheme.

As a result of the merger of PGCL with the Company on the above mentioned effective date, the results of both entities have been combined for the purpose of preparation of these financial statements. Since the merger is between two companies under common control, International Financial Reporting Standard IFRS 3 – Business Combinations is not applicable. The financial statement items of the Company and PGCL for all periods presented are included in these financial statements as if they had been combined from the beginning of the earliest period presented. Accordingly, comparatives are restated and have been extracted from Company's audited consolidated financial statements for the year ended 30 June 2008.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

2.2 BASIS OF MEASUREMENT

These financial statements have been prepared on the historical cost basis except for the following;

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

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

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

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

2.4 SIGNIFICANT ESTIMATES

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

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

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

2.4.1 Property, plant and equipment

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

2.4.2 Estimation of oil and natural gas reserves

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

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

2.4.3 Provision for decommissioning cost

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

During the year, the Company revised its estimates of outflows of resources to settle decommissioning liability based on future projected cost adjusted to present value. This has been treated as change in accounting estimates, applied prospectively, in accordance with IFRIC Interpretation 1 - Changes in Existing Decommissioning, Restoration and Similar Liabilities.

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

	Rupees in million
Provision for decommissioning cost would have been lower by	2,663
Property, plant and equipment would have been lower by	191
Development and production assets would have been lower by	1,974
Amortization charge would have been lower by	495
Unappropriated profit would have been higher by	229

2.4.4 Employee benefits

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

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

2.4.5 Taxation

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

2.5 ADOPTION OF APPROVED ACCOUNTING STANDARD

During current year, the Company adopted IFRS 7 - Financial Instruments which is applicable for annual periods beginning on or after 01 July 2008. IFRS 7 requires extensive disclosures about the significance of financial instruments for the Company's financial position and performance, and quantitative and qualitative disclosures on the nature and extent of risks. These requirements include many disclosures previously required by International Accounting Standard IAS 32 - Financial Instruments : Presentation. The Company has adopted this standard from the financial year beginning 01 July 2008 and its initial application has led to extensive disclosures in the Company's financial statements.

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

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

Revised IAS 1 - Presentation of Financial Statements (effective for annual periods beginning on or after 01 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

Revised IAS 23 - Borrowing Costs (effective for annual periods beginning on or after 01 January 2009) removes the option to expense borrowing costs and requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. .

Amendments to IAS 32 - Financial instruments: Presentation and IAS 1 - Presentation of Financial Statements (effective for annual periods beginning on or after 01 January 2009) – Puttable financial instruments and obligations arising on liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met.

Amendment to IFRS 2 - Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 01 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations.

Revised IFRS 3- Business Combinations (applicable for annual periods beginning on or after 01 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.

Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss.

IFRS 8 - Operating Segments (effective for annual periods beginning on or after 01 January 2009) introduces the “management approach” to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company’s “chief operating decision maker” in order to assess each segment’s performance and to allocate resources to them.

IFRIC 15 - Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 01 January 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete.

IFRIC 16 - Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 01 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity’s functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss.

The interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used.

IFRIC 17 - Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 01 July 2009) states that when a Company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement.

IFRIC 18 - Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).

Amendments to IAS 39 - Financial Instruments: Recognition and Measurement – Eligible hedged Items (effective for annual periods beginning on or after 01 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship.

IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor.

IFRS 4 - Insurance Contracts (effective for annual periods beginning on or after 01 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts.

Amendment to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 01 January 2009). These amendments have been made to bring the disclosure requirements of IFRS 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements.

Amendments to IAS 39 and IFRIC 9 - Embedded Derivatives (effective for annual periods beginning on or after 01 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value.

Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 01 January 2010). Currently effective IFRSs requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 EMPLOYEE BENEFITS

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

3.1.1 Pension, post retirement medical benefits and accumulating compensated absences

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

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

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

The Company makes contributions to the above defined benefit plans on the basis of actuarial valuations, carried out annually by independent actuaries. The latest actuarial valuations were carried as of 30 June 2009. The calculations of actuaries are based on the Projected Unit Credit Method, net of the assets guaranteeing the plan, if any, with the obligation increasing from year to year, in a manner that it is proportional to the length of service of the employees.

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

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

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

3.2 TAXATION

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

3.2.1 Current

Provision for current taxation is based on taxable income at applicable tax rates adjusted for payments to the GoP on account of royalty, and any adjustment to tax payable in respect of previous years.

3.2.2 Deferred

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences arising from differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used for taxation purposes. Deferred tax is measured at the tax rates that are expected to apply to temporary differences when they reverse, based on the tax rates that have been enacted or substantively enacted by the reporting date, adjusted for payments to GoP on account of royalty. Deferred tax liabilities are recognized for all major taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

3.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any except for freehold land, capital work in progress, which are stated at cost less impairment loss, if any. Cost in relation to property, plant and equipment comprises acquisition and other directly attributable costs and decommissioning cost as referred in the note 3.4.4 to the financial statements. Software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

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

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

Impairment tests for property, plant and equipment are performed when there is an indication of impairment. At each year end, an assessment is made to determine whether there are any indications of impairment. If any, indication of impairment exists an estimate of the asset's recoverable amount is made. The recoverable amount is determined as the higher of the fair value of the asset less cost to sell and the asset's value in use.

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

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

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

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

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

3.4 OIL AND GAS ASSETS

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

3.4.1 Pre license costs

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

3.4.2 Exploration and evaluation assets

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

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

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

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

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

3.4.3 Development and production assets - intangible

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

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

3.4.4 Decommissioning cost

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

The Company makes provision in full for the decommissioning cost on the declaration of commercial discovery of the reserves, to fulfill the obligation of site restoration and rehabilitation. The amount recognized is the estimated cost of decommissioning, discounted to its net present value and is reassessed every three years. The latest estimates were made as at 30 June 2009 and the expected outflow of economic resources to settle this obligation is up to next twenty five years. Decommissioning cost, as appropriate, relating to producing/shut-in fields and production facilities is capitalized to the cost of development and production assets and property, plant and equipment as the case may be. The recognized amount of decommissioning cost is subsequently amortized/depreciated as part of the capital cost of the development and production assets and property, plant and equipment.

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

3.4.5 Impairment of oil and gas assets

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

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

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

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

3.5 INVESTMENTS

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

3.5.1 Investments in associate

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

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

3.5.2 Investments held to maturity

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

3.5.3 Investments available for sale

All investments classified as available for sale are initially recognized at cost being fair value of consideration given. At subsequent dates these investments are measured at fair value. Unrealized gains or losses from changes in fair values are recognized in equity. Realized gains and losses are taken to profit and loss account.

3.5.4 Investments at fair value through profit or loss

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

3.6 STORES, SPARE PARTS AND LOOSE TOOLS

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

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

The Company reviews the carrying amount of stores and spare parts on a regular basis and provision is made for obsolescence.

3.7 STOCK IN TRADE

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

3.8 INTANGIBLES

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

3.9 REVENUE RECOGNITION

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

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

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

3.10 FINANCE INCOME AND EXPENSE

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

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

3.11 JOINT VENTURE OPERATIONS

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

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

3.12 FOREIGN CURRENCIES

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

3.13 PROVISIONS

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

3.14 FINANCIAL INSTRUMENTS

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

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

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

3.15 OFFSETTING

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

3.16 TRADE DEBTS AND OTHER RECEIVABLES

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

3.17 TRADE AND OTHER PAYABLES

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

3.18 CASH AND CASH EQUIVALENTS

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

3.19 DIVIDEND

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

3.20 SELF INSURANCE SCHEME

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

3.21 IMPAIRMENT

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

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

4 SHARE CAPITAL

Issued, subscribed and paid up capital

2009 Numbers	2008 Numbers		2009 (Rupees '000)	2008 (Rupees '000)
1,075,232,100	1,075,232,100	Ordinary shares of Rs 10 each issued for consideration other than cash (note 4.1)	10,752,321	10,752,321
3,225,696,300	3,225,696,300	Ordinary shares of Rs 10 each issued as fully paid bonus shares	32,256,963	32,256,963
4,300,928,400	**4,300,928,400**		**43,009,284**	**43,009,284**

4.1 In consideration for all the properties, rights, assets, obligations and liabilities of Oil and Gas Development Corporation (OGDC) vested in the Company, 1,075,232,100 ordinary fully paid shares of Rs 10 each were issued to GoP on 23 October 1997. Currently, the GoP holds 85.02% (2008: 85.02%) paid up capital of the Company.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Authorised share capital

This represents 5,000,000,000 (2008: 5,000,000,000) ordinary shares of Rs 10 each.

5 CAPITAL RESERVES

	Note	2009 (Rupees '000)	2008 (Rupees '000)
Bonus shares reserve	5.1	836,000	836,000
Self insurance reserve	5.2	2,822,318	2,667,064
		3,658,318	**3,503,064**

5.1 This represents bonus shares issued by former wholly owned subsidiary (PGCL) prior to merger.

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

6 DEFERRED TAXATION

The balance of deferred tax is in respect of following temporary differences:

	2009 (Rupees '000)	2008 (Rupees '000)
Accelerated depreciation on property, plant and equipment	4,726,835	3,489,838
Expenditure of exploration and evaluation, development and production assets	16,726,496	12,235,583
Provision for decommissioning cost	(3,329,751)	(1,878,957)
Long term receivables	(12,620)	(27,191)
Long term investment in associate	42,322	-
Provision for doubtful debts and advances	(95,738)	(1,414,219)
Provision for slow moving and obsolete stores	(347,047)	(273,122)
	17,710,497	**12,131,932**

Deferred tax liability has been calculated at the current effective tax rate of 30.91% (2008: 31.01%) after taking into account depletion allowance and set offs, where available, in respect of royalty payments to the GoP.

		Note	2009	2008
			(Rupees '000)	
7	**DEFERRED EMPLOYEE BENEFITS**			
	Post retirement medical benefits	7.1	1,187,744	841,975
	Accumulating compensated absences	7.2	820,755	686,469
			2,008,499	**1,528,444**
7.1	**Post retirement medical benefits**			
	The amount recognized in the balance sheet is as follows:			
	Present value of defined benefit obligation		2,186,605	1,901,688
	Unrecognized actuarial loss		(998,861)	(1,059,713)
	Net liability at end of the year		**1,187,744**	**841,975**
	Movement in the present value of defined benefit obligation is as follows:			
	Present value of defined benefit obligation at beginning of the year		1,901,688	608,371
	Current service cost		96,061	65,124
	Interest cost		228,203	60,837
	Benefits paid		(102,716)	(71,629)
	Actuarial loss		63,369	1,238,985
	Present value of defined benefit obligation at end of the year		**2,186,605**	**1,901,688**
	Expense recognized in profit and loss account:			
	Current service cost		96,061	65,124
	Interest cost		228,203	60,837
	Net actuarial loss/(gain) recognized		124,221	(19,739)
			448,485	**106,222**
	The expense is recognized in the following line items in profit and loss account:			
	Operating expenses		224,428	52,437
	General and administration expenses		66,151	16,731
	Technical services		157,906	37,054
			448,485	**106,222**
	Principal actuarial assumptions used were as follows:			
	Discount rate per annum		13%	12%
	Medical cost trend rate per annum		8%	7%
	Exposure inflation rate per annum		3%	3%
	Mortality rate		61-66 years	61-66 years

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

	2009 (Rupees '000)	
	1% decrease	**1% increase**
Present value of medical obligation	1,897,840	2,542,331
Current service cost and interest cost	312,920	428,642

	Note	2009	2008
		(Rupees '000)	
7.2 Accumulating compensated absences			
Present value of defined benefit obligation		686,469	615,750
Charge for the year		134,286	70,719
Net liability at end of the year		**820,755**	**686,469**

The rates of discount and salary increase were assumed at 13% (2008: 12%) each per annum.

8 PROVISION FOR DECOMMISSIONING COST

	Note	2009	2008
		(Rupees '000)	
Balance at beginning of the year		6,795,141	6,049,620
Provision made during the year		3,107,682	392,210
		9,902,823	**6,441,830**
Reversal of decommissioning cost of development and production assets due to revision in estimates		-	(174,384)
Unwinding of discount on provision for decommissioning cost	29	911,683	527,695
Balance at end of the year		**10,814,506**	**6,795,141**

8.1 The above provision for decommissioning cost is analyzed as follows:

	2009	2008
Wells	7,919,805	5,069,185
Production facilities	928,533	671,471
Unwinding of discount on provision for decommissioning cost		
Wells	1,748,452	916,925
Production facilities	217,716	137,560
	1,966,168	**1,054,485**
	10,814,506	**6,795,141**

Significant assumptions used were as follows:

	2009	2008
Discount rate per annum	11.99%	10.20%
Inflation rate per annum	9.46%	7.63%

		Note	2009	2008
			(Rupees '000)	
9	**TRADE AND OTHER PAYABLES**			
	Creditors		814,714	345,588
	Accrued liabilities		6,952,534	5,451,929
	Royalty		4,309,910	6,664,330
	Excise duty		114,614	105,357
	General sales tax		805,044	584,886
	Payable to joint venture partners		3,152,520	1,369,547
	Retention money		266,371	278,088
	Trade deposits		134,481	99,262
	Employees' pension trust	9.1	-	-
	Workers' profit participation fund	21.1	-	174,827
	Un-paid dividend		1,816,304	1,450,691
	Un-claimed dividend		114,592	102,788
	Advances from customers		184,559	174,341
	Other payables		81,685	413,921
			18,747,328	**17,215,555**
9.1	**Employees' pension trust**			
	The amount recognized in the balance sheet is as follows:			
	Present value of defined benefit obligation		12,293,631	11,262,067
	Fair value of plan assets		(11,512,672)	(10,024,651)
	Deficit of the fund		**780,959**	**1,237,416**
	Unrecognized actuarial gain		(780,959)	(1,237,416)
	Net liability at end of the year		-	-
	The movement in the present value of defined benefit obligation is as follows:			
	Present value of defined benefit obligation at beginning of the year		11,262,067	9,320,649
	Current service cost		682,418	505,591
	Interest cost		1,351,448	932,065
	Benefits paid		(410,732)	(348,184)
	Actuarial (gain)/loss		(591,570)	851,946
	Present value of defined benefit obligation at end of the year		**12,293,631**	**11,262,067**
	The movement in the fair value of plan assets is as follows:			
	Fair value of plan assets at beginning of the year		10,024,651	9,179,845
	Expected return on plan assets		1,202,958	917,985
	Contributions		843,265	519,671
	Benefits paid		(410,732)	(348,184)
	Actuarial loss		(147,470)	(244,666)
	Fair value of plan assets at end of the year		**11,512,672**	**10,024,651**

	2009	2008
	(Rupees '000)	
Expense recognized in profit and loss account:		
Current service cost	682,418	505,591
Interest cost	1,351,448	932,065
Expected return on plan assets	(1,202,958)	(917,985)
Actuarial loss recognized	12,357	-
	843,265	**519,671**
Plan assets comprise:		
Bonds	7,206,662	9,088,876
Equity	507,410	906,236
Cash and bank balances	3,798,601	29,539
	11,512,673	**10,024,651**
The expense is recognized in the following line items in profit and loss account:		
Operating expenses	374,044	229,614
General and administration expenses	164,730	101,119
Technical services	304,491	188,938
	843,265	**519,671**
Actual return on plan assets	**1,055,488**	**673,319**

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

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

	2009	2008	2007	2006	2005
			(Rupees '000)		
Present value of defined benefit obligation	12,293,631	11,262,067	9,320,649	7,622,259	7,543,651
Fair value of plan assets	(11,512,672)	(10,024,651)	(9,179,845)	(8,340,395)	(7,543,484)
Deficit/(surplus)	**780,959**	**1,237,416**	**140,804**	**(718,136)**	**167**
Experience adjustments on obligation	591,570	(851,946)	(790,131)	704,756	(595,374)
Experience adjustments on plan assets	(147,470)	(244,666)	(68,809)	(35,493)	(455,275)

Principal actuarial assumptions used were as follows:

	2009	2008
Discount rate per annum	13%	12%
Salary increase rate per annum	13%	12%
Expected rate of return on plan assets per annum	13%	12%
Future pension increase rate per annum	6%	5%

The Company expects to make a contribution of Rs 598.859 million to the employees' pension trust during the next financial year.

	Note	2009 (Rupees '000)	2008
10 PROVISION FOR TAXATION			
Tax payable / (advance tax) at beginning of the year		4,223,048	(5,700,810)
Income tax paid during the year		(21,492,595)	(22,992,422)
Provision for current taxation - for the year	30	16,799,082	21,039,758
Provision for taxation - prior years	30	3,010,635	11,876,522
Tax payable at end of the year		**2,540,170**	**4,223,048**

11 CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

11.1.1 Claims against the Company not acknowledged as debts amounted to Rs 210.553 million at year end (2008: Rs 229.420 million).

11.1.2 Certain banks have issued guarantees on behalf of the Company in ordinay course of business aggregating Rs 106.133 million (2008 : Rs 444.844 million), refer note 23.1 to the financial statements.

11.1.3 The Company's share of associate contingencies based on the financial information of associate for nine months period ended 31 March 2009 (2008: 31 March 2008) are as follows:

- Indemnity bonds given to Collector of Customs against duty concessions on import of equipment and materials amounted to Rs 11 million (2008: Rs 139 million).

11.2 Commitments

11.2.1 Commitments outstanding at year end amounted to Rs 7,263.576 million (2008: Rs 18,909.109 million). These included amounts aggregating to Rs 3,337.170 million (2008: Rs 967.227 million) representing the Company's share in the minimum work commitments related to operated/non-operated concessions.

11.2.2 Letters of credit issued by various banks on behalf of the Company in ordinary course of the business, outstanding at the year end amounted to Rs 5,342.996 million (2008: Rs 6,504.968 million).

11.2.3 The Company's share of associate commitments based on the financial information of associate for nine months period ended 31 March 2009 (2008: 31 March 2008) are as follows:

	2009 (Rupees '000)	2008
Capital expenditure:		
Share in joint ventures	186,216	358,544
Others	139,243	140,763
	325,459	**499,307**
Operating lease rentals due:		
Less than one year	3,370	1,995
More than one year but less than five years	8,007	3,825
	11,377	**5,820**
	336,836	**505,127**

12 PROPERTY, PLANT AND EQUIPMENT

(Rupees '000)

Description	Freehold land	Leasehold land	Buildings, offices and roads on freehold land	Buildings, offices and roads on leasehold land	Plant and machinery	Rigs	Pipelines	Office and domestic equipment	Office and technical data computers	Furniture and fixtures	Aircraft	Vehicles	Decom-missioning cost	Capital works in progress (Note 12.3)	Stores held for capital expenditure	Total
Cost																
Balance as at 01 July 2007	155,091	376,519	1,938,347	818,810	35,092,725	1,020,685	8,408,957	488,875	555,071	58,770	19,855	3,013,153	647,110	1,806,483	1,004,784	55,405,235
Additions	2,039	90,775	283,157	62,897	2,798,050	162,515	435,820	48,717	31,827	10,130	-	254,150	24,361	749,222	592,746	5,546,406
Disposals / transfers	-	-	(11,990)	(63,372)	(264,151)	(68,521)	(11,137)	(22,353)	(145,763)	(22,280)	-	(143,826)	-	(190,036)	(301,639)	(1,245,068)
Balance as at 30 June 2008	157,130	467,294	2,209,514	818,335	37,626,624	1,114,679	8,833,640	515,239	441,135	46,620	19,855	3,123,477	671,471	2,365,669	1,295,891	59,706,573
Balance as at 01 July 2008	157,130	467,294	2,209,514	818,335	37,626,624	1,114,679	8,833,640	515,239	441,135	46,620	19,855	3,123,477	671,471	2,365,669	1,295,891	59,706,573
Additions	6,780	1,935	70,633	10,998	5,646,337	129,184	138,878	84,295	69,364	9,487	-	966,145	257,062	1,681,383	518,194	9,590,675
Disposals / transfers	-	-	-	-	(73,258)	(1,799)	-	(4,881)	(11,247)	-	(19,855)	(73,741)	-	(48,048)	(426,787)	(659,616)
Balance as at 30 June 2009	163,910	469,229	2,280,147	829,333	43,199,703	1,242,064	8,972,518	594,653	499,252	56,107	-	4,015,881	928,533	3,999,004	1,387,298	68,637,632
Depreciation																
Balance as at 01 July 2007	-	136,180	550,961	445,608	24,654,999	639,840	3,859,612	344,327	446,141	29,244	17,869	2,018,721	208,975	-	139,954	33,492,431
Charge for the year	-	10,976	99,722	72,975	1,942,943	67,682	762,692	35,242	54,039	5,657	-	291,487	85,997	-	134,088	3,563,500
On disposals / transfers	-	-	(4,498)	(40,155)	(215,778)	(68,321)	(11,131)	(21,278)	(145,067)	(9,615)	-	(141,010)	-	-	(24,058)	(680,911)
Balance as at 30 June 2008	-	147,156	646,185	478,428	26,382,164	639,201	4,611,173	358,291	355,113	25,286	17,869	2,169,198	294,972	-	249,984	36,375,020
Balance as at 01 July 2008	-	147,156	646,185	478,428	26,382,164	639,201	4,611,173	358,291	355,113	25,286	17,869	2,169,198	294,972	-	249,984	36,375,020
Charge for the year	-	20,038	125,869	68,703	2,169,612	69,620	622,463	43,234	61,551	6,599	-	422,133	89,570	-	108,506	3,807,898
On disposals / transfers	-	-	-	-	(31,854)	(1,793)	-	(4,636)	(11,116)	-	(17,869)	(62,134)	-	-	-	(129,402)
Balance as at 30 June 2009	-	167,194	772,054	547,131	28,519,922	707,028	5,233,636	396,889	405,548	31,885	-	2,529,197	384,542	-	358,490	40,053,516
Impairment																
Balance as at 01 July 2007	-	-	3,393	-	97,071	51	1,407	-	-	-	-	-	-	-	-	101,922
Charge for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2008	-	-	3,393	-	97,071	51	1,407	-	-	-	-	-	-	-	-	101,922
Balance as at 01 July 2008	-	-	3,393	-	97,071	51	1,407	-	-	-	-	-	-	-	-	101,922
Charge for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2009	-	-	3,393	-	97,071	51	1,407	-	-	-	-	-	-	-	-	101,922
Carrying amount - 2008	157,130	320,138	1,559,936	339,907	11,147,389	475,427	4,221,060	156,948	86,022	21,334	1,986	954,279	376,499	2,365,669	1,045,907	23,229,631
Carrying amount - 2009	163,910	302,035	1,504,700	282,202	14,582,710	534,985	3,737,475	197,764	93,704	24,222	-	1,486,684	543,991	3,999,004	1,028,808	28,482,194
Rates of depreciation (%)	-	1 ~ 3.3	2.5 ~ 8	2.5 ~ 8	4 ~ 20	10	10	15	30	15	10	20	1 ~ 10	-	2.5 ~ 25	

12.1 Cost and accumulated depreciation as at 30 June 2009 include Rs 19,652.335 million (2008: Rs 15,223.150 million) and Rs 9,783.874 million (2008: Rs 8,274.394 million) respectively being the Company's share in property, plant and equipment relating to joint ventures operated by other working interest owners. The Company's share in gain on disposal of property, plant and equipment relating to joint ventures operated by working interest owners amounted to Rs 137 million (2008: Rs 82 million).

	Note	2009	2008
		(Rupees '000)	
12.2 The depreciation charge has been allocated to:			
Operating expenses	25	3,186,189	3,012,128
General and administration expenses	28	120,218	117,754
Technical services		501,491	433,618
		3,807,898	**3,563,500**
12.3 Capital works in progress			
Production facilities and other civil works in progress:			
Wholly owned		1,165,302	1,019,518
Joint ventures		2,741,709	1,274,218
		3,907,011	**2,293,736**
Construction cost of field offices and various bases/offices owned by the Company		91,993	71,933
		3,999,004	**2,365,669**

12.4 Details of property, plant and equipment sold:

	Cost	Book value	Sale proceeds
		(Rupees)	
Vehicles sold to following retiring employees as per Company's policy:			
Mr. Ishaq Rashed Rumi	969,000	442,832	442,832
Mr. M. Ahsan Siddiqui	969,000	485,265	485,265
Mr. Muhammad Arshad Khan Rana	555,000	1,000	1,000
Mr. Muhammad Khalid	969,000	470,414	470,414
Mr. Muhammad Naeem	969,000	469,883	469,883
Mr. Amin Saeed	969,000	460,866	460,866
Mr. Abdul Qayyum	969,000	469,883	469,883
Mr. Mian Tariq Mehmood	555,000	1,000	1,000
Mr. Abdul Wahab	555,000	1,000	1,000
Mr. Hamid Khurshid Janjua	969,000	530,881	530,881
Mr. Jaffar Ali Tahir	969,000	586,043	586,043
Mr. Mansoor Alam	555,000	1,000	1,000
Mr. S. Qamar Hussain	939,000	86,565	86,565
Mr. Zahoor-ul-Haq	559,244	448,762	448,762
Mr. Mussadaq Hussain Kiyani	559,244	405,383	405,383
Mr. Waheed-ur-Rehman	555,000	1,000	1,000
Mr. Shahid Latif	939,000	1,000	1,000
	13,523,488	**4,862,777**	**4,862,777**
Aggregate of other items of property, plant and equipment with individual book value not exceeding Rs 50,000 sold through public auction.	64,072,331	346,400	23,670,000
2009	**77,595,819**	**5,209,177**	**28,532,777**
2008	**124,717,397**	**5,392,617**	**46,788,788**

13 DEVELOPMENT AND PRODUCTION ASSETS - Intangible

(Rupees '000)

Description	Producing fields		Shut-in fields		Wells in progress (Note 13.1)	Sub total	Decom-missioning cost	Total
	Wholly owned	Joint ventures	Wholly owned	Joint ventures				
Cost								
Balance as at 01 July 2007	21,644,477	20,241,349	1,679,485	4,500,300	2,099,673	50,165,284	4,875,720	55,041,004
Additions	5,262,159	2,579,280	982,961	798,874	9,505,098	19,128,372	193,465	19,321,837
Transfers	-	-	-	-	(6,544,938)	(6,544,938)	-	(6,544,938)
Balance as at 30 June 2008	**26,906,636**	**22,820,629**	**2,662,446**	**5,299,174**	**5,059,833**	**62,748,718**	**5,069,185**	**67,817,903**
Balance as at 01 July 2008	26,906,636	22,820,629	2,662,446	5,299,174	5,059,833	62,748,718	5,069,185	67,817,903
Additions	4,011,245	6,900,958	1,900,157	2,032,957	13,569,303	28,414,620	2,850,620	31,265,240
Transfers	-	-	-	-	(12,807,112)	(12,807,112)	-	(12,807,112)
Balance as at 30 June 2009	**30,917,881**	**29,721,587**	**4,562,603**	**7,332,131**	**5,822,024**	**78,356,226**	**7,919,805**	**86,276,031**
Amortization								
Balance as at 01 July 2007	12,824,608	9,014,525	372,441	141,233	-	22,352,807	3,103,549	25,456,356
Charge for the year	2,517,668	2,151,644	298	59	-	4,669,669	291,476	4,961,145
Balance as at 30 June 2008	**15,342,276**	**11,166,169**	**372,739**	**141,292**	**-**	**27,022,476**	**3,395,025**	**30,417,501**
Balance as at 01 July 2008	15,342,276	11,166,169	372,739	141,292	-	27,022,476	3,395,025	30,417,501
Charge for the year	2,352,167	3,178,831	4,864	702	-	5,536,564	671,839	6,208,403
Balance as at 30 June 2009	**17,694,443**	**14,345,000**	**377,603**	**141,994**	**-**	**32,559,040**	**4,066,864**	**36,625,904**
Impairment loss								
Balance as at 01 July 2007	273,078	-	-	-	-	273,078	-	273,078
Charge for the year	319,283	-	-	-	-	319,283	-	319,283
Balance as at 30 June 2008	**592,361**	-	-	-	-	**592,361**	-	**592,361**
Balance as at 01 July 2008	592,361	-	-	-	-	592,361	-	592,361
Charge for the year	-	-	-	-	-	-	-	-
Balance as at 30 June 2009	**592,361**	**-**	**-**	**-**	**-**	**592,361**	**-**	**592,361**
Carrying amount - 2008	**10,971,999**	**11,654,460**	**2,289,707**	**5,157,882**	**5,059,833**	**35,133,881**	**1,674,160**	**36,808,041**
Carrying amount - 2009	**12,631,077**	**15,376,587**	**4,185,000**	**7,190,137**	**5,822,024**	**45,204,825**	**3,852,941**	**49,057,766**

13.1 Wells in progress

	2009	2008
	(Rupees '000)	
Wholly owned	2,361,021	2,546,595
Joint ventures	3,461,003	2,513,238
	5,822,024	**5,059,833**

		Note	2009 (Rupees '000)	2008 (Rupees '000)
14	**EXPLORATION AND EVALUATION ASSETS**			
	Balance at beginning of the year		2,823,295	1,875,370
	Additions		8,496,785	8,135,406
			11,320,080	**10,010,776**
	Cost of dry and abandoned wells	27	(4,339,300)	(4,109,145)
	Cost of wells transferred to development and production assets		(2,038,205)	(3,078,336)
			(6,377,505)	**(7,187,481)**
			4,942,575	2,823,295
	Stores held for exploration and evaluation activities	14.1	3,837,124	4,849,149
	Balance at end of the year		**8,779,699**	**7,672,444**
14.1	**Stores held for exploration and evaluation activities**			
	Balance at beginning of the year		4,849,149	4,490,336
	Additions		291,175	1,958,077
	Issuances		(1,303,200)	(1,599,264)
	Balance at end of the year		**3,837,124**	**4,849,149**

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

	Note	2009 (Rupees '000)	2008 (Rupees '000)
Liabilities related to exploration and evaluation		**1,151,081**	**489,757**
Other assets related to exploration and evaluation		**138,211**	**243,696**
Exploration and prospecting expenditure	27	**7,459,560**	**6,612,836**

		Note	2009	2008
15	**LONG TERM INVESTMENTS**			
	Investment in associate - quoted	15.1	210,436	176,578
	Investments held to maturity	15.2	2,692,697	2,683,554
			2,903,133	**2,860,132**
15.1	**Investment in associate - quoted**			
	Mari Gas Company Limited (MGCL)			
	Cost of investment (7,350,000 (2008: 7,350,000) fully paid ordinary shares of Rs 10 each)		73,500	73,500
	Post acquisition profits brought forward		103,078	82,329
			176,578	**155,829**
	Share of profit for the year		57,503	44,680
	Dividend received		(23,645)	(23,931)
			33,858	**20,749**
			210,436	**176,578**

	2009	2008
	(Rupees '000)	

Summarised financial information in respect of the MGCL is set out below:

Total assets	**20,184,741**	**12,590,901**
Total liabilities	**12,089,713**	**6,391,871**
Total revenue for the period/ year	**3,739,425**	**6,697,201**
Total distributable profit for the period/ year	**205,948**	**236,320**

The reporting date of the MGCL is 30 June. For the purpose of applying equity method of accounting, the assets, liabilities and results are based on the financial information of MGCL for the nine months period ended 31 March 2009 (2008: 30 June 2008) were used as the financial statements of MGCL for the year ended 30 June 2009 were not issued till the date of authorization of financial statements of the Company.

The Company has 20% (2008: 20%) holding in the associate. The fair value of the investment in associate as of the year end was Rs 1,094 million (2008: Rs 1,981 million).

15.2 Investments held to maturity

	Note	2009	2008
		(Rupees '000)	
Defence Saving Certificates (DSCs)	15.2.1	6,167	174,918
Term Deposit Receipts (TDRs)	15.2.2	2,686,530	2,508,636
		2,692,697	**2,683,554**

15.2.1 Face value of investments in DSCs is Rs 1.5 million (2008: Rs 34.847 million). These carry effective interest rate of 16% (2008: 16% to 18%) per annum. These have maturity of ten years and are due to mature in periods ranging between 2009 to 2010.

15.2.2 These carry effective interest rates of 2.5% to 4.2% (2008: 10.25% to 10.70%) per annum.

15.2.3 These investments are due to mature within next 12 months, however, these have not been classified as current assets based on the management's intention to reinvest them in the like investments for a longer term. These investments are identified against capital reserve as explained in note 5 to the financial statements.

16 LONG TERM LOANS AND RECEIVABLE

	Note	2009	2008
		(Rupees '000)	
Long term loans - secured	16.1	1,610,411	1,324,059
Long term receivable - unsecured	16.2	239,296	482,561
		1,849,707	**1,806,620**

16.1 Long term loans - secured

Considered good:			
Executives		497,573	309,647
Other employees		1,393,510	1,239,745
		1,891,083	**1,549,392**
Current portion shown under loans and advances	19	(280,672)	(225,333)
		1,610,411	**1,324,059**

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

	Balance as at 01 July 2008	Disbursement during the year	Adjustments during the year	Repayments during the year	Balance as at 30 June 2009
			(Rupees '000)		
Due from:					
Executives	309,647	185,664	69,947	67,685	497,573
Other employees	1,239,745	379,033	(70,734)	154,534	1,393,510
	1,549,392	**564,697**	**(787)**	**222,219**	**1,891,083**

16.1.2 The loans are granted to the employees of the Company in accordance with the Company's service rules. House building and conveyance loans are for maximum period of 15 and 5 years respectively. These loans are secured against the underlying assets. Included in these are loans of Rs 1,516.367 million (2008: Rs 1,246.567 million) which carry no interest. The balance amount carries an effective interest rate of 9.96% (2008: 10.21%) per annum. Interest free loans to employees have not been discounted as required by IAS - 39 Financial Instruments: Recognition and Measurement as the amount involved is deemed immaterial.

The maximum amount due from executives at the end of any month during the year was Rs 565.259 million (2008: Rs 309.647 million).

16.2 Long term receivable - unsecured

	Note	2009	2008
		(Rupees '000)	
Considered good		606,937	747,000
Effect of fair value adjustment		(40,828)	(77,689)
		566,109	**669,311**
Current portion shown under other receivables	21	(326,813)	(186,750)
		239,296	**482,561**

The total receivables comprise Rs 606.937 million (2008: Rs 747.000 million) receivable from Karachi Electric Supply Company Limited (KESC), as a result of inter corporate debt adjustment approved by the Government of Pakistan in February, 1999, pursuant to the Economic Coordination Committee of Cabinet (ECC) decision in February, 1999.

The amount from KESC is receivable in 32 equal quarterly installments of Rs 46.688 million commencing from February 2004.

These receivables carry no interest and are repayable in five years with one year grace period. In accordance with IAS 39 - Financial Instruments: Recognition and Measurement, this loss has been stated at present value using the discount rate of 7.5% per annum and the difference between the carrying amount and present value of expected future cash flows has been included in profit and loss account.

17 STORES, SPARE PARTS AND LOOSE TOOLS

	2009	2008
	(Rupees '000)	
Stores, spare parts and loose tools	16,743,719	14,345,907
Stores and spare parts in transit	1,843,530	3,140,218
	18,587,249	**17,486,125**
Provision for slow moving and obsolete stores	(1,122,898)	(871,030)
	17,464,351	**16,615,095**

		2009	2008
		(Rupees '000)	

18 TRADE DEBTS

	2009	2008
Un-secured, considered good	56,140,092	40,706,744
Un-secured, considered doubtful	4,328,255	4,325,082
	60,468,347	**45,031,826**
Provision for doubtful debts	(113,309)	(4,325,082)
Trade debts written off against provision	(4,214,946)	(1,445)
	56,140,092	**40,705,299**

18.1 Trade debts include an amount of Rs 112.883 million (2008: Rs 4,436 million) withheld by Uch Power (Private) Limited (UPL) against claims for damages related to minimum supply of gas. During the year provision amounting to Rs 4,215 million has been adjusted as approved by the management in accordance with the settlement agreement between the Company and UPL approved by the GoP.

18.2 Trade debts also include an amount of Rs 4,636 million (2008: Rs 3,649 million) which has been withheld by the refineries under the previous directive of Ministry of Petroleum and Natural Resources and represents revenue on crude oil in excess of USD 50 per barrel. On 04 December 2007, Ministry of Petroleum and Natural Resources issued another directive whereby discount on crude oil and condensate in excess of USD 50 per barrel was settled. According to the said directive, in case the net prices exceed the present ceiling limits mentioned in the respective agreements, the excess will be equally shared between the Government and Exploration and Production (E&P) Companies both for crude oil and condensate. The effect of this has been incorporated in these financial statements. Further, the matter has been taken up with oil refineries for release of withheld amounts. Management considers this amount to be fully recoverable. Therefore, no provision has been made in these financial statements.

18.3 Also included in trade debts is an amount of Rs 823 million (2008: Rs 3,954 million) withheld by refineries on the direction of Directorate General of Petroleum Concessions (DGPC) pending finalization of crude oil sale agreements. On 02 April 2009, Directorate General (Oil), Ministry of Petroleum and Natural Resources GoP, has advised refineries to release 100% of the withheld amount. Management considers this amount to be fully recoverable. Therefore, no provision has been made in these financial statements.

18.4 Trade debts also include an overdue amount of Rs 28,183 million (2008: nil) withheld by refineries and gas companies due to inter-corporate debts. A committee, under the chairmanship of Secretary Finance GoP, has been formed to review and settle inter-corporate debts. In the first phase on inter-corporate debt settlement the Company received Rs 17,000 million in last week of June 2009. In the meeting held on 18 July 2009 at Ministry of Finance GoP, all the companies have been directed to open their bank accounts at the main branch of National Bank of Pakistan, Karachi for next tranche of inter-corporate debt settlement. Accordingly the Company has opened a bank account and management considers the overdue amount to be fully recoverable, hence, no provision has been made for these debts in these financial statements.

19 LOANS AND ADVANCES

	Note	2009	2008
		(Rupees '000)	
Advances considered good:			
Suppliers and contractors		1,744,154	1,173,703
Joint venture partners		601,318	918,616
Others		7,821	21,385
		2,353,293	**2,113,704**
Current portion of long term loans - secured	16.1	280,672	225,333
		2,633,965	**2,339,037**
Advances considered doubtful		196,422	253,758
		2,830,387	**2,592,795**
Provision for doubtful advances		(196,422)	(253,758)
		2,633,965	**2,339,037**

		Note	2009	2008
			(Rupees '000)	
20	**DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Security deposits		10,371	9,345
	Short term prepayments		409,250	669,820
			419,621	**679,165**
21	**OTHER RECEIVABLES**			
	Development surcharge		80,357	80,357
	Current portion of long term receivables - unsecured	16.2	326,813	186,750
	Claims receivable		19,625	16,420
	Workers' profit participation fund	21.1	468,801	-
	Others		83,723	355,394
			979,319	**638,921**
21.1	**Workers' profit participation fund**			
	(Payable)/receivable at beginning of the year		(174,827)	302,467
	Paid to the fund during the year		4,902,992	4,200,000
			4,728,165	**4,502,467**
	Received during the year		-	(289,883)
	Charge for the year		(4,259,364)	(4,387,411)
	Receivable/(payable) at end of the year	9	**468,801**	**(174,827)**
22	**OTHER FINANCIAL ASSETS**			
	Investments:			
	At fair value through profit or loss - NIT units		121,907	237,684
	Available for sale	22.1	4,966,010	9,969,832
			5,087,917	**10,207,516**

22.1 30 June 2009 balance represents foreign currency TDRs amounting to USD 61 million and carry interest rate of 2% to 4.28% per annum, while balance as of 30 June 2008 represents TDRs which include USD 73 million foreign currency TDRs that carried interest rate of 5.25% to 5.72% per annum. PKR TDRs carried interest rate of 10.25% to 10.7% per annum.

		Note	2009	2008
			(Rupees '000)	
23	**CASH AND BANK BALANCES**			
	Cash at bank:			
	Deposit accounts	23.1	3,870,525	7,567,517
	Current accounts		81,763	721,586
			3,952,288	**8,289,103**
	Cash in hand		21,262	17,445
	Cash in transit		268	-
			3,973,818	**8,306,548**

23.1 These deposit accounts carry interest rate of 0.10% to 12.50% (2008: 1.30% to 9.50%) per annum and include foreign currency deposits amounting to USD 31.656 million (2008: USD 27.097 million). Deposits amounting to Rs 106.133 million (2008: Rs 444.844 million) with banks were under lien to secure bank guarantees issued on behalf of the Company.

		Note	2009	2008
			(Rupees '000)	
24	**SALES - net**			
	Gross sales			
	Crude oil		63,196,489	70,629,371
	Gas		75,042,555	59,523,653
	Gasoline		244,672	4,740
	Kerosene oil		144,394	335,063
	High speed diesel oil		3,804	246,587
	Solvent oil		3,761	21,866
	Naphtha		535,049	2,696,374
	Liquefied petroleum gas		3,398,476	5,288,697
	Sulphur		308,435	820,131
	Other operating revenue	24.1	35,668	59,813
			142,913,303	**139,626,295**
	Government levies			
	Excise duty		(1,504,895)	(1,510,975)
	Development surcharge		(44,642)	(60,626)
	General sales tax		(10,534,187)	(12,146,390)
			(12,083,724)	**(13,717,991)**
			130,829,579	**125,908,304**
24.1	**Other operating revenue**			
	Gas processing		35,668	26,553
	Mud engineering services		-	33,260
			35,668	**59,813**

24.2 Qadirpur gas price is linked with HSFO prices in the international market. Qadirpur Gas Pricing Agreement contained discount levels defined upto HSFO price of US$ 200/M.Ton. It also states that in case HSFO price exceeds this level then the parties will negotiate discount levels for higher HSFO prices. During July-December 2005 price notification period the HSFO prices exceeded this level. The matter was taken up with the Government in August 2005. Meanwhile, the Government issued a provisional discount table for HSFO prices upto US$ 320/M.Ton. As a result of negotiation with the Government, a discount table for HSFO prices above US$ 200/M.Ton and upto US$ 400/M.Ton was agreed. The Company on behalf of JV partners conveyed the acceptance of this discount table to the Government vide letter dated 27 March 2009. Formal notification of extension in discount table by the Government is awaited. As the inflow of economic benefit associated with the final gas pricing is probable but not virtually certain, the Company has not recognized the revenue.

	Note	2009	2008
		(Rupees '000)	
25 OPERATING EXPENSES			
Salaries, wages and benefits	25.1	4,099,644	3,584,014
Traveling and transportation		453,856	363,729
Repairs and maintenance		942,930	907,583
Stores and supplies consumed		828,852	867,068
Rent, fee and taxes		63,824	397,599
Insurance		263,349	239,902
Communication		25,773	34,148
Utilities		39,091	44,200
Land and crops compensation		326,746	199,967
Contract services		858,140	710,267
Joint venture expenses		2,548,307	1,757,827
Desalting, decanting and naphtha storage charges		71,433	185,133
Charges related to minimum supply of gas - liquidated damages		4,228	85,866
Adjustment on discount on trade debts		-	252,953
Welfare of locals at fields		189,773	258,989
Provision for slow moving and obsolete inventory		251,868	-
Provision for doubtful trade debts		3,173	-
Stores inventory written off		298,930	-
Workover charges		840,373	743,675
Depreciation	12.2	3,186,189	3,012,128
Amortization of development and production assets	13	6,208,403	4,961,145
Transfer from general and administration expenses	28	1,120,797	1,062,139
Miscellaneous		4,733	3,007
		22,630,412	**19,671,339**
Stock of crude oil and other products:			
Balance at beginning of the year		151,782	93,788
Balance at end of the year		(108,301)	(151,782)
		22,673,893	**19,613,345**

25.1 These include amount in respect of employee retirement benefits of Rs 598.472 million (2008: Rs 282.051 million).

	Note	2009	2008
		(Rupees '000)	
26 OTHER INCOME			
Income from financial assets			
Interest income on:			
Investments and bank deposits		1,775,671	2,653,859
Delayed payments from customers		140,703	70,851
		1,916,374	**2,724,710**
Dividend income from NIT units		29,512	28,150
Un-realized loss on investments at fair value through profit or loss		(115,778)	(42,225)
Effect of fair value adjustment of long term receivable		36,861	54,789
Reversal of provision for doubtful loans and advances		2,416	-
Exchange gain - net		669,170	735,021
		2,538,555	**3,500,445**
Income from non financial assets			
Insurance claim received		163,560	-
Gain on disposal of property, plant and equipment		160,737	114,615
Gain on disposal of stores, spare parts and loose tools		51,151	11,753
Benevolent fund		-	(41,108)
Penalty imposed on customer		101,400	-
Others		355,420	279,831
		832,268	**365,091**
		3,370,823	**3,865,536**

	Note	2009	2008
27 EXPLORATION AND PROSPECTING EXPENDITURE			
Cost of dry and abandoned wells	14	4,339,300	4,109,145
Prospecting expenditure		3,120,260	2,503,691
		7,459,560	**6,612,836**

		Note	2009	2008
			(Rupees '000)	
28	**GENERAL AND ADMINISTRATION EXPENSES**			
	Salaries, wages and benefits	28.1	1,667,874	1,478,060
	Traveling and transportation		193,568	176,871
	Repairs and maintenance		83,168	62,006
	Stores and supplies consumed		39,025	69,203
	Rent, fee and taxes		51,713	41,038
	Communication		47,711	47,425
	Utilities		41,337	38,564
	Training and scholarships		13,826	11,396
	Legal services		23,544	7,961
	Contract services		77,812	74,116
	Auditors' remuneration	28.2	12,290	9,654
	Advertising		36,876	33,248
	Joint venture expenses		469,004	444,859
	Insurance		759	726
	Donations	28.3	10,025	56,900
	Aircraft expenses		941	4,382
	Unallocated expenses of rigs		173,747	142,844
	Depreciation	12.2	120,218	117,754
	Trade debts written off		-	1,445
	Fixed assets reconciliation adjustment		-	59,094
	Miscellaneous		11,785	5,021
			3,075,223	**2,882,567**
	Allocation of expenses to:			
	Operations	25	(1,120,797)	(1,062,139)
	Technical services		(621,444)	(571,788)
			(1,742,241)	**(1,633,927)**
			1,332,982	**1,248,640**

28.1 These include amount in respect of employee retirement benefits of Rs 230.881 million (2008: Rs 117.850 million).

	2009	2008
	(Rupees '000)	
28.2 Auditors' remuneration		
M/s KPMG Taseer Hadi & Co., Chartered Accountants		
Annual audit fee	1,350	1,100
Subsidiary annual audit fee	-	110
Half yearly review	350	300
Out of pocket expenses	240	189
Audit of consolidated financial statements	-	250
Concession audit fee	2,915	2,530
Half yearly audit of PGCL	120	-
Verification of CDC record	50	50
Professional fee for PGCL merger	1,235	240
	6,260	**4,769**
M/s M. Yousuf Adil Saleem & Co., Chartered Accountants		
Annual audit fee	1,350	1,100
Half yearly review	350	300
Out of pocket expenses	200	175
Audit of consolidated financial statements	-	250
Verification of CDC record	50	50
Monitoring fee for CDC compliance	110	-
Concession audit fee	2,790	2,530
Certification of fee payable to OGRA	180	180
Dividend certification	300	300
Audit of workers' profit participation fund	700	-
	6,030	**4,885**
	12,290	**9,654**

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

	Note	2009	2008
		(Rupees '000)	
29 FINANCE COST			
Unwinding of discount on provision for decommissioning cost	8	911,683	527,695
Others		14,344	9,104
		926,027	**536,799**

		Note	2009 (Rupees '000)	2008
30	**TAXATION**			
	Provision for taxation:			
	- for the year	10	16,799,082	21,039,758
	- prior years	10	3,010,635	11,876,522
			19,809,717	**32,916,280**
	Deferred		5,578,565	1,053,013
		30.1	**25,388,282**	**33,969,293**
30.1	Reconciliation of tax charge for the year :			
	Accounting profit		80,927,923	78,307,404
	Tax rate		51.99%	55.73%
	Tax on accounting profit at applicable rate		42,075,398	43,643,484
	Tax effect of royalty allowed for tax purposes		(7,004,926)	(7,667,035)
	Tax effect of depletion allowance allowed for tax purposes		(10,320,224)	(10,606,284)
	Tax effect of amount not admissible for tax purposes		60,194	-
	Tax effect of exempt income		(4,490)	(13,662)
	Tax effect of income chargeable to tax at reduced corporate rate		(311,315)	(447,482)
	Tax effect of amounts that are admissible for tax purposes		(2,191,401)	-
	Tax effect of litigious taxation issues		3,277,768	-
	Tax effect of prior years		3,010,635	11,876,522
	Tax impact of deferred tax charged at reduced effective tax rate		(3,203,357)	(2,816,250)
			25,388,282	**33,969,293**

30.2 Various appeals in respect of assessment years 1992-93 to 2002-03, tax years 2003 to 2008 are pending at different appellate forums in the light of the order of the Commissioner of Income Tax (Appeals) and decision of the adjudicator appointed by both the Company as well as the Federal Board of Revenue (FBR) mainly on the issues of decommissioning cost and depletion allowance.

		2009	2008
31	**EARNINGS PER SHARE - BASIC AND DILUTED**		
	Profit for the year - (Rupees '000)	**55,539,641**	**44,338,111**
	Average number of shares outstanding during the year ('000)	**4,300,928**	**4,300,928**
	Earnings per share - basic (Rupees)	**12.91**	**10.31**

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

32 FINANCIAL INSTRUMENTS

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

32.1 Credit risk

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

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

32.1.1 Counterparties

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

Trade debts

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

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

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

Bank and investments

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

32.1.2 Exposure to credit risk

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

	2009	2008
	(Rupees '000)	
Long term investments	2,692,697	2,683,554
Trade debts	56,140,092	40,705,299
Loans and advances	609,139	940,001
Deposits	10,371	9,345
Other receivables	898,962	1,021,687
Interest accrued	27,156	158,863
Other financial assets	5,087,917	10,207,516
Bank balances	3,952,288	8,306,548
	69,418,622	**64,032,813**

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

	2009	2008
	(Rupees '000)	
Oil refining companies	31,052,949	25,660,296
Oil and gas marketing companies	22,159,759	12,138,136
Power generation companies	2,786,239	2,699,393
Banks and financial institutions	9,067,361	18,672,927
Others	4,352,314	4,862,061
	69,418,622	**64,032,813**

The Company’s most significant customer, an oil refining company, accounts for Rs 16,357 million of the trade debts carrying amount at 30 June 2009 (2008: Rs 16,413 million).

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

	2009	2008
	(Rupees '000)	
Crude oil	31,001,451	25,393,251
Gas	24,885,330	14,836,133
Gasoline	40,180	-
Kerosene oil	40,521	13,143
High speed diesel oil	1,680	8,421
Naphtha	51,498	267,045
Liquefied petroleum gas	96,535	161,192
Other operating revenue	22,897	26,114
	56,140,092	**40,705,299**

32.1.3 Impairment losses

The aging of trade debts at the reporting date was:

	2009		2008	
	Gross debts	Impaired	Gross debts	Impaired
	(Rupees '000)		(Rupees '000)	
Not past due	21,414,512	-	25,520,388	-
Past due 0-30 days	8,093,736	-	4,466,630	-
Past due 30-60 days	6,913,169	-	2,384,940	-
Past due 60-90 days	6,301,000	-	851,933	-
Over 90 days	13,530,984	(113,309)	11,806,490	(4,325,082)
	56,253,401	**(113,309)**	**45,030,381**	**(4,325,082)**

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

	2009	2008
	(Rupees '000)	
Balance at beginning of the year	4,325,082	4,326,527
Provision made during the year	3,173	-
Provision used to cover write off	(4,214,946)	(1,445)
Balance at end of the year	**113,309**	**4,325,082**

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

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

	2009	2008
	(Rupees '000)	
Balance at beginning of the year	253,758	263,622
Provision used to cover write off	(54,920)	-
Reversal of provision during the year	(2,416)	(9,864)
Balance at end of the year	**196,422**	**253,758**

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

32.2 Liquidity risk

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

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

Trade and other payables	2009 Carrying amount	2009 Contractual cash flows	2008 Carrying amount	2008 Contractual cash flows
	(Rupees '000)		(Rupees '000)	
All the trade and other payables have maturity upto one year	**13,066,830**	**13,066,830**	**9,233,726**	**9,233,726**

32.3 Market risk

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

32.3.1 Foreign currency risk management

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

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

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

The potential currency exposures are discussed below:

Transactional exposure in respect of non functional currency monetary items

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

Transactional exposure in respect of non functional currency expenditure and revenues

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

Exposure to foreign currency risk

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

	2009	2008
	(USD '000)	
Trade debts	339,504	375,238
Investments held to maturity	33,000	-
Available for sale investments	61,000	73,000
Cash and bank balances	31,656	26,938
Trade and other payables	(3,004)	(3,114)
	462,156	**472,062**

Commitments outstanding at year end amounted to Rs 7,263.576 million (2008: Rs 18,909.109 million). These included amounts aggregating to Rs 3,337.170 million (2008 : Rs 967.227 million) representing the Company's share in the minimum work commitments related to operated/non-operated concessions.

The following significant exchange rates applied during the year:

	Average rate		Reporting date mid spot rate	
	2009	2008	2009	2008
	(Rupees)			
USD 1	78.82	62.61	81.41	68.08

Foreign currency sensitivity analysis

A 10 percent strengthening of the PKR against the USD at 30 June would have decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	2009	2008
	(Rupees '000)	
Profit and loss account	3,762,327	3,213,730

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

32.3.2 Interest rate risk management

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

- Profile

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

	2009	2008	2009	2008
	%		(Rupees '000)	
Fixed rate instruments				
Financial assets				
Long term investments	2.5% to 16%	10.25% to 18%	2,692,697	2,683,554
Long term loans	9.96%	10.21%	312,787	302,825
Other financial assets	2% to 4.28%	5.25% to 10.7%	4,966,010	9,969,832
Cash and bank balances	0.10% to 12.50%	1.30% to 9.50%	3,870,525	7,567,517
			11,842,019	20,523,728
Financial liabilities			-	-
			11,842,019	20,523,728

Fair value sensitivity analysis for fixed rate instruments

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

A change of 100 basis points in interest rates would have increased or decreased unappropriated profit by Rs 115.231 million (2008: Rs 175 million).

32.3.3 Other market price risk

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

Sensitivity analysis of price risk

A change of Rs 5 in the value of investments at fair value through profit and loss would have increased or decreased profit and loss by Rs 22.701 million (2008: Rs 22.701 million).

Sensitivity analysis of crude oil price risk

A change of USD 5 in average price of crude oil would increase or decrease profit by Rs 5,877 million (2008: Rs 5,119 million) on the basis that all other variables remain constant.

32.4 Capital management

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

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

32.5 Fair value of financial instruments

The carrying value of financial assets and liabilities approximate their fair values.

		Note	2009	2008
			(Rupees '000)	
33	**CASH AND CASH EQUIVALENTS**			
	Cash and bank balances	23	3,973,818	8,306,548
	Short term highly liquid investments	22	4,966,010	9,969,832
			8,939,828	**18,276,380**

		2009	2008
		Number	
34	**NUMBER OF EMPLOYEES**		
	Total number of employees at the end of the year was as follows:		
	Regular	10,238	10,539
	Contractual	393	422
		10,631	**10,961**

35 RELATED PARTIES TRANSACTIONS

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

	2009	2008
	(Rupees '000)	
Associated company		
Share of profit in associate - net of taxation	57,503	44,680
Major shareholder		
Government of Pakistan		
Dividend paid	33,298,737	35,552,215
Related parties by virtue of common directorship and GoP holdings		
Attock Refinery Limited		
Sale of crude oil	37,686,356	-
Desalting charges paid	36,370	-
Receivable as at 30 June	16,356,943	-
National Refinery Limited		
Sale of crude oil	-	12,114,785
Sale of naphtha	-	2,692,063
Naphtha handling and storage charges	-	79,094
Receivable as at 30 June	-	4,900,153
Pakistan Refinery Limited		
Sale of crude oil	6,988,942	6,601,372
Receivable as at 30 June	3,719,967	2,883,206
Government Holdings (Private) Limited		
Payable as at 30 June	147,539	33,852

	Note	2009	2008
		(Rupees '000)	
RELATED PARTY TRANSACTIONS - Continued			
Pak Arab Refinery Company Limited			
Sale of crude oil		3,357,200	4,550,009
Receivable as at 30 June		10,029	1,291,614
Sui Northern Gas Pipelines Limited			
Sale of natural gas		34,505,653	33,259,820
Purchase of high BTU value gas		2,340,451	2,339,544
Receivable as at 30 June		9,046,421	4,781,929
Sui Southern Gas Company Limited			
Sale of natural gas		30,336,728	18,600,281
Pipeline rental charges		39,264	12,235
Receivable as at 30 June		13,030,959	7,364,325
Pakistan State Oil Company Limited			
Sale of refined petroleum products		103,095	382,398
Sale of liquefied petroleum gas		26,312	15,372
Purchase of petroleum, oil and lubricants		2,989,486	2,014,085
Receivable as at 30 June		30,832	8,651
Packages Limited			
Sale of sulphur		20,859	-
National Insurance Company Limited			
Insurance premium paid		815,758	569,732
National Logistic Cell			
Crude transportation charges paid		1,488,412	1,142,134
Heavy Mechanical Complex			
Purchase of stores and spares		32,512	13,568
Water and Power Development Authority			
Sale of natural gas		71,087	141,453
Receipts against long term loan		-	673,463
Receivable as at 30 June		23,513	31,322
Enar Petrotech Services Limited			
Consultancy services		32,816	39,332
Sale of crude oil		1,817,078	1,634,809
Receivable as at 30 June		83,964	173,592
Other related parties			
Contribution to staff benefit funds		843,265	519,671
Remuneration including benefits and perquisites of key management personnel	35.1	108,455	75,020

35.1 Key management personnel

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

	2009	2008
	(Rupees '000)	
Managerial remuneration	42,869	39,227
Housing and utilities	24,360	19,350
Other allowances and benefits	31,401	11,963
Medical benefits	889	145
Contribution to pension fund	8,936	4,335
	108,455	**75,020**
Number of persons	**23**	**15**

36 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2009		2008	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees '000)			
Managerial remuneration	13,663	757,289	7,080	556,541
Housing and utilities	4,043	537,358	1,200	394,551
Other allowances and benefits	3,225	893,141	3,090	394,322
Medical benefits	302	114,435	59	45,997
Contribution to pension fund	-	157,862	-	75,051
Leave encashment recovery	-	-	-	(2,504)
	21,233	**2,460,085**	**11,429**	**1,463,958**
Number of persons including those who worked part of the year	**2**	**951**	**1**	**751**

- Executive means any employee whose basic salary exceeds Rs 500,000 (2008: Rs 500,000) per year.

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

- The aggregate amount charged in these financial statements in respect of fee to 9 directors (2008: 10) was Rs 2,232,131 (2008: Rs 365,000) while directors are not paid any remuneration.

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

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

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

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

	2009	2008
	(Rupees '000)	
Profit for the year	55,539,641	44,338,111
Depreciation reversed	-	891,537
Amortization reversed	20,355	20,717
Finance income recognized	2,876,412	2,582,590
Sales revenue reversed	(3,334,476)	(3,116,330)
Tax impact at estimated effective rate	135,296	(117,226)
	55,237,228	**44,599,399**
Adjusted unappropriated profit brought forward	67,618,725	64,106,983
Adjusted profit for the year	55,237,228	44,599,399
	122,855,953	**108,706,382**
Transfer to capital reserve	(155,254)	(228,836)
Dividends	(39,783,588)	(40,858,821)
Adjusted Unappropriated profit	**82,917,111**	**67,618,725**
Unappropriated profit	**79,503,794**	**63,902,995**

38 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors proposed final dividend at the rate of Rs 2.50 per share in its meeting held on 13 August 2009.

39 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company in its meeting held on 13 August 2009.

Chief Executive **Chairman**

Form of Proxy
Twelfth Annual General Meeting

I/We ____of ________________________________being a member of Oil and Gas Development Company Limited and holder of ______________________________Ordinary Shares as per Share Register Folio No. ______________________________

For beneficial owners as per CDC List

CDC participant I.D. No:______________________ **Sub-Account No:________________________**

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

or Passport No:__________________________

Hereby appoint ____of___________________________ or failing him/her ____ of as my/our proxy to vote and act for me/our behalf at the Twelfth Annual General Meeting of the Company to be held on September 28, 2009 or at any adjournment thereof.

Revenue Stamp

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

Dated this _____ day of _____ 2009

Signature of Shareholder___________________

Signature of Proxy ________________________

For beneficial owners as per CDC list

1. WITNESS

Signature: ________________________________

Name: ____________________________________

Address: __________________________________

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

or Passport No. ___________________________

2. WITNESS

Signature: ________________________________

Name: ____________________________________

Address: __________________________________

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

or Passport No. ___________________________

Note:

1. Proxies, in order to be effective, must be received at the Registered Office of the Company at OGDCL House, F-6/G-6, Jinnah Avenue, Islamabad not less than 48 hours before the meeting.

2. CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their Computerized National Identity Card (CNIC) or Passport with the proxy form before submission to the Company (Original CNIC/Passport is required to be produced at the time of the meeting)

3. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

Entry Card

Twelfth Annual General Meeting

Register Folio No:______________________________

Number of Shares held:________________

Name of Shareholder:____

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

For beneficial owners as per CDC List

CDC participant I.D. No:________________________

Sub-Account No:_____________________

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

or Passport No:______________________

Signature of Shareholder______________________

Note:

1. The signature of the shareholder must tally with specimen signature already on the record of the Company.
2. The shareholders are requested to hand over the duly completed entry card at the counter before entering meeting premises.
3. This Entry Card is not transferable.

Oil & Gas Development Company Limited
OGDCL House, Jinnah Avenue
F-6/G-6, Islamabad - Pakistan
www.ogdcl.com