Annual Report
2011

Oil & Gas Development Company Limited

Oil & Gas Development Company Limited (OGDCL) is the largest oil & gas exploration and production (E&P) company of Pakistan listed on all three stock exchanges of the Country and also on the London Stock Exchange (LSE). The Government of Pakistan (GoP) owns **74.97%** of the shares of the Company. It has the largest exploration acreage in Pakistan covering **22%** of the total exploration acreage awarded and holds the largest portfolio of the recoverable hydrocarbon reserves in Pakistan, at **48%** of oil and **37%** of natural gas reserves. The Company contributed **56%** of Pakistan's total oil production and **22%** of natural gas production during the financial year 2010-11.

Excellence Awards

- KSE Top Twenty Five Companies Award for the sixth consecutive year
- Best Corporate Report Award for the fourth consecutive year
- Environment Excellence Award for the third consecutive year

Contents

Highlights of the Year

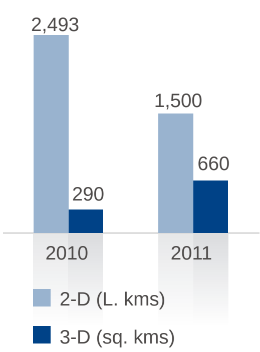
Operational Highlights

- Two (2) oil, gas / condensate discoveries namely Gopang-1 and Sheikhan-1 were made by the Company.
- Crude oil production (net) on working interest basis averaged 37,370 Bopd.
- Gas production (net) on working interest basis averaged 1,013 MMcfd.
- LPG production (net) on working interest basis averaged 195 M.Tons per day.
- Seismic acquisition of 1,500 L. kms of 2-D and 660 sq. kms of 3-D.
- Twenty one (21) new wells {ten (10) exploratory / appraisal and eleven (11) development} spudded during the year.
- Commencement of production from Bahu and Sheikhan Fields.

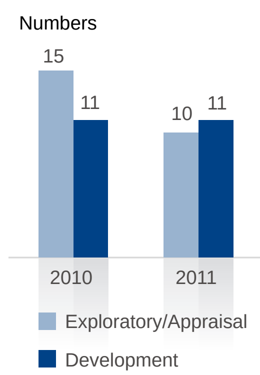
Financial Highlights

- Sales revenue increased by 9.2% to Rs 155.6 billion (2009-10: Rs 142.6 billion).
- Net realized prices of crude oil and gas averaged US$ 72.05 / Bbl and Rs 214.03 / Mcf respectively (2009-10: US$ 61.37 / Bbl and Rs 186.47 / Mcf).
- Profit for the year rose by 7.4% to Rs 63.5 billion (2009-10: Rs 59.2 billion).
- Earnings per share increased to Rs 14.77 (2009-10: Rs 13.76).
- Dividend declared Rs 5.50 per share (2009-10: Rs 5.50 per share).
- Total assets increased to Rs 261.8 billion from Rs 228.9 billion.
- Contribution to national exchequer Rs 76.8 billion (2009-10: Rs 80.2 billion).

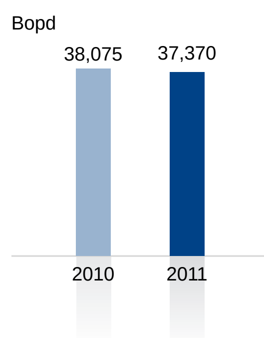
Seismic Acquisition



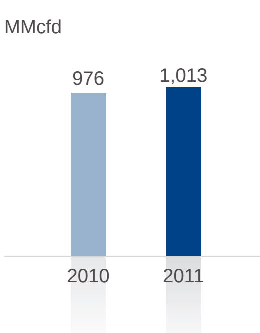
Wells Spudded



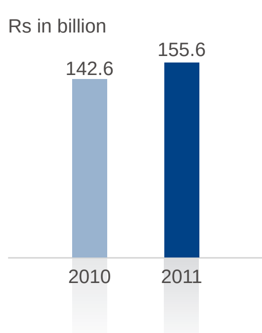
Crude Oil Production



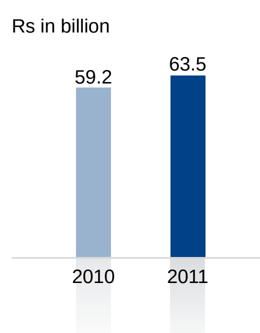
Gas Production



Sales Revenue



Profit for the year



Notice of Annual General Meeting

Notice is hereby given that the 14th Annual General Meeting being Twenty Fourth meeting of the members of Oil and Gas Development Company Limited will Insha-Allah be held at registered office of the Company, OGDCL Head Office, Plot No: 3, F-6/G-6, Blue Area, Jinnah Avenue, Islamabad on Wednesday 28 September 2011 at 10:00 a.m. to transact the following business:

Ordinary Business

1) To confirm the minutes of the 13th Annual General Meeting held on 30 September 2010.

2) To receive, consider and adopt the audited accounts of the Company for the year ended 30 June 2011 together with the Directors' and Auditors' Reports thereon.

3) To approve the final cash dividend @ 25% i.e. Rs 2.50 per share for the year ended 30 June 2011 as recommended by the Board of Directors. This is in addition to the two interim cash dividends of 30% i.e. Rs 3.00 per share already paid during the year.

4) To appoint Auditors for the year 2011-12 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 elect 12 directors as fixed by the Board in its meeting held on 27 July 2011 in place of retiring directors namely:

i)	Mr. Muhammad Ejaz Chaudhry	Chairman
ii)	Mr. Basharat A. Mirza	MD & CEO
iii)	Senator Mir Wali Muhammad Badini	Director
iv)	Syed Amir Ali Shah	Director
v)	Mr. Ahmad Bakhsh Lehri	Director
vi)	Mr. Raashid Bashir Mazari	Director
vii)	Dr. Kaiser Bengali	Director
viii)	Mr. Wasim A. Zuberi	Director
ix)	Mr. Tariq Faruque	Director
x)	Syed Masieh-ul-Islam	Director
xi)	Mr. Fahd Shaikh	Director

6) To transact any other business with the permission of the Chair.

By order of the Board

12 August 2011
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 to 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 number shall be mentioned on the form.

iii) Attested copies for 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 Wednesday, 21 September 2011 to Wednesday, 28 September 2011 (both days inclusive). Transfers received in order at the Share Registrars' office by the close of business on Tuesday, 20 September 2011 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 address.

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


Teamwork


Dedication


Integrity


Safety


Innovation

Goals

Financial

- 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

- 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

- 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

- Evolve consensus through consultative process interlinking 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 controls
- Periodic business process reengineering

In pursuit of the Company goals,
our Core Values best seen at the operating fields.

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 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.

Bobi Oil Complex (BOC), district Sanghar

Corporate Information

Board of Directors

Mr. Muhammad Ejaz Chaudhry	Chairman
Mr. Basharat A. Mirza	MD & CEO
Senator Mir Wali Muhammad Badini	Director
Syed Amir Ali Shah	Director
Mr. Ahmad Bakhsh Lehri	Director
Mr. Raashid Bashir Mazari	Director
Dr. Kaiser Bengali	Director
Mr. Wasim A. Zuberi	Director
Mr. Tariq Faruque	Director
Syed Masieh-ul-Islam	Director
Mr. Fahd Shaikh	Director

Chief Financial Officer
Mr. Muhammad Rafi

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 Advisors
M/s Khokhar Law Chambers

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

Bankers
Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Alhabib Limited
Barclays Bank PLC
Citibank
Deutsche Bank
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
HSBC Bank of Middle East
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Soneri Bank Limited
Standard Chartered Bank
United Bank Limited

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

Registrar Office
Noble Computer Services (Pvt.) Limited,
Mezzanine Floor,
House of Habib Building (Siddiqsons Tower),
3-Jinnah Cooperative Housing Society,
Main Shahrah-e-Faisal, Karachi-75350.
Phone: +92 21 34325482-87
Fax: +92 21 34325442
Website: www.noble-computers.com
Email: ncsl@noble-computers.com

Board of Directors

Mr. Muhammad Ejaz Chaudhry

Mr. Muhammad Ejaz Chaudhry, Chairman OGDCL Board is currently Federal Secretary, Ministry of Petroleum & Natural Resources (P&NR). He is a career civil servant. Prior to his posting as Secretary M/o P&NR, he was posted as Secretary Privatization Commission where he actively pursued the Government's agenda of privatization and worked on launching of OGDCL Exchangeable Bonds.

After doing his Masters in Psychology from Government College, Lahore in 1978 (1st class 1st), he joined Civil Service of Pakistan in District Management Group. He has vast experience of Public Administration in the Provinces of Sindh, Punjab and Federal Government. He is an alumni of George Washington and Harvard University, USA, University of Dundee UK, Civil Service College, Singapore, Government College & Administrative Staff College, Lahore and National Defence University, Islamabad. He has extensively traveled abroad in connection with education, training and official business.

He is Chairman on the Boards of Oil & Gas Development Company Limited (OGDCL), Inter State Gas Systems (Pvt.) Limited (ISGSL), Government Holding (Private) Limited (GHPL), Saindak Metals Limited (SML) and also member on the Boards of Hydrocarbon Development Institute of Pakistan (HDIP), Private Power Infrastructure Board (PPIB), Alternate Energy Development Board (AEDB) and Pakistan Gems & Jewellery Development Corporation (PGJDC).

Mr. Basharat A. Mirza

Mr. Basharat A. Mirza has been appointed as Acting MD & CEO as of 1 August 2011. Previously he has been the General Manager (Supply Chain Management) from November 2010. He has also served as General Manager (Projects) for two years and Company Secretary for about ten years. Before joining the Company, Mr. Mirza worked at Attock Industrial Products Ltd. as Company Secretary and Head of Finance from 1992 to 1998. He received an MBA from Boston University and is a member of the Institute of Cost and Management Accountants of Pakistan, the Institute of Corporate Secretaries of Pakistan and the Institute of Bankers in Pakistan.

Senator Mir Wali Muhammad Badini

Senator Mir Wali Muhammad Badini, Director OGDCL Board is a Senator and Chairman Senate Standing Committee on Communication. He is also Member Standing Committee on Cabinet Secretariat, Inter-Provincial Coordination and Special Initiatives, Member Standing Committee on States and Frontier and Member Functional Committee on Problems of Less Developed Areas.

Mr. Muhammad Ejaz Chaudhry
Chairman

Mr. Basharat A. Mirza
MD & CEO

Senator Mir Wali Muhammad Badini
Director

Syed Amir Ali Shah

Syed Amir Ali Shah, Director is presently a member of the National Assembly of Pakistan. He is an Agriculturist by profession. He graduated from Sindh University, and also holds a Law degree from Sindh Law College, Hyderabad.

Mr. Ahmad Bakhsh Lehri

Mr. Ahmad Bakhsh Lehri is presently serving Government of Balochistan as Chief Secretary. He belongs to District Management Group and has served on various civil service positions in Balochistan and Federal Government. He holds MA English and LLB degrees. He attended various training programs in the areas of Law, Development, Public Administration, Management, Poverty Reduction and Education.

Mr. Lehri has rich experience at his credit and has served as Additional Chief Secretary (Dev) Balochistan, DG (GDA), and Secretary Education Department Balochistan. He has also served as Federal Secretary M/o Housing & Works. He is also one of the members on the Board of Directors of SSGCL.

Mr. Raashid Bashir Mazari

Mr. Raashid Bashir Mazari is currently Joint Secretary, Ministry of Petroleum & Natural Resources. He joined Pakistan Army as a Commissioned Officer in 1974 after obtaining two years training at the Pakistan Military Academy which sharpened his organizational, managerial, logistics and disaster management skills. He was inducted in the Civil Service of Pakistan in 1983.
He has vast experience of Public Administration in the province of Sindh, Balochistan and Federal Government. Some of his important appointments include Member Chief Minister's Inspection Team, Director Enquiries (Anti Corruption) Sindh, Deputy Commissioner and District Magistrate Hyderabad, Additional Secretary, Government of Balochistan, Director Immigration & Passports South Zone and Director General & Plant Protection Advisor, Government of Pakistan. He has represented Government of Pakistan at various forums. He graduated from Pakistan Military Academy and has also attended Senior Officers Management Course from NIPA Quetta and National Management Course from National Management College, Lahore.

He has remained Director, Board of Governors of Clifton Cantonment Board and NADRA. He is also Director on the Board of Inter State Gas Systems (Pvt.) Limited (ISGSL), Government Holdings (Pvt.) Limited (GHPL) and Pakistan Petroleum Limited (PPL).

Syed Amir Ali Shah
Director

Mr. Ahmad Bakhsh Lehri
Director

Mr. Raashid Bashir Mazari
Director

Dr. Kaiser Bengali

Dr. Kaiser Bengali, Director OGDCL Board is currently serving as Advisor to the Chief Minister, Sindh on Planning and Development. He has been National Coordinator for Benazir Income Support Program, GoP. He is an Economist by profession and holds Ph.D. degree in Economics (Karachi). He also holds degrees of M.A. Economics (Karachi) and M.A. Economics (Boston). He has vast experience in the fields of teaching, research, administration, publications, personnel and finance. Dr. Bengali is author of several books and has made a number of publications. He has done various consulting assignments in the past domestically and internationally. He also remained Consultant to United Nations World Food Program Pakistan.

Mr. Wasim A. Zuberi

Mr. Wasim A. Zuberi, Director is a Graduate in Geology, Chemistry and Geography from Aligarh Muslim University, India and Geology with Petroleum Engineering and Geophysics from Birmingham University, UK.

He has 53 years of diversified experience in Oil & Gas Exploration, Production and Management with domestic and multinational companies in Pakistan, Abu Dhabi and USA. After 22 years of association with EXXON / ESSO in Pakistan and USA, he joined Abu Dhabi National Oil Company (ADNOC) and coordinated ADNOC's exploration operations. He served as Technical Advisor to Premier and Shell Pakistan Ltd., Program Director to Canadian International Development Agency (CIDA) and Advisor to the Chairman POL Board & Managing Director, Pakistan Oilfields Limited.

Mr. Zuberi has also served on the Boards of POL, Attock Chemicals (Pvt) Ltd., Capgas (Pvt) Ltd., and Attock Industrial Products Ltd. He is currently a Consultant in IPR TransOil Corporation, a multinational Oil and Gas Exploration & Production Company. Mr. Zuberi is deeply involved in philanthropic work and is Chairman, Azm-e-Nau Development & Welfare Organization, member of Pakistan Center of Philanthropy Certification Panel, Vice President, Friends of the Heart of Pakistan Institute of Medical Sciences and Life member of Sindh, Red Crescent, Pakistan.

Mr. Tariq Faruque

Mr. Tariq Faruque, Director is Executive Director of Mirpurkhas Sugar Mills Ltd. (a Ghulam Faruque Group Co.), where he is responsible for the Company's operations. He is also the Chief Executive of Greaves Airconditioning (Pvt) Ltd.

Dr. Kaiser Bengali
Director

Mr. Wasim A. Zuberi
Director

Mr. Tariq Faruque
Director

He serves on the Boards of Cherat Cement Co. Ltd., Faruque (Pvt) Ltd., Greaves Pakistan (Pvt) Ltd., Greaves Engineering (Pvt) Ltd., Madian Hydro Power Ltd., Unicol Ltd., and Zensoft (Pvt) Ltd.

Mr. Faruque also serves on the Board of Governors of Marie Adelaide Leprosy Centre (MALC) and is the Chairman for Corporate Fund raising. Mr. Faruque holds a Bachelors of Art Degree in Economics and Political Science from Case Western Reserve University, USA. He is also a Certified Director of Corporate Governance from Pakistan Institute of Corporate Governance (PICG).

Syed Masieh-ul-Islam

Syed Masieh-ul-Islam, Director OGDCL Board has been educated at Cadet College, Hassan Abdal; Government College, Lahore; Punjab University, Lahore; and Northwestern School of Law of Lewis & Clarks College, Portland (OR), USA. He holds Masters (Honors) Degree in Mathematics, LLB Degree and postgraduate Certificate in Environmental & Water Laws. He has worked with SNGPL in various capacities and as General Manger & Senior General Manager. He has also worked with Public Procurement Regulatory Authority (PPRA) as Consultant.

He has attended various Management programs in the country and abroad including those conducted by the Universities of Colorado and Michigan, USA. He has been a member of the American Management Association (AMA) and has extensively traveled overseas in connection with official work missions.

Mr. Fahd Shaikh

Mr. Fahd Shaikh, Director OGDCL Board is Director of National Institute of Facilitation Technologies (NIFT) which is a joint venture between six banks and the private sector, it is responsible for the establishment and management of automated clearing house facilities all over Pakistan, NIFT is proactively involved in the modernization of payment systems in Pakistan, Mr. Fahd is also partner of vision security established in 2009, a company specializing in security, defense and telecommunications and has distribution agreements for Pakistan with leading international companies. Mr. Fahd has also vast experience in working for multinational banks and equity-brokerage firms in Pakistan and holds a bachelor degree in institutional management from Johnson and Wales University, Providence USA.

Syed Masieh-ul-Islam
Director

Mr. Fahd Shaikh
Director

Committees of the Board

Human Resource Committee

1	Syed Masieh-ul-Islam	Chairman
2	Managing Director & CEO	Member
3	Senator Mir Wali M. Badini	Member
4	Syed Amir Ali Shah	Member
5	Mr. Raashid Bashir Mazari	Member
6	Mr. Tariq Faruque	Member
7	General Manager I/C (HR/Admin)	Secretary

Terms of Reference

- Recommendations for appointment / promotions beyond EG-VIII,
- 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, and
- Consider any other issue or matter as may be assigned by the Board of Directors.

Operations & Finance Committee

1	Mr. Wasim A. Zuberi	Chairman
2	Managing Director & CEO	Member
3	Mr. Ahmad Bakhsh Lehri	Member
4	Mr. Raashid Bashir Mazari	Member
5	Mr. Tariq Faruque	Member
6	Syed Masieh-ul-Islam	Member
7	Mr. Fahd Shaikh	Member
8	A/Executive Director (Finance)/CFO	Secretary

Terms of Reference

- Approval of Exploration Licenses and related work programmes within budgetary provision,
- Recommendations for Farm-in and Farm-out in Concessions,
- Recommendations for participation in offshore and overseas opportunities,
- Recommend / Review the physical targets,
- Formulation of Technical Policies required under the Code of Corporate Governance, and
- To recommend and review:
  - Financial targets,
  - Annual and quarterly budgets,
  - Analysis of variances with the budget,
  - 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,
  - Investment of surplus funds of the Company,
  - Request for borrowing of money, and
  - Financial policies and controls 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.

Audit Committee

1	Dr. Kaiser Bengali	Chairman
2	Syed Amir Ali Shah	Member
3	Mr. Raashid Bashir Mazari	Member
4	Mr. Wasim A. Zuberi	Member
5	Syed Masieh-ul-Islam	Member
6	Mr. Fahd Shaikh	Member
7	A/General Manager (IA)	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; and
  - 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, and
- Consider any other issue or matter as may be assigned by the Board of Directors.

Corporate Social Responsibility (CSR) Committee

1	Mr. Tariq Faruque	Chairman
2	Mr. Muhammad Ejaz Chaudhry	Member
3	Managing Director & CEO	Member
4	Senator Mir Wali M. Badini	Member
5	Syed Amir Ali Shah	Member
6	Mr. Raashid Bashir Mazari	Member
7	Mr. Wasim A. Zuberi	Member
8	Manager (External Communication)	Member
9	Chief (CSR)	Secretary

Terms of Reference

- To recommend the annual budget (along with a detailed list of all CSR related initiatives, presented in line with CSR Policy at the beginning of each financial year.
- To recommend changes in the CSR Policy as and when needed,
- To review and monitor the progress of ongoing CSR projects on a quarterly basis for which detailed report to be provided to CSR Committee, and
- To ensure that all activities carried out under the head CSR are audited by an external auditor (each financial year) and the audit report circulated to BoD.

Core Management Team

Mr. Basharat A. Mirza
Managing Director & CEO

Mr. Aftab Ahmad
Executive Director (Strategic Business Planning)

Mr. Masood Nabi
Executive Director (Joint Ventures)

Mr. Muhammad Rafi
Acting Executive Director (Finance)/CFO

Mr. Muhammad Riaz Khan
Acting Executive Director (Production)

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

Mr. Aijaz Muhammad Khan
General Manager I/C (Human Resource /Administration)

Sitting from Left to Right
Mr. Aftab Ahmad, Mr. Basharat A. Mirza, Mr. Masood Nabi

Standing from Left to Right
Mr. Muhammad Riaz Khan, Mr. Tariq Majeed Jaswal, Mr. Aijaz Muhammad Khan, Mr. Muhammad Rafi

Kunnar Liquified Petroleum Gas (LPG) Plant, disrtict Hyderabad

Senior Management

Mr. Basharat A. Mirza
Managing Director & CEO

Mr. Aftab Ahmad
Executive Director
(Strategic Business Planning)

Mr. Masood Nabi
Executive Director (Joint Ventures)

Mr. Muhammad Rafi
Acting Executive Director (Finance)/CFO

Mr. Muhammad Riaz Khan
Acting Executive Director (Production)

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

Mr. Muhammad Zafarullah Chaudhry
General Manager I/C (HSEQ)

Mr. Aijaz Muhammad Khan
General Manager I/C
(Human Resource/Administration)

Mr. Shamim Iftikhar Zaidi
General Manager
(Drilling Operations & Services)

Mr. Zahid Imran Farani
General Manager (Prospect Generation)

Mr. Amjad Javed
General Manager (Human Resource)

Dr. Zahid Aleem Malik
General Manager (Medical Services)

Mr. M. Khalid Subhani
General Manager (Process & Plants)

Mrs. Eram Ali Aziz
Company Secretary/GM

Mr. Mansoor Humayon
General Manager (Reservoir Management)

Mr. Tahir Shaukat
General Manager (C & ESS)

Mr. Qammar Zaman Samoo
General Manager (Joint Ventures)

Lt. Col (R) Engr. Shafqat Hussain
General Manager (Communication/Security)

Mr. Salman Amin
General Manager (Commercial)

Mrs. Shabina Anjum Elahi
General Manager (Strategic Business Planning)

Mr. Nadeem Ahmed Ansari
General Manager (HSEQ)

Mr. Zafar Iqbal Awan
Acting General Manager (Geophysical Services)

Syed Abbas Hamid Zaidi
Acting General Manager (Geological Services)

Mr. Arshad Mehmood Khan
Acting General Manager (Production)

Mr. Naveed Akhtar
Acting General Manager (Internal Audit)

Mr. Zahid Bakhtiar
Acting General Manager (Projects)

Capt. (R) M. Ajmal Khan
Acting General Manager (Administration)

Mr. Mushtaq Ahmad
Acting General Manager (Accounts)

Mr. Rashid Mahmood
Acting General Manager (PE & FD)

Mr. Tahir Mehmood Qureshi
Acting General Manager (OGTI)

Mr. Khan Alam
Acting General Manager (C&B/IR)

Exploration Licenses

Held by OGDCL as on 30 June 2011

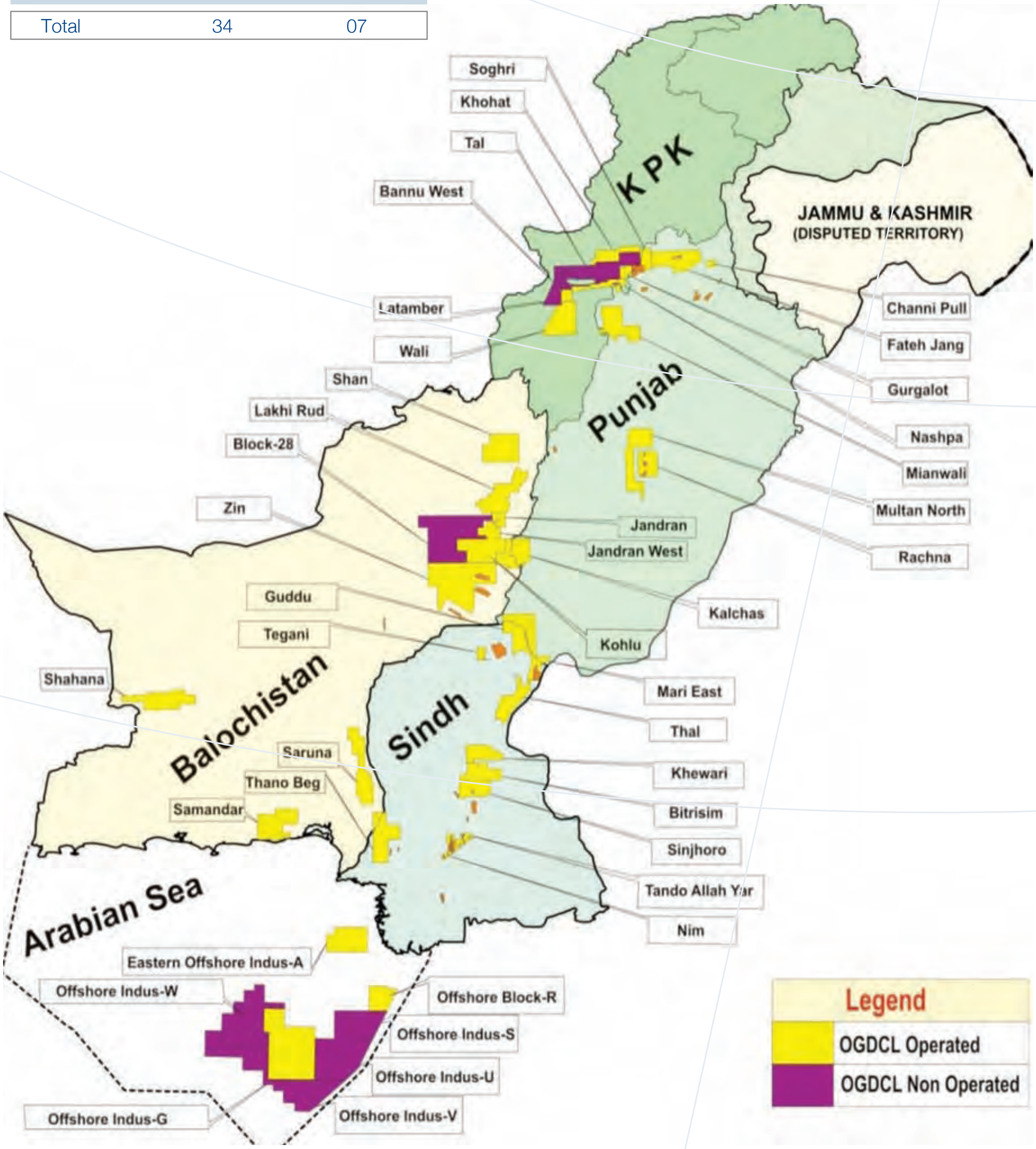
Sr. No.	Blocks	Districts / Province	Area (Sq.Kms)	Date of Grant	Working Interest
OGDCL 100% OWNED CONCESSIONS					
1	Fateh Jang	Islamabad, Rawalpindi & Attock, Punjab	2,136.46	05-11-02	OGDCL 100%
2	Jandran	Loralai, Barkhan & Kohlu Agency, Balochistan	408.00	20-09-89	OGDCL 100%
3	Rachna	Lieah, Jhang, Toba Tek 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	Indus-G *	Offshore Area	7,466.02	22-10-99	OGDCL 100%
8	Samandar	Awaran & Uthal, Balochistan	2,495.33	06-07-05	OGDCL 100%
9	Latamber	Waziristan Agency, Karak & Banuu, KPK	331.47	24-10-05	OGDCL 100%
10	Tigani	Shikarpur, Jacobabad & Sukkur, Sindh	270.60	13-02-06	OGDCL 100%
11	Thano Beg	Lasbela, Dadu & Karachi, Sindh	2,404.73	13-02-06	OGDCL 100%
12	Thal	Khairpur, Sukkur & Ghotki, Sindh	1,622.67	13-02-06	OGDCL 100%
13	Wali	North & South Waziristan Agencies, Banuu & Lakki Marwat, KPK	2,179.26	31-05-06	OGDCL 100%
14	Mianwali	Mianwali, Chakwal & Khushab, Punjab	2,280.91	31-05-06	OGDCL 100%
15	Soghri	Kohat & Attock, KPK/Punjab	588.09	31-05-06	OGDCL 100%
16	Offshore Indus-R	Offshore Area	1,492.23	19-04-07	OGDCL 100%
17	Eastern Offshore-A	Offshore Area	2,500.00	05-07-07	OGDCL 100%
18	Shaan	Qila Saifullah, Zoib, Musa Khel Bazar, Balochistan	2,489.80	13-07-07	OGDCL 100%
19	Mari East	Ghotki, R.Y.Khan & Rajanpur, Sindh/Punjab	1,399.44	21-01-10	OGDCL 100%
20	Lakhi Rud	Musa Khel, Barkhan, Loralai & Kohlu Agency, Balochistan	2,488.78	21-01-10	OGDCL 100%
21	Channi Pull	Rawalpindi & Islamabad, Punjab	148.02	16-02-10	OGDCL 100%
22	Jandran West	Kohlu & Barkhan, Balochistan	759.46	16-02-10	OGDCL 100%
			42,026.47		
* As per New Agreement Indus-G is 100 % owned and operated by OGDCL since 23-05-11.					
OGDCL OPERATED JOINT VENTURE 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		
OGDCL OPERATED JOINT VENTURE CONCESSIONS (with other E & P Companies)					
6	Gurgalot	Kohat & Attock, KPK/Punjab	347.84	28-06-00	OGDCL 75%, POL 20%, GHPL 5%
7	Nashpa	Attock, Mianwali, Kohat, Karak & N.W. Agency, Punjab/KPK	778.94	16-04-02	OGDCL 65%, PPL 30%, GHPL 5%
8	Kohat	Kohat, Nowshera & Peshawar, KPK	1,107.21	30-12-08	OGDCL 30%, Tullow 40%, MGCL 20%, Saif Energy 10%
9	Sinjhoro	Sanghar & Khairpur, Sindh	1,283.43	29-12-99	OGDCL 76%, OPI 19%, GHPL 5%
10	Kalchas	Kohlu, Dera Bugti & D.G. Khan, Balochistan/Punjab	2,068.32	29-12-04	OGDCL 50%, MGCL 20%, Tullow 30%
11	Kohlu	Kohlu, Dera Bugti & Barkhan, Balochistan	2,459.11	29-12-04	OGDCL 40%, MGCL 30%, Tullow 30%
12	Guddu	Rajanpur, Rahim Yar Khan, Sukkur & Jacobabad, Punjab/Sindh	2,093.40	04-12-06	OGDCL 70%, IPR 11.5%, SEPL 13.5%, GHPL 5%
			10,138.25		
			61,084.07		
NON-OPERATED JOINT VENTURE CONCESSIONS					
1	Block-28	Sibbi, Kohlu & Loralai, Balochistan	6,200.00	14-01-91	Tullow 95%, OGDCL 5%
2	Bannu West	Bannu & North Waziristan, KPK & Tribal Areas	1,229.57	27-04-05	Tullow 40%, OGDCL 40%, MGCL 10%, SEL 10%
3	Tal Block	Kohat, Karak & Bannu, KPK & Tribal Areas	3,305.86	11-02-99	MOL 10%, OGDCL 30%, PPL 30%, POL 25%, GHPL 5%
4	Offshore Indus-U	Offshore Area	6,294.28	21-07-06	BPXA 72.5%, OGDCL 27.5%
5	Offshore Indus-V	Offshore Area	7,377.03	21-07-06	BPXA 72.5%, OGDCL 27.5%
6	Offshore Indus-W	Offshore Area	7,270.17	21-07-06	BPXA 80%, OGDCL 20%
7	Offshore Indus-S	Offshore Area	2,129.91	23-03-07	BPXA 50%, OGDCL 50%
			33,806.82		

Concession Portfolio (Exploration Licenses)

As on 30 June 2011

Summary of Exploration Licenses

Provinces	Operated	Non-Operated
Punjab	07	-
Sindh	09	-
Balochistan	10	01
KPK	05	02
Offshore	03	04
Total	34	07



Development and Production / Mining Leases

Held by OGDCL as on 30 June 2011

Sr. No.	Lease	Districts / Province	Area (sq.kms)	Date of Grant
OWNED AND OPERATED JOINT VENTURE LEASES				
1	Fimkassar	Chakwal, Punjab	27.98	19-12-92
2	Bhal Syedan	Attock, Punjab	16.41	11-04-94
3	Chak Naurang (ML)	Chakwal, Punjab	72.70	14-11-88
4	Chanda	Kohat, KPK	32.32	01-06-02
5	Dakhni (ML)	Attock, Punjab	267.80	23-04-84
6	Kal	Chakwal, Punjab	41.96	13-08-96
7	Missakeswal	Rawalpindi, Punjab	23.43	11-04-94
8	Rajian	Chakwal & Jehlum, Punjab	39.09	28-02-96
9	Sadkal	Attock, Punjab	26.77	24-01-94
10	Toot (ML)	Attock, Punjab	67.62	02-11-68
11	Qadirpur	Ghotki & Kashmore, Sindh	389.16	18-08-92
12	Dhodak	Dera Gazi Khan, Punjab	41.92	01-02-95
13	Loti (ML)	Dera Bugti Agency, Balochistan	204.19	14-11-86
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	14-07-88
17	Pirkoh	Sibi (Bugti Tribal Territory), Balochistan	141.69	08-08-77
18	Bahu	Jhang, Punjab	11.22	19-05-08
19	Sara West	Ghotki, Sindh	168.41	08-06-01
20	Uch	Dera Bugti Agency, Balochistan	121.00	01-07-96
21	Jhal Magsi South	Jhal Magsi, Balochistan	16.10	24-07-09
22	Bagla	Thatta & Badin, Sindh	29.70	27-02-95
23	Bobi / Dhamarkhi (ML)	Sanghar, Sindh	128.98	23-01-90
24	Buzdar & Buzdar North	Hyderabad, Sindh	49.80	13-12-99
25	Chak 5 Dim South	Sanghar, Sindh	15.92	18-03-96
26	Dars	Hyderabad, Sindh	6.02	24-01-05
27	Dars West	Hyderabad, Sindh	5.20	24-01-05
28	Daru	Thatta, Sindh	10.26	07-04-90
29	Hundi	Dadu & Hyderabad, Sindh	15.04	21-09-02
30	Jakhro	Sanghar, Sindh	35.05	13-02-02
31	Kunnar Deep (ML)	Hyderabad, Sindh	16.07	17-05-08
32	Kunnar West (ML)	Hyderabad, Sindh	3.13	17-05-08
33	Kunnar (ML)	Hyderabad, Sindh	34.21	23-01-90
34	Lashari Centre & South	Hyderabad, Sindh	23.15	25-06-89
35	Missan	Hyderabad, Sindh	2.33	12-07-99
36	Noorai Jagir	Hyderabad, Sindh	2.43	16-08-08
37	Nur	Thatta & Badin, Sindh	30.64	27-02-95
38	Pali	Sanghar, Sindh	16.43	17-11-01
39	Pasahki Deep	Hyderabad, Sindh	18.08	17-05-08
40	Pasahki & Pasahki North	Hyderabad, Sindh	27.95	27-01-90
41	Sari Sing (ML)	Dadu & Hyderabad, Sindh	25.89	30-07-08
42	Sono	Hyderabad, Sindh	25.08	23-07-89
43	Tando Alam (ML)	Hyderabad, Sindh	38.64	30-07-85
44	Tando Allah Yar	Hyderabad, Sindh	3.35	24-01-05
45	Thora / Thora East & Thora Additional (ML)	Hyderabad, Sindh	15.20	23-01-90

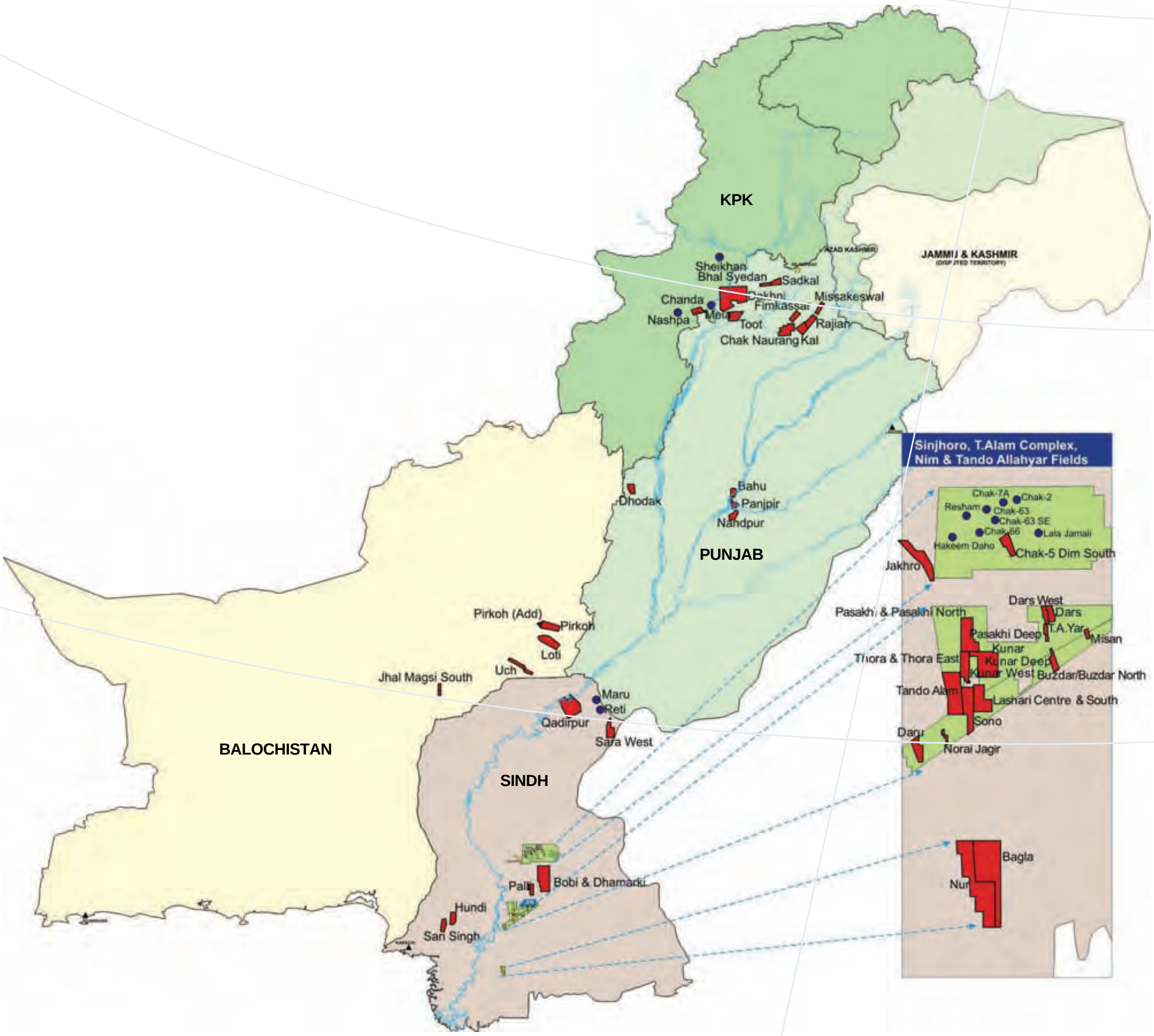
Sr. No.	Lease	Districts / Province	Area (Sq.Kms)	Operator	Partners
NON-OPERATED JOINT VENTURE LEASES					
1	Badin-II	Tando Muhammad Khan, Thatta & Badin, Sindh	186.050	BPP 51%	OGDCL 49%
2	Badin-II Rev	Thatta, Hyderabad & Badin, Sindh	33.880	BPP 76%	OGDCL 24%
3	Badin-III	Tando Muhammad Khan, Thatta & Badin, Sindh	35.630	BPP 60%	OGDCL 15%, GHPL 25%
4	Manzalai	Karak, Kohat & Bannu, KPK	382.890	MOL 8.42%	OGDCL 27.028%, PPL 27.028%, GHPL 15%, POL 22.524%
5	Adhi	Rawalpindi & Jehlum, Punjab	199.880	PPL 39%	OGDCL 50%, POL 11%
6	Ratana	Attock, Punjab	214.500	OPL 65.91%	OGDCL 25%, AOC 4.545%, POL 4.545%
7	Dhurnal	Attock, Punjab	24.760	OPL 70%	OGDCL 20%, AOC 5%, POL 5%
8	Bhangali	Gujjar Khan, Punjab	45.300	OPL 40%	OGDCL 50%, AOC 3%, POL 7%
9	Bhit	Dadu, Sindh	250.080	ENI 40%	OGDCL 20%, PKP 6%, PKP-II 34%
10	Badhra	Dadu, Sindh	230.260	ENI 40%	OGDCL 20%, PKP 6%, PKP-II 34%
11	Kadanwari	Khairpur, Sindh	457.820	ENI 18.42%	OGDCL 50%, PKP 15.79%, PKP-II 15.79%
12	Miano	Sukkur, Sindh	814.020	OMV 17.68%	OGDCL 52%, PPL 15.16%, ENI 15.16%
13	Pindori	Chakwal, Punjab	86.580	POL 35%	OGDCL 50%, AOC 15%
14	Badar	Jacobabad, Sindh	122.000	PEL 26.32%	OGDCL 50%, SHERRITT 15.79%, Spud Energy 7.89%
15	Sara & Suri	Ghotki, Sindh	106.540	Tullow 38.18%	OGDCL 40%, POL 14.55%, AOC 7.27%

Lease Map

As on 30 June 2011

Summary of D&P/ M Leases

Provinces	Operated	Non-Operated
Punjab	13	05
Sindh	26	09
Balochistan	05	-
KPK	01	01
Total	45	15



Six Years Performance

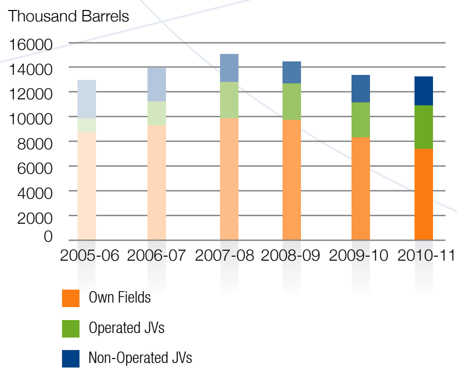
		2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Operational Performance							
Seismic Survey - 2D	L. kms	4,902	3,282	2,889	5,129	2,493	**1,500**
- 3D	sq. kms	395	661	1,067	1,128	290	**660**
Exploratory & Development Wells Drilled	Numbers	30	41	31	30	26	**21**
Oil & Gas Discoveries	Numbers	5	10	5	2	6	**2**
Quantity Sold							
Crude Oil	Thousand Bbl	12,956	13,930	15,037	14,438	13,343	**13,224**
Gas	MMcf	344,164	344,032	358,868	364,036	354,327	**362,924**
LPG	M.Tons	128,654	139,480	125,482	79,145	73,881	**71,061**
Sulphur	M.Tons	22,006	16,638	29,065	24,673	20,018	**34,400**
White Petroleum Products	Thousand Bbl	959	895	547	148	64	**30**
Financial Results							
Net Sales	Rs in billion	97.31	100.73	125.91	130.83	142.57	**155.63**
Other Revenues	Rs in billion	4.40	4.03	3.91	3.43	3.36	**3.38**
Profit Before Taxation	Rs in billion	65.76	60.75	78.31	80.93	88.55	**90.98**
Profit for the Year	Rs in billion	45.80	45.25	44.34	55.54	59.18	**63.53**
Balance Sheet							
Share Capital	Rs in billion	43.01	43.01	43.01	43.01	43.01	**43.01**
Reserves	Rs in billion	58.46	63.93	67.41	83.16	114.38	**158.56**
Non Current Liabilities	Rs in billion	16.65	18.55	20.46	30.53	36.63	**38.44**
Current Liabilities	Rs in billion	11.09	11.26	21.44	21.29	34.84	**21.78**
Total Equity & Liabilities	Rs in billion	129.21	136.75	152.31	177.99	228.87	**261.78**
Fixed Assets	Rs in billion	47.77	57.49	67.71	87.69	103.18	**106.03**
Long Term Investments, Loans, Rec. & Prepayments	Rs in billion	4.62	4.34	4.78	4.84	5.25	**6.14**
Current Assets	Rs in billion	76.82	74.92	79.82	85.46	120.43	**149.60**
Total Assets	Rs in billion	129.21	136.75	152.31	177.99	228.87	**261.78**
Cash Flow Summary							
Net Cash from Operating Activities	Rs in billion	43.50	37.21	51.60	52.98	61.51	**67.92**
Net Cash used in Investing Activities	Rs in billion	(7.04)	(12.72)	(15.59)	(22.91)	(22.84)	**(15.96)**
Net Cash used in Financing Activities	Rs in billion	(41.44)	(38.15)	(41.47)	(39.41)	(28.77)	**(18.66)**
(Decrease) /Increase in Cash and Cash Equivalents	Rs in billion	(4.99)	(13.66)	(5.46)	(9.34)	9.90	**33.30**
Cash and Cash Equivalents at beginning of the Year	Rs in billion	42.38	37.39	23.74	18.28	8.94	**18.84**
Cash and Cash Equivalents at end of the Year	Rs in billion	37.39	23.74	18.28	8.94	18.84	**52.14**
Key Indicators							
Profitability Ratios							
Gross Profit Margin	%	72%	69%	69%	70%	71%	**66%**
Net Profit Margin	%	47%	45%	35%	42%	42%	**41%**
EBITDA Margin to Sales	%	73%	67%	69%	70%	71%	**71%**
Return on Average Capital Employed	%	48%	43%	41%	47%	42%	**35%**
Liquidity Ratios							
Current Ratio	Times	6.92	6.65	3.72	4.01	3.46	**6.87**
Quick / Acid Test Ratio	Times	5.89	5.44	2.94	3.25	3.03	**6.22**
Cash to Current Liabilities	Times	3.39	2.13	0.86	0.43	0.54	**2.40**
Cash Flow from Operations to Sales	%	75%	74%	73%	75%	66%	**87%**
Activity / Turnover Ratios							
Debtor Turnover in Days (1)	No. of days	81	95	100	135	178	**189**
Total Assets Turnover Ratio	%	77%	76%	87%	79%	70%	**63%**
Investment / Market Ratios							
Earnings per Share	Rupees	10.65	10.52	10.31	12.91	13.76	**14.77**
Price Earning Ratio	Times	12.84	11.39	12.06	6.09	10.32	**10.36**
Dividend Yield Ratio	%	7%	8%	8%	10%	4%	**4%**
Dividend Pay out Ratio	%	85%	86%	92%	64%	40%	**37%**
Dividend Coverage Ratio	Times	1.18	1.17	1.09	1.57	2.50	**2.69**
Cash Dividend per Share	Rupees	9.00	9.00	9.50	8.25	5.50	**5.50**
Market Price per Share (2) - As on June 30	Rupees	136.75	119.80	124.36	78.64	142.00	**153.00**
- High during the Year		168.80	156.00	140.80	125.49	142.00	**179.70**
- Low during the Year		98.55	113.20	104.90	40.56	80.71	**128.80**
Break-up Value per Share	Rupees	23.59	24.86	25.67	29.34	36.60	**46.87**
Contribution to National Exchequer	Rs in billion	79.66	78.31	99.75	86.45	80.24	**76.84**

Note: Prior years figures have been rearranged and/or reclassified, wherever, necessary for the purpose of comparison.

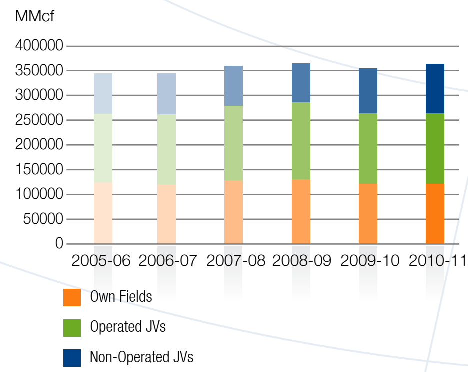
1 - 366 days have been used for the year 2007-08.
2 - Source KSE

Graphical Analysis

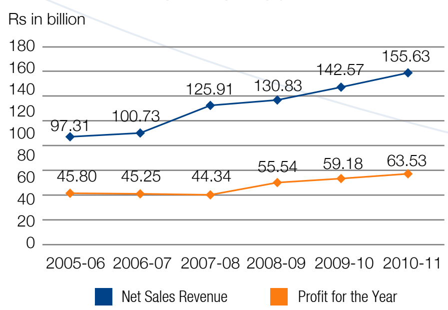
Quantity Sold - Crude Oil



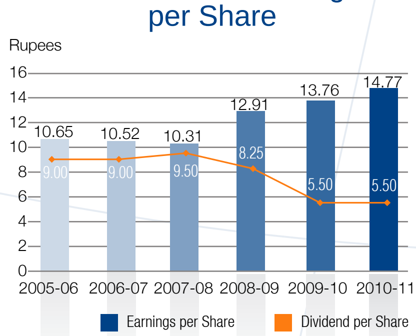
Quantity Sold - Gas



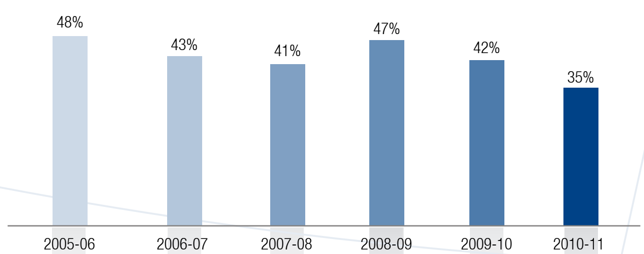
Sales Revenue vs Profit for the Year



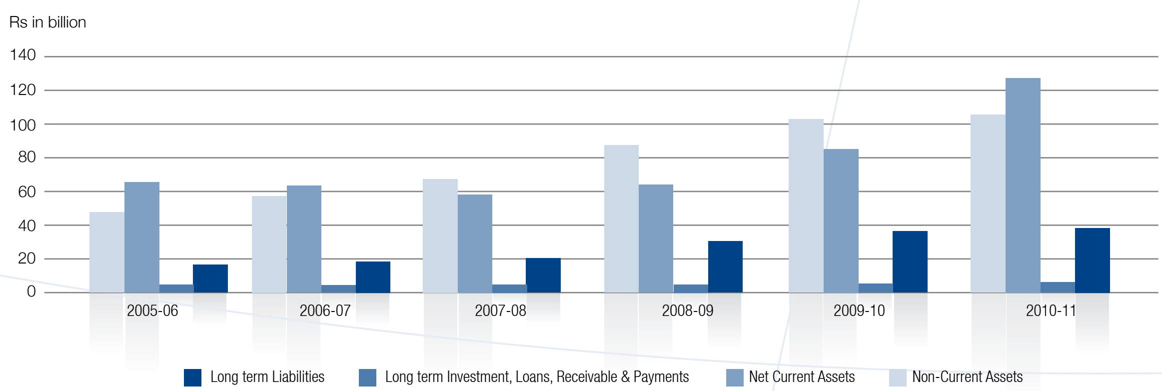
Dividend and Earnings per Share



Return on Average Capital Employed



Assets and Liabilities



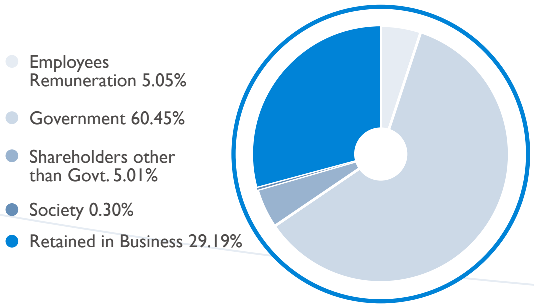
Vertical / Horizontal Analysis

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Vertical Analysis						
Profit and Loss Account						
Net Sales	100.0	100.0	100.0	100.0	100.0	100.0
Royalty	(11.2)	(10.9)	(13.8)	(11.6)	(11.7)	(11.4)
Operating Expenses	(16.3)	(19.0)	(15.6)	(17.3)	(16.6)	(21.2)
Transportation Charges	(1.0)	(1.1)	(1.2)	(1.2)	(1.0)	(1.4)
Gross Profit	**71.5**	**69.0**	**69.4**	**69.9**	**70.7**	**66.0**
Other Income	4.5	4.0	3.1	2.6	2.3	2.1
Exploration and Prospecting Expenditure	(3.8)	(7.4)	(5.3)	(5.7)	(5.5)	(4.3)
General & Administration Expenses	(1.1)	(1.3)	(1.0)	(1.0)	(1.1)	(1.4)
Provision for Impairment Loss	-	(0.4)	(0.3)	-	-	-
Finance Cost	(0.0)	(0.5)	(0.4)	(0.7)	(0.9)	(1.0)
Workers' Profit Participation Fund	(3.6)	(3.2)	(3.5)	(3.3)	(3.3)	(3.1)
Share of Profit in Asscociate	0.0	0.0	0.0	0.0	0.0	0.0
Profit before Taxation	**67.6**	**60.3**	**62.2**	**61.9**	**62.1**	**58.3**
Taxation	(20.5)	(15.4)	(27.0)	(19.4)	(20.6)	(17.6)
Profit for the Year	**47.1**	**44.9**	**35.2**	**42.5**	**41.5**	**40.7**
Balance Sheet						
Share Capital & Reserves	78.5	78.2	72.5	70.9	68.8	77.0
Non-Current Liabilities	12.9	13.6	13.4	17.1	16.0	14.7
Current Liabilities	8.6	8.2	14.1	12.0	15.2	8.3
Total Equity and Liabilities	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Non-Current Assets	40.5	45.2	47.6	52.0	47.4	42.9
Current Assets	59.5	54.8	52.4	48.0	52.6	57.1
Total Assets	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Horizontal Analysis						
Profit and Loss Account						
Net Sales	100.0	103.5	129.4	134.4	146.5	159.9
Royalty	100.0	99.9	158.3	138.5	152.8	161.8
Operating Expenses	100.0	121.2	124.0	143.4	150.0	208.6
Transportation Charges	100.0	115.5	156.3	161.6	158.4	233.6
Gross Profit	**100.0**	**99.9**	**125.7**	**131.4**	**144.6**	**147.6**
Other Income	100.0	91.3	88.6	77.2	75.6	75.7
Exploration and Prospecting Expenditure	100.0	201.2	179.7	202.7	214.7	179.9
General & Administration Expenses	100.0	119.7	115.9	123.7	148.4	207.4
Provision for Impairment Loss	-	100.0	85.1	-	-	-
Finance Cost	100.0	5,336.8	5,378.2	9,277.9	12,757.4	14,876.1
Workers' Profit Participation Fund	100.0	92.3	126.1	122.4	133.9	137.6
Share of Profit in Asscociate	100.0	128.0	129.0	166.0	185.1	226.5
Profit before Taxation	**100.0**	**92.4**	**119.1**	**123.1**	**134.7**	**138.4**
Taxation	100.0	77.7	170.2	127.2	147.2	137.6
Profit for the Year	**100.0**	**98.8**	**96.8**	**121.3**	**129.2**	**138.7**
Balance Sheet						
Share Capital & Reserves	100.0	105.4	108.8	124.3	155.1	198.7
Non-Current Liabilities	100.0	111.4	122.8	183.4	220.0	230.8
Current Liabilities	100.0	101.5	193.2	191.9	314.1	196.3
Total Equity and Liabilities	**100.0**	**105.8**	**117.9**	**137.8**	**177.1**	**202.6**
Non-Current Assets	100.0	118.0	138.4	176.6	207.0	214.1
Current Assets	100.0	97.5	103.9	111.2	156.8	194.7
Total Assets	**100.0**	**105.8**	**117.9**	**137.8**	**177.1**	**202.6**

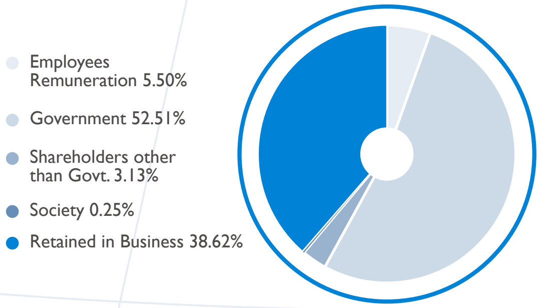
Statement of Value Addition

	2009-10	2010-11
	(Rs in million)	
Gross Revenue	155,792	**172,824**
Less: Operating, General & Administration,		
Transportation & Exploration Expenses	17,430	**19,259**
	138,362	**153,565**
Add:		
Income from Financial Assets	2,512	**3,039**
Income from Non-Financial Assets	788	**265**
Other	64	**79**
Less:		
Other Expenses	1,273	**1,485**
Total Value Added	**140,453**	**155,463**
Distribution:		
Employees as		
Remuneration	7,091	**8,547**
Governement as		
Corporate Tax	29,376	**27,455**
Dividends	20,917	**14,491**
Levies - Sales Tax	11,735	**14,159**
Excise Duty	1,461	**2,936**
Development Surcharge	24	**7**
Discount on Crude Oil Price	-	**90**
Royalty	16,729	**17,704**
Workers' Profit Participation Fund	4,661	**4,789**
	84,903	**81,631**
Shareholders other than the Government as		
Dividends	7,039	**4,863**
To Society	419	**385**
Retained in Business		
Capital Reserve	201	**199**
Depreciation	3,323	**3,782**
Amortization	6,457	**12,082**
Net Earning /Unappropriated Profit	31,020	**43,974**
	41,001	**60,037**
Total Value Added	**140,453**	**155,463**

Distribution of Value Added 2009-10



Distribution of Value Added 2010-11



Managing Director's Review

I feel pleasure to report that 2010-11 was another successful year for the Company. During the year under review, the Company continued to show consistent increase in profitability and stable operating results. Company's sales revenue and Profit after Taxation (PAT) depicted a growth of 9.2% and 7.4% to Rs 155.631 billion and Rs 63.527 billion respectively, translating into Earnings per Share (EPS) of Rs 14.77 compared to Rs 13.76 during the preceding year. Additionally, during the year under review, OGDCL maintained its position as the leading performer in the Exploration and Production (E&P) Sector in terms of oil and gas reserves, production and exploration acreage.

Liquidity and Cash Flow

Cash flow from operations for the year under review after working capital changes and payment of income tax of Rs 29.403 billion and royalty of Rs 29.863 billion was Rs 67.924 billion, showing an increase of Rs 6.418 billion over the last year. After investment and financing activities of Rs 37.147 billion (cash outflow) and Rs 2.527 billion (cash inflow) respectively, the Company's cash and cash equivalents increased by Rs 33.305 billion with the ending balance of Rs 52.142 billion as on 30 June 2011. Its trade debts and current liabilities reduced by Rs 5.081 billion & Rs 13.065 billion and current & quick ratios surged to 6.87 times and 6.22 times respectively. At present, the Company is maintaining strong liquidity position to meet its commitments towards important development projects.

Excellence Awards

KSE Top Twenty Five Companies Award

OGDCL has been ranked amongst the "Top 25 Companies" on the Karachi Stock Exchange (KSE) for the sixth consecutive year (2004-2009). The selection for the award reflects OGDCL's dedication and commitment to the best practices of Corporate Governance in addition to meeting the pre-requisites laid down by the KSE Board for all listed companies.

Best Corporate Report Award

OGDCL's Annual Report for the year 2009 won the Best Corporate Report Award for the fourth consecutive year (2006-2009). Evaluation for the best corporate reports has been made by the Joint Committee of the Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP). OGDCL won the third prize in fuel and energy sector.

Environment Excellence Award 2011

OGDCL was also awarded the 8th National Forum for Environment and Health (NFEH) Annual Environment Excellence Award (AEEA) 2011 on account of excellent environmental initiatives and successful implementation of environmental management system at its major sites.

Operational Activities

Exploration and Development

On the operational front, the Company is striving to give further boost to its exploration and development activities in order to enhance oil & gas reserves and production, making a conscious effort to meet the energy demands of the Country.

During the year 2010-11, the seismic crew of the Company was able to acquire 1,500 L. kms of 2-D and 660 sq. kms of 3-D seismic data in various concessions / blocks. Additionally, 1,058 L. kms of 2-D seismic data processing and 674 L. kms of 2-D seismic data reprocessing was carried out using in-house facilities to expedite the prospect generation work. Furthermore, 6,663 L. kms of 2-D and 806 sq. kms of 3-D seismic data were also processed through outsourcing. OGDCL's geological survey crew carried out 316 L. kms traverse in Rajdhani Block and 180 L. kms traverses in Soghari EL during the year including geological mapping of 2,335.10 sq. kms &

588.09 sq. kms respectively and collected 310 samples from all over the project area for reservoir / source studies.

During the year, twenty nine (29) well locations were marked on the ground out of which twenty one (21) wells were spudded in. The spudded wells include seven (7) exploratory wells namely Sehar-1, Zin X-1, Jabbi-1, Gulsher-1, Suleman-1, Ajuwala-1 and Maru South-1, three (3) appraisal wells namely Naspha-2, Maru-2 and Naspha-3 and eleven (11) development wells namely Qadirpur-41, Thora-8, Uch-23, Uch-24, Uch-28, Uch-29, Uch-30, Uch-31, Uch-33, Pasakhi-7 and Qadirpur-42 Extended Reach Well (ERW). Furthermore, civil work on Qadirpur-43 (ERW) is completed while civil work on three (3) wells namely Dhachrapur-2, Uch-19 and Qadirpur-44 (ERW) is underway. In addition, work-over jobs on nine (9) wells were also carried out during the year under review. Subsequently, in July 2011, the Company also spudded in two (2) new wells namely Rajian-6 and Qadirpur-32A.

The Company is constantly striving to further excel in its operational performance and endeavors to sustain the corporate culture of transparency and accountability, in-line with its Statement of Business Ethics and Business Practices. We focus our energies on not only our core business i.e. exploration and production but also on meeting stringent HSE standards, while operating as a socially responsible corporate citizen, improving the lives of people and communities with whom OGDCL interacts.

To maintain OGDCL's position as an industry leader and to play a pivotal role in acquiring energy security for Pakistan, is the challenge that provides us the impetus to go ahead with full zeal and conviction to contribute in meeting the energy demands of the Country while maximizing returns for our shareholders.

Oil and Gas Reserves

OGDCL's remaining recoverable reserves as of 30 June 2011 stood at 133.7 MMstb oil and 9,651 Bcf gas as compared to 142.7 MMstb oil and 9,967 Bcf gas respectively as on 30 June 2010.

Production

The Company continues to pursue best practices to maintain and enhance production and keep natural decline to the minimum with application of rig-less techniques and through planned work-over jobs. On the gross basis ODGCL produced from its owned and operated joint venture fields 36,842 Bopd, 862 MMcfd of gas, 121 M. Tons of LPG and 73 M.Tons of Sulphur.

During the year, the discovery of Nashpa enabled the Company to put the exploratory well on regular production giving 6,000 Bopd and 20 MMcfd gas. In order to give further boost to oil / gas production and to fully appraise the reservoir, the Company has two (2) wells under drilling at Nashpa out of which one well after testing will soon be put on production. In addition, OGDCL brought Bahu gas field on production using its own resources supplying 21 MMcfd gas with effect from January 2011. Another new well Sheikhan-1 was also put on production which initially produced 15 MMcfd gas.

In Northern fields, two successful work-overs were carried out which added 1,100 Bopd and 2.5 MMcfd gas. Annual turnaround (ATA) of processing plants at Qadirpur, Uch, Dakhni, Kunnar, Bobi, and Chanda was also carried out to increase operational efficiency of

ED (Finance) /CFO OGDCL receives the Corporate Report Award.

GM (HSEQ) OGDCL receives the Environment Excellence Award.

Timely dispatch of crude oil from Tando Alam Oil Complex (TOC).

these plants. It is also worth mentioning that compressors at Qadirpur field were commissioned during the ATA of the plant. Moreover, in-line inspection for Mechanical Integrity Assessment (MIA) of the most important critical line segments was carried out first time in OGDCL without any shutdown, production losses or operational hindrance. Additionally, the Company also carried out MIA of critical equipment of some fields and processing plants using conventional and advanced Non Destructive Testing (NDT) techniques along with application of Risk-Based Inspections.

Development Projects

The Company is currently working on the following six (6) development projects:

Sinjhoro Development Project

The Sinjhoro project is located near district Sanghar, Sindh. The Management of the Company has decided to develop the field on its own by relocating Dhodak plant to Sinjhoro along with installation of some new units such as amine unit, feed / sales gas compressors, sales gas metering skid etc.

The project will be completed in two phases. The first phase of the project is expected to be completed by January 2012 and will enhance the production flow by 1,400 Bopd, 15 MMcfd of gas and 50 M.Tons of LPG per day. The second phase of the project is expected to be completed by April 2012 and will enhance the cumulative production flow to 3,000-3,500 Bopd, 25-30 MMcfd of gas and 120-140 M.Tons per day of LPG.

KPD-TAY Integrated Development Project

The Kunnar Pasahki Deep - Tando Allah Yar (KPD-TAY) integrated development project is located adjacent to existing Kunnar LPG plant in district Hyderabad of Sindh province. The project consists of setting up new stand-alone facilities comprising of wellhead facilities, dehydration, amine, LPG plant, sales gas & wellhead compression and 30 kms long trunk line connected with gas processing plant. There are twenty seven (27) wells to be connected to the gas gathering system and gas processing plant will treat approximately 315 MMcfd of raw gas.

OGDCL is planning to setup the project in two phases by itself. Under Phase-I, 100 MMcfd of dehydrated gas and 1,000 Bpd of condensate would be supplied into SSGCL network by November, 2011. Simultaneously, OGDCL will develop the total facilities during the 2nd phase to fully process the 312 MMcfd of raw gas including LPG extraction and supply the fully processed gas to Sui Southern Gas Company Limited (SSGCL). The project is expected to be completed by August 2013 and the expected production from the project will be 284 MMcfd of gas, 4,400 Bopd, 387 M.Tons of LPG per day and 400 Bpd of NGL.

Dakhni Expansion Project

The project is located in district Attock, Punjab province. Most of the equipment / packages have been received and installed by OGDCL. Dakhni Expansion project is expected to be completed by December 2011.
The contractor has been mobilized to the site. The incremental production after expansion will be 12 MMcfd

of gas, 720 Bpd of condensate, 80 M.Tons of sulphur per day and 12 M. Tons of LPG per day.

Jhal Magsi Development Project

Jhal Magsi gas field is located in district Jhal Magsi, Balochistan province and is a joint venture among OGDCL, Government Holdings Private Limited (GHPL) and Pakistan Oilfields Limited (POL). Dehydration / Compression / H2S removal plant will be installed at the field for removing high contents of H2S. The project will be undertaken after 3rd party reservoir certification is done.

UCH-II Development Project

The Uch gas field is located about 67 kms South East of Dera Bugti in Balochistan province. OGDCL has already drilled 12 wells out of 15 planned wells. After completion of the project it is expected that Uch field would be able to supply additional 160 MMcfd of gas to Uch Power Limited (UPL). Gas Sale Agreement (GSA) has been signed with Uch II Power Company (Pvt.) Limited and is effective from 30 April 2011.

Qadirpur Compression Project

OGDCL has successfully installed fourteen (14) reciprocating gas compressors at Qadirpur gas field to maintain the production plateau of 550-600 MMcfd of gas. Performance test shall be carried out by end of September 2011. Out of three (3) Extended Reach Wells (ERW) planned to be drilled to increase the gas production in order to meet the pressure requirement of Sui Northern Gas Pipeline Limited (SNGPL), the Company has successfully completed one well while remaining two (2) wells are presently under drilling. The completed well is producing 32 MMcfd of gas. Further, OGDCL anticipates to add 18-20 MMcfd of gas from Qadirpur after commissioning of two (2) new permeate compressors in August 2011.

Non-Operated Joint Ventures

Adhi D& PL

Adhi oil field is located in the district Rawalpindi of Punjab province and operated by Pakistan Petroleum Limited (PPL) wherein OGDCL has a 50% working interest. The average oil / condensate, gas and LPG production from the field is 5,284 Bpd of oil/condensate, 39 MMcfd of gas and 124 M.Tons of LPG per day as against 4,875 Bpd of oi l/ condensate, 41 MMcfd of gas and 135 M.Tons per day of LPG during 2010. As part of the strategy of enhancing production, the increase in crude oil/condensate production in 2011 is due to fracture jobs carried out at wells Adhi-9, Adhi-12 & Adhi-14 while minor reduction in gas / LPG is due to slight change in composition of the well feed (Gas Oil Ratio). In addition to workover program of the existing wells, a well is planned to be drilled in 2011-12.

TAL Concession

Tal concession spreads over Karak, Kohat and Bannu area in Khyber Pakhtunkhwa province. MOL Pakistan is the operator of Tal concession and OGDCL holds 27.76% pre-commercial and 30% post commercial working interest in the above concession. During the year under review, Tal joint venture successfully completed two exploratory wells Tolanj X-1 and Makori East -1 which started last year. The joint venture plans to drill two appraisal wells as part of its work program for the year 2011-12 whereas, drilling of one of these wells has already started in July 2011. Acquisition of 200 L. kms 2-D and 555 sq. kms 3-D seismic data is also part of the Tal joint venture approved work program for the year 2011-12. Presently, TAL average production is 7,715 Bopd and 315 MMcfd of pipeline quality gas from Tal block which is being sold to Attock Refinery Limited (ARL) and SNGPL respectively. The Tal production has increased by 1,660 Bpd of oil / condensate and 30 MMcfd of gas as against the average production during the year 2010. Currently twelve (12) wells are on production, out of which eight (8) wells are from Manzalai field, two (2) wells from Makori field and one each from Mamikhel and Maramzai field.

Pindori D&PL

Pindori is located in district Chakwal, Punjab. Pakistan Oilfields Limited (POL) is the operator of Pindori D&PL wherein OGDCL holds 50% interest. Presently, joint venture is getting production from four (4) wells out of which two (2) are being produced on intermittent flow. The current average production is 785 Bpd of condensate, 2.21 MMcfd of gas and 15 M.Tons/day of LPG.

Miano D&PL

Miano gas field is located in district Sukkur, Sindh province and operated by OMV Pakistan whereas, OGDCL is a major stakeholder having 52% working interest. During the year, the joint venture has successfully drilled a development well Miano-14 which has enhanced the production of the field by 25 MMcfd. The total number of producing wells is six (6) in Miano D&PL and presently the field is producing 81 MMcfd of gas. The joint venture has planned to drill another well Miano-15 in the year 2011-12.

Kadanwari, Bhit & Badhra Fields

Kadanwari gas field is located in district Khairpur, Sindh province while Bhit & Badhra are located in district Dadu, Sindh province. ENI Pakistan is the operator of Kadanwari, Bhit and Badhra fields and OGDCL's working interest is 50%, 20% and 20% respectively. During the year under review, five (5) wells were put on production. The objective is to increase recovery from the existing fields by drilling in-fill wells and installation of well head compressors to keep the production at optimum level. Currently, Bhit is producing 253 Bpd of condensate and 373 MMcfd of raw gas whereas, Badhra's production is 25 MMcfd of raw gas only. Kadanwari field is producing 27 Bpd of condensate and 98 MMcfd of raw gas. Presently, twenty (21) wells are on production in Kadanwari, Bhit and Badhra fields. Besides above, the joint venture plans to drill seven (7) additional wells in the year 2012 in Kadanwari, Bhit & Badhra fields.

Dhurnal, Bhangali and Ratana Fields

Dhurnal, Bhangali and Ratana fields are located in district Attock and Rawalpindi, Punjab province. Ocean Pakistan Limited (OPL) is the operator of Dhurnal, Bhangali & Ratana fields whereas, OGDCL's working interest is 20%, 50% & 25% respectively. The current production of Dhurnal is 170 Bpd of oil/ condensate and 0.94 MMcfd of gas while Ratana is producing 529 Bpd of oil / condensate, 12.54 MMcfd of gas and 17 M.Tons of LPG. For the year 2011-12, the joint venture has started drilling of a new well, Ratana-4 whereas, 3-D seismic activities are being carried out in Bhangali field with a view to evaluate prospects for drilling of a new well.

Badar Field

Badar gas field is located in district Jacobabad, Sindh province and operated by Petroleum Exploration (Pvt) Limited (PEL) as an operator in which OGDCL holds 50% working interest. The gas production from the field commenced on 08 April 2006 and currently the average production is 14 MMcfd of gas which after processing is being supplied to SNGPL. Based on the results of regular periodic pressure surveys, the Badar joint venture has planned to drill a development well during the year 2011-12 to enhance the production of the field.

Badin-II, Badin-II Rev. & Badin-III Fields

Badin fields are located in district Badin, Sindh province and operated by BP Pakistan Exploration & Production Inc. wherein OGDCL holds 49%, 24% & 15% working interest in Badin-II, Badin-II Rev. & Badin-III blocks respectively (collectively referred as 'Badin fields'). Badin fields average gross production was 1,900 Bpd of oil / condensate and 30 MMcfd of gas during the month of June 2011. The joint venture has drilled four (4) wells during the year 2010 and four (4) more are planned to be drilled during the year 2011.

Sara & Suri Fields

Sara & Suri fields are operated by Tullow Pakistan. OGDCL has 40% working interest. Efforts are being made to re-evaluate the possibility of any leftover reserves in existing reservoirs and to evaluate the upside exploratory potential of the fields.

Training and Development

As a leading Exploration & Production Company of Pakistan, OGDCL is committed towards professional grooming of its human resource. The objective of continuous training and development of these professionals is achieved through Oil and Gas Training Institute (OGTI) which works closely with various departments of the Company as well as with other E&P companies to help meet their training requirements. The training programs are developed and delivered by renowned trainers from within OGDCL as well as experts from the local and foreign petroleum industry. In addition to technical training, OGTI also imparts education and training in Health, Safety & Environment, Information Technology and Petroleum Management.

During the year 2010-11, 69 training programs were conducted at OGTI. More than 800 professionals from OGDCL and 58 from other E&P companies benefited from these programs. These programs included courses on technical subjects, Health, Safety & Environment, Information Technology and Petroleum Management.

OGTI also arranges many tailor-made training programs for professionals of E&P companies working in Pakistan. On request of SAARC Energy Center, OGTI arranged a special workshop on “Geophysical Techniques for Exploration of Natural Resources” for professionals of SAARC countries. Similarly, two highly informative workshops on “Sequence Stratigraphy” and “Seismic Stratigraphy” were organized for geoscientists of OGDCL and other E & P companies. Dr. Ali Raza Jaffri, an expert in Stratigraphy working with VNG Norway, conducted these workshops.

A series of Petroleum Industry orientation programs were conducted for groups of newly inducted professionals of OGDCL. The programs included two days introductory sessions on Exploration, Drilling and Production Operations, while on third day a session on

"Effective Communication Skills" was conducted. Seventy (70) participants from technical and non-technical departments attended these orientation programs.

A workshop on Petroleum Industry Operations and their impact on environment was also organized for professionals of Environmental Protection Agency (EPA) of Khyber Pakhtunkhwa.

consisting of Information Security Policies and Procedures. The document is currently under review. During the development phase various training programs were conducted for nominees of different departments on ISO-27001 to create awareness about the security of information assets and to prepare them for planned implementation of ISMS within the Company.

Seismic Stratigraphy Course Participants with GM (OGTI).

Information Technology

To ensure an effective Information Technology (IT) setup that supplements and supports the organizational strategies and operations, an Information Technology Steering Committee was formed through promulgating a formal policy. The committee consists of Head of Departments from all major areas of business operations. The Committee will serve as a focal point for approving and monitoring all IT initiatives within the Company. The Committee will ensure that all IT initiatives are business driven and are in-line with the Company's overall strategic direction.

As part of an exercise to implement office automation, a Leave Management Module was developed for Human Resource Management System (HRMS). This is an electronic workflow based system where employees will be filing leave applications on-line and the request will pass through an approval process using the organizational hierarchy. In the first phase the system is being implemented at Head Office and later it will be extended to all offices country-wide.

Also an Information Security Management System (ISMS) for the Company has been developed. The objective of this system is to adopt international best practices related to Information Technology based on Information Security Standard ISO-27001. A comprehensive security framework has been drafted

Health, Safety and Environment

The Company is committed to attain the highest standards in health, safety and environment performances and in pursuit of good governance of the same, the corporate HSE sustained compliance of HSE System during 2010-11. With the highest concern and commitment for Health, and Safety of employees, customers, contractors & communities, compliance of best HSE practices was well observed by various regulatory bodies during the entire year. Similarly our establishments and premises at various locations along with seismic parties, drilling rigs, production facilities, processing plants, engineering departments, etc. exhibited the salient features of a sound HSE System.

Due to our sustainable mechanisms pertaining to safety of workforce, environment and society a summary of the recent developments and achievements across the Company is given below:

- There is yet another accomplishment on a larger canvas that the Company has won the NFEH Excellence Award (2011) endorsed by United Nations Environmental Program for the third consecutive year. This is mainly due to the committed business environmental responsibility & leadership demonstrated by OGDCL, which has set in motion implementation of HSE Systems at key operational sites.

- In year 2010-11, certification of Dhodak and Qadirpur operating fields for ISO 14001:2004 and OHSAS 18001:2007 standards were successfully maintained and Business Assurance Wing of M/s DNV through periodic audits endorsed that the HSE System at these two key locations remains at par with the requirements of HSE management standards.

- In compliance with legislative requirements, OGDCL contacted the short-listed consulting firms to conduct various Initial Environmental Examination (IEE) / Environmental Impact Assessment (EIA) studies e.g. Gurgalot Block, Nashpa Block, Fateh Jang Block, Toot Block, Bitrism Block, Sinjhoro Block, Maru-Reti gas field, Jhal Magsi project etc. A few environmental studies like Sheikhan Development Project, Channi Pull Block etc. were carried out utilizing internal resources and the reports were timely submitted to the relevant Environmental Protection Agencies for acquisition of NOC to formally commence these project activities.

- In order to promote the best HSE practices and acknowledge the existing ones to promote a healthy work-style, to provide better communication opportunities on the issues of work and safety and to enable learning through fun among the employees, HSE awareness events are being arranged as a regular corporate feature now in the Company. During 2010-11, this event was organized with zeal and fervor at Qadirpur Gas Field.

- The Company believes that HSE training and motivation is the first line of defense against accidents. The company has adopted a systematic and pro-active behavioral program that provides appropriate HSE training and encourages participation of all employees to safely perform their duties with the objective of preventing occupational injuries, illness, losses due to accidents, and protection of environment. In this perspective, an exclusive 10-day HSE training program on "Implementation of Health, Safety and Environment System: A Practical Roadmap for field HSEQ Officers" was arranged during November 2010 at OGTI, Islamabad. HSEQ officers from various operating fields, drilling rigs and seismic parties attended the sessions spread over two weeks with the objective to orchestrate the implementation roadmap based on the ISO 14001 and OHSAS 18001 standards.

Energy Conservation

Oil and Gas are major components of the Pakistan's Energy Mix as these are currently fulfilling more than 80% of the Country's primary energy needs. The Company is aware of the Country's needs for conservation to bridge the gap between energy supply and increasing demand. The Company has successfully installed permeate compressors after necessary modification in gas circuit to reduce tons of CO2-equivalent emissions due to flaring of gas from its Qadirpur Plant. Previously, permeate gas from the Qadirpur gas field was being flared resulting in large amounts of carbon emitted into the atmosphere without any use of the associated energy. The permeate gas is now being utilized in a modern combined cycle power plant in the private sector. The electricity so generated is supplied to the national grid utilizing the gas which would otherwise has been flared / vented into the atmosphere. In addition, being an ISO 14001 certified site, management has introduced various protocols to conserve energy in the process operations and other routine activities at Qadirpur. The major parameters include monitoring of fuel (oil / gas) and chemical usage / consumption and preemptively

Proficiently conducting firefighting drills.

addressing / troubleshooting heating and cooling systems. Plans are being developed to ensure prudent utilization of these natural / energy resources at other key installations.

Management Objectives and Strategies

An objective analysis of the target and achievements are set out in the Company's Strategic Plan which is developed on five (5) year basis and updated / revised on yearly basis. It reviews the Company's internal strengths and weaknesses and identifies the actual threats and opportunities, presents a broad framework relating to OGDCL's vision, mission, core values and goals. The main objective of OGDCL's strategic planning is to review & implement the strategic intent of the Company, define the departmental targets & assess their respective contributions to the achievements of corporate objectives and develop organization wide consensus on future direction and provide a single perspective for OGDCL's future communication with stakeholders. Due to these guided objectives, the Company is in a position to embrace long term benefits like inculcating management buy-in, ensuring the optimal use of the organization's resources by focusing on key priorities and providing a base from which the progress can be measured and sustained.

The economic stability of the developing countries like Pakistan depends upon the growth of the energy sector to influence social prosperity and long term planning for the utilization of domestic energy resources. Pakistan has been facing an unprecedented energy crisis since last few years. Its current energy demand exceeds its indigenous supplies, fostering dependency on imported oil that places a substantial burden on the economy of the Country. The Company has a strong vision and mission to contribute to E&P sector to help enhance energy security of Pakistan. With the formidable presence in the length and breadth of the country, the Company is looking beyond geographic boundaries for E&P opportunity. It plans to actively pursue overseas ventures. With technical prowess in the onshore Exploration and Production, it has changed focus to a more challenging area that is offshore exploration and tight gas.

The Company plans to optimize its concessions portfolio to support aggressive exploration activities, which in turn will ensure continuous reserves additions. The Company is also looking at seamless development of new discoveries in shortest possible time which will add to the production base of the Company. Efforts are continuing towards formulation of joint ventures with leading E&P companies both within the country and abroad.

Acknowledgment

I am grateful to our shareholders, customers, suppliers, contractors and joint venture partners for their ongoing relationship and continuous support towards the progress of the Company.

I am also proud of all the employees of the Company for their dedication and determination and appreciate their contribution towards the result achieved by the Company during the year. I would also like to thank the Board Members for their untiring efforts in directing the Company's course and maintaining its growth.

(Basharat A. Mirza)
Managing Director & CEO

12 August 2011

Directors' Report

On behalf of the Board of Directors of the Company, I am pleased to present the operational and financial affairs of Oil and Gas Development Company Limited (OGDCL) and the audited financial statements together with Auditors' Report for the year ended 30 June 2011.

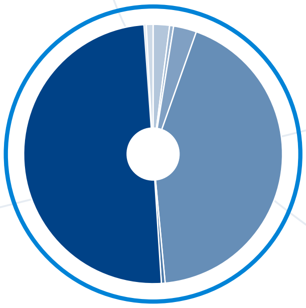
Financial Performance

During the year under review, OGDCL registered improved figures of revenue and profitability. Its sales revenue and Profit after Taxation (PAT) grew by 9.2% and 7.4% to Rs 155.631 billion and Rs 63.527 billion respectively translating into Earnings per Share (EPS) of Rs 14.77 compared to Rs 13.76 during the preceding year. These results are primarily attributable to higher realized prices of crude oil, gas & LPG which averaged at US$ 72.05 / Bbl, Rs 214.03 / Mcf and Rs 65,443 / M.Ton compared to US$ 61.37 / Bbl, Rs 186.47 / Mcf and Rs 54,415 / M.Ton respectively during the last year. Increase in gas price revision in respect of Bobi field with effect from 01 January 2007 and higher sales volume of gas contributed positively towards the financial results of the Company. However, profitability and Earnings per Share could have been even higher had there been no impediments faced in the form of adverse financial impact of Rs 15.239 billion on Company's sales revenue in respect of revision of Kunnar crude oil price with effect from 01 January 2007, increase of Rs 5.625 billion in amortization of development and production assets due to capitalization of new wells and reclassification in 1P and 2P reserves evaluation study by M/s Tracs International, UK. Moreover, the Company's financial and operational performance has also been adversely affected due to slight decline in production of crude oil & LPG, payments of arrears of security services to Inspector General Frontier Constabulary (IGFC) for Uch, Pirkoh fields and Zin block, higher workover costs at Toot well No. 12 & Missakeswal well No. 2, higher crude transportation charges at Chanda & Mela fields and idle cost of rigs and engineering field parties due to floods, donations towards flood relief fund and provision for impairment on development and production assets related to Sara West and Jandran fields. It is worth mentioning, that despite these hurdles and abnormal costs, OGDCL still managed to deliver stable operating performance along with improved profitability during the year under review.

Financial results for the year ended 30 June 2011 are summarized below:

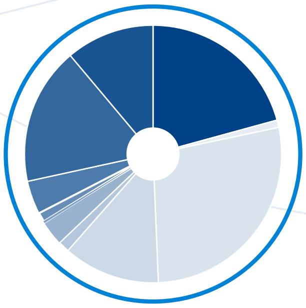
			(Rs in billion)
Profit before taxation			90.982
Taxation			(27.455)
Profit for the year			63.527
Unappropriated profit brought forward			110.524
Profit available for appropriations			174.051
Appropriations			
Transfer to capital reserves			(0.200)
Distribution through Dividends			
Final Dividend 2009-10	@ Rs 1.50 per share (15.00%)	(6.451)	
First Interim Dividend 2010-11	@ Rs 1.50 per share (15.00%)	(6.451)	
Second Interim Dividend 2010-11	@ Rs 1.50 per share (15.00%)	(6.451)	(19.354)
Unappropriated profit carried forward			154.497

Source of Net Income 2010-11



- Other Income 2.08%
- Share of Profit from Associate 0.05%
- LPG 2.92%
- Crude Oil 43.70%
- Sulphur 0.47%
- Gas 50.60%
- Other Operating Revenue 0.03%
- White Petroleum Products 0.15%

Utilization of Net Income 2010-11



- Operating Expenses 20.75%
- Finance Cost 0.93%
- Retained Profit 27.66%
- Dividend Paid 12.17%
- G&A Expenses 1.41%
- WPPF 3.01%
- Capital Reserve 0.13%
- Transportation Charges 1.38%
- Exploration Expenses 4.16%
- Corporate Tax 17.27%
- Royalty 11.13%

Final Dividend

The Board of Directors has recommended a final cash dividend of Rs 2.50 per share in addition to two interim cash dividends Rs 1.50 per share each already declared and paid during the year. This makes a total dividend of Rs 5.50 per share (55%) for the year ended 30 June 2011.

Financial & Non-Financial Performance Summary

OGDCL's operational and financial performance highlighting key performance indicators for the last six years is given at page 26 of the Annual Report.

Contribution to National Exchequer

Being the leading Exploration and Production (E & P) Company in Pakistan, OGDCL is making enormous contribution towards the national exchequer on account of corporate tax, royalty, general sales tax, excise duty, development surcharge and dividend. During the year 2010-11, a sum of Rs 76.84 billion was contributed to the national exchequer. In addition, the Company's oil & gas production as an import substitution has significantly contributed towards foreign exchange savings.

Business Review

Market Share

In terms of recoverable hydrocarbon reserves, hydrocarbon production and exploration acreage, the Company has emerged as the largest E & P company of Pakistan. It holds the largest portfolio of the recoverable hydrocarbon reserves in Pakistan, at 37% of natural gas reserves and 48% of oil reserves, as of 31 December 2010. In addition, OGDCL contributed 22% of Pakistan's total natural gas production and 56% of its oil production as of 30 June 2011. It has the largest exploration acreage in Pakistan, covering 22% of the total exploration acreage awarded as of 30 June 2011.
{Source: Pakistan Petroleum Information Service (PPIS)}

Exploration and Development

As of 30 June 2011, the Company holds largest exploration acreage which includes 34 owned and operated joint venture exploration licenses (22 blocks with 100% shares including an offshore block and 12 blocks as operated joint ventures including two offshore blocks) covering an area of 61,084 sq. kms. The Company during the year could not commence exploration activities in ten (10) blocks covering an area of 18,487.89 sq. kms due to lack of security clearance / cover from the concerned agencies. After seeking security clearance / cover, it is expected that the Company will be able to start exploration activities in these blocks. Efforts are underway to start exploration activities as OGDCL is in close liaison with Government of Balochistan, in this regard. During the year under review, the seismic crew of the Company was able to acquire 1,500 L. kms of 2-D and 660 sq. kms of 3-D seismic data in various concessions / blocks.

The Company marked twenty nine (29) well locations and spudded in twenty one (21) wells including seven (7) exploratory, three (3) appraisal and eleven (11) development wells. In addition, work-over jobs on nine (9) wells were also carried out during the year.

Discoveries

The Company's exploratory efforts during the year resulted in finding two (2) new oil / gas-condensate discoveries namely Sheikhan well-1 (Kohat E.L) in district Kohat of Khyber Pukhtunkhawa province and Gopang well-1 (Nim E.L) in district Hyderabad of Sindh province leading to addition of 0.14 MMstb of oil / condensate and 59 Bcf gas to the Company's reserve base.

Projects

OGDCL's strategy for reducing the Country's demand and supply gap is to focus on early and expeditious development of dormant fields for production enhancement and utilization of cutting edge technology pertaining to exploration, drilling, production and reservoir management to optimize production from new and existing fields. The Company is actively undertaking six (6) mega development projects including Sinjhoro, Kunnar Pasahki Deep-Tando Allah Yar (KPD-TAY), Uch-II, Dakhni Expansion, Jhal Magsi and Qadirpur Compression. The projects will have a combined estimated production capacity of around 500 MMcfd of gas, 8,500 Bopd of crude oil and 525 M. Tons per day of LPG.

Production

OGDCL is presently operating a total of forty five (45) Development and Production Leases (D&PL) including both owned and operated joint ventures. During the year, the Company's average daily net production including its share in operated and non-operated joint venture fields is as follows:

Products	100 % Owned Fields	Share in Operated JV Fields	Share in Non Operated JV Fields	Total
Crude Oil (Bopd)	21,312	9,687	6,371	37,370
Gas (MMcfd)	333	390	290	1,013
LPG (M.Tons / day)	106	11	78	195
Sulphur (M. Tons / day)	73	-	-	73

Daily production has been worked out at 365 days per annum.

Board of Directors

The Board of Directors comprises eleven (11) Directors including the Chairman and Managing Director (MD) & Chief Executive Officer (CEO). During the year under review the composition of the Board of Directors has changed as follows:

Chairman

On 15 September 2010, Mr. Imtiaz Kazi joined the Board as Chairman in place of Mr. Kamran Lashari. Subsequently on 07 May 2011, Mr. Muhammad Ejaz Chaudhry replaced Mr. Imtiaz Kazi as Chairman OGDCL Board.

Managing Director

On retirement of Mr. Shah Mahboob Alam, MD & CEO, Mr. Mohammad Naeem Malik was appointed as MD & CEO on 13 August 2010 and subsequently on transfer of Mr. Mohammad Naeem Malik as Additional Secretary, Ministry of Petroleum & Natural Resources (MP & NR), Mr. Asif Saeed Sindhu took charge as MD & CEO on 27 April 2011. Upon the resignation of Mr. Asif Saeed Sindhu, Mr. Basharat A. Mirza was appointed as acting MD & CEO with effect from 01 August 2011.

Directors

Consequent upon his promotion as Federal Secretary and posting at Privatisation Commision, Mr. Muhammad Ejaz Chaudhry, Director tenedered resignation from Board and Mr. Zafar Iqbal Qadir, Additional Secretary, MP & NR was appointed as Director on the Board with effect from 13 January 2011. On 22 July 2011, MP & NR nominated Mr. Raashid Bashir Mazari, Joint Secretary (Administration), MP & NR as Member of Board in place of Mr. Zafar Iqbal Qadir who was posted as Chairman, National Disaster Management Authority (NDMA). The Board recorded its appreciation for the contribution and services rendered by all the outgoing Chairmen, MDs & CEOs and other Directors.

The composition of the Board as on 12 August 2011 is as under:

Mr. Muhammad Ejaz Chaudhry	Chairman
Mr. Basharat A. Mirza	MD & CEO
Senator Mir Wali Muhammad Badini	Director
Syed Amir Ali Shah	Director
Mr. Ahmad Bakhsh Lehri	Director
Mr. Raashid Bashir Mazari	Director
Dr. Kaiser Bengali	Director
Mr. Wasim A. Zuberi	Director
Mr. Tariq Faruque	Director
Syed Masieh-ul-Islam	Director
Mr. Fahd Shaikh	Director

Meetings of the Board

Fifteen (15) meetings of the Board of Directors were held between 01 July 2010 to 30 June 2011 and the attendance of each Director is given below:

S.No.	Name of the Directors	Total No. of Meetings*	Meetings attended
1	Mr. Kamran Lashari, Chairman	1	1
2	Mr. Shah Mahboob Alam, MD & CEO	1	1
3	Mr. Imtiaz Kazi, Chairman	11	11
4	Mr. Mohammad Naeem Malik, MD & CEO	12	12
5	Senator Mir Wali Muhammad Badini	15	10
6	Syed Amir Ali Shah	15	13
7	Mr. Ahmad Bakhsh Lehri	15	10
8	Mr. Muhammad Ejaz Chaudhry	3	3
9	Mr. Wasim A. Zuberi	15	14
10	Mr. Tariq Faruque	15	6
11	Dr. Kaiser Bengali	15	7
12	Syed Masieh-ul-Islam	15	12
13	Mr. Fahd Shaikh	15	10
14	Mr. Zafar Iqbal Qadir	8	7
15	Mr. Muhammad Ejaz Chaudhry, Chairman	3	3
16	Mr. Asif Saeed Sindhu, MD & CEO	2	1

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

Committees of the Board

In order to ensure effective implementation of sound internal control system and compliance with Code of Corporate Governance, the Board has constituted various committees. Composition of committees and their Terms of Reference (TOR) are shown on pages 16 & 17 of Annual Report.

Reporting

The Company's Board of Directors conforms to the rules and procedures regarding true and fair presentation and timely submission of its periodic financial statements along with the provision of other financial and non-financial information to the concerned external regulators.

All material information relating to Company's business and other affairs including announcement of interim and final results, as specified in the listing regulations which may impact the market price of Company's share are immediately notified and communicated to the stock exchanges. Moreover, all such material information relating to operational and financial affairs can also be accessed through the Company's website. The Company has also established an Investor Relations (IR) Section to interact with investors and effectively carry out the activities related to smooth and reliable communication flow with all our external stakeholders. Investors section has also been placed on Company's website (www.ogdcl.com).

Corporate Governance

The Company is committed to high standards of corporate governance to ensure business integrity and upholding the confidence of all the stakeholders. The Board of Directors is accountable to the shareholders for good corporate governance. The Management of the Company 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 the Board of Directors and the Management. Vision & Mission statements, Core Values and Statement of Ethics & Business Practices have been prepared and approved by the Board. Significant policies as required under the Code of Corporate Governance have been framed and are under review of the Board.

Specific statements to comply with the requirements of the Code of Corporate Governance are as follows:

- 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 Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.
- 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 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.
- Information about outstanding taxes and levies is given in the notes to the financial statements.
- Value of investments, including bank deposits of various funds based on the latest audited accounts as of 30 June 2010 are as follows:

- Pension and Gratuity Fund	Rs 13,501 million
- General Provident Fund	Rs 1,923 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 2011 and shall retire on the conclusion of 14th 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 2011-12. The Board of Directors also endorsed the recommendations of the Audit Committee.

Pattern of Shareholding

The pattern of shareholding as on 30 June 2011 is shown on page 48 of the Annual Report.

Internal Control and Audit

The Company has an independent Internal Audit Department. The scope and role of the Internal Audit Department has been duly approved by the Board. This role corresponds to the responsibilities envisaged for the internal audit function under the Code of Corporate Governance. The Head of Internal Audit Department functionally reports to the Audit Committee of the Board. The Audit Committee comprises six (6) non-executive Directors.

Business Risks and Challenges

Being in the E&P industry, the Company is exposed to various risks which may unfavorably affect its operational and financial performance. The Management and the Board of Directors of the Company are well aware of their responsibilities in this regard and ensure that an appropriate system exists in the Company for the identification and mitigation of such risks.

The Management is committed to cope with the given challenges with the help of well integrated strategies focused on evaluating potential risks and taking prompt actions wherever necessary to keep the risk level under control.

Key operational and non-operational risks which can influence the operations of the Company are as follows:

1. Commodity Price Risk

Crude oil pricing in Pakistan is based on the basket of Arabian crude oil prices adjusted for yield differential and freight. The Company is exposed to fluctuations in International prices of crude oil and other petroleum products, whose prices are determined by reference to the International market prices. International oil prices are volatile and are influenced by global as well as regional supply and demand conditions. This volatility has a significant effect on the Company's net sales and net profit.

However, gas sales which accounts for around 50% of the Company's revenues are less prone to this risk as the gas price of certain fields is capped at fixed crude oil / HSFO price and is affected only in case the International crude oil / HSFO prices fall below the capped price.

2. Exchange Rate Risk

OGDCL's reference oil prices are quoted in US dollars on a weekly basis; while gas prices are notified on a six-monthly basis in Pakistani Rupee for its 100% owned and operated joint ventures except Chanda and non-operated joint ventures which are in US dollars. Oil and gas prices notified in US dollars are translated to rupees using exchange rates established by regulating authority on various reference dates stipulated in the relevant sales agreements. Because its reporting currency is the Pakistani Rupee and the Company receives oil and gas revenues in rupees, therefore, Rs /US dollar parity decline has a positive impact on Company's earnings and vice versa.

Approximately 70% of the material and equipment the Company purchases and 3rd party services it acquires are denominated in currencies other than the Pakistani Rupee, primarily US dollar, euro and pound sterling. However, any exposure to foreign currency exchange risk arising from these payment obligations is neutralized by the natural hedging provided by OGDCL's pricing mechanism described above.

3. Exploration and Drilling Risks

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 blowout, fishing, fire and other safety hazards. There is always a risk of success / failure in drilling exploratory wells. Risk of un-successful 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. The Management is well aware of these risks and is taking into consideration these facts while planning and executing the exploration and drilling targets. The Company is also utilizing experienced professionals and latest technologies in selection of acreage, acquisition and processing of seismic data etc.

4. Reserves Depletion and Under Performance of Oil & Gas Fields

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 around 1/4th of oil of the original reserves in place which can be further improved through Enhanced Oil Recovery (EOR) to around 1/3rd of total recoverable reserves over the reserve life. Some of the major oil and gas assets of the Company are mature fields which bear the risk of depletion at advanced stage. In addition, OGDCL's investment decisions of development of newly discovered fields are made after extensive technical studies and assessment of reservoir. Reserves estimates of these fields are worked out in-house as well as are certified by reputable international consultants.

5. Credit Risk

The Company's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of trade debts. Significant trade debts are owed by local crude oil refineries and natural gas distribution companies to which the Compnay supplies oil and natural gas products respectively. Settlement of such amounts has been delayed because debts owed to the refineries and natural gas companies in respect of products supplied by them to the Government or Government related entities also remain unpaid due to non-availability of funds. This is termed as “circular inter corporate debt” issue.

A Committee under the chairmanship of the Secretary, Ministry of Finance, Government of Pakistan, has been formed to review and settle the circular debt issue. In addition, the Government has confirmed to OGDCL in writing that the circular debt outstanding will be settled in full and that steps are being taken to resolve the issue of circular debt as a matter of priority. The year under review, however, ended with improved liquidity position on account of receipt of significant amount of overdue receivables from refineries and gas companies in the last quarter of the year under review.

6. Environmental Risks

The Company is not insured against all potential losses and may be seriously harmed by natural disasters or operational catastrophes. Exploration and production of oil and natural gas is hazardous. Natural disasters, operator errors or other occurrences can result in oil spills, blowouts, fires, equipment failure, and loss of well control, which can injure or kill people, damage or destroy wells, production facilities, property and the environment. To the extent the Company engages in offshore production, these operations are subject to marine perils like severe storms and other adverse weather conditions, earthquakes, vessel collisions, etc.

These risks are addressed by the Management while making investment decisions, planning and executing the Company's exploration and development plan.

7. Competitive Risk

The Government of Pakistan has taken steps to liberalize the E&P sector in Pakistan, particularly the application and award of exploration concessions, which is done on a competitive basis. Historically, as the market incumbent, OGDCL has not been exposed to strong competitive pressure with respect to any of its fields currently in production. However, in the case of increased exploration activity in the future, the Company may be exposed to greater competition while pursuing the acquisition of additional exploration concessions, including competition from major international E&P companies.

In order to keep the Company running strongly and to maintain its position as the leading Company in E&P sector the Management is cognizant and reliant on its core values namely merit, integrity, teamwork, safety, dedication and innovation.

8. Security Conditions

The security conditions are acting as an impediment to the smooth running of the Company's operations particularly in the provinces of KPK and Balochistan. This is potentially detrimental in respect of OGDCL's exploration, drilling and development activities causing hurdles in way of the Company's sustainable growth.

The Management of the Company is well aware of these issues and a complete set-up for handling security situation is working in the Company. A strategy has been developed by the Company to avoid disruptions at all the sites of the Company's operations.

Relationships affecting Performance

The Company has six major customers, four oil refineries and two gas distribution companies. Significant amount of trade debts / receivables are at times overdue to OGDCL due to inter-corporate circular debt issue. Delays in settlement of the outstanding receivables could adversely affect the cash resources of the Company and may trigger the need for borrowing in order to implement planned exploration and development activities / projects along with timely discharge of statutory obligations including payment of royalty, duties / taxes and dividends etc. Management of the Company always vigorously follows up for the recovery of overdue receivables and settlement of the issue. An early resolution of such issues is always pivotal for ensuring smooth operation of the Company and corporate relations in the market. In case, such negative trend prevails in future, the significant relationships with these companies may result into inconsistencies to comply the sales agreements in true spirit.

Human Resource

As of 30 June 2011, manpower strength comprised a total of 10,635 employees working at Company's Head Office at Islamabad, Regional Offices, field locations and other operational areas of the Company. The workforce is spread out in all four provinces of the country and is highly motivated towards the achievement of the Company's goals and objectives as per Vision and Mission statements of the Company.

The Company is effectively involved in the management of employees within the organization and is prudently performing the key responsibilities of recruitment, selection, placement, establishing a learning environment within the organization, compensation determination, performance & appraisal reviews and designing jobs specifications and career advancement. In addition, the HR function is also contributing towards the productivity and capacity enhancement of the employees by bringing effective changes and innovation in the system of performance management and evaluation of employees through recognition, promotions, appraisals and ensuring succession planning for employees.

Conclusive moments of 21st Memorandum of Settlement (MOS) with the CBA.

Industrial Relations

Management relations with all the employees of the Company including the Collective Bargaining Agent (CBA) continued to be friendly and industrial peace prevailed at locations during the year under review. The Management has successfully concluded 21st Memorandum of Settlement (MOS) with the CBA for a period of two (2) years with effect from 06 February 2011 reflecting cordial and conducive relationships between the workers and the Management.

Oath Taking Ceremony of OGDCL Officers Association 2011-13 being honored by Federal Minister for Petroleum & Natural Resources.

Corporate Social Responsibility

Community Investment & Welfare Schemes

The Company endeavors to be a responsible corporate citizen of E&P community. The Management is well aware of its social obligations and has used proactive approaches to achieve the goodwill in the areas of its operations for the benefit of the communities affected by its work and presence. These include employment opportunities for locals and financial assistance for numerous projects to improve the quality of life of people and communities with which OGDCL interacts.

Rural Development Programs

The Company has spent significant amount on various rural development programs for the welfare of the communities which entails health, education, water supply, and infrastructure development during financial year 2010-11 under its CSR program.

Health Care

The Company considers the health sector as the main pillar in achievement of the Corporate Social Responsibility (CSR) objectives. OGDCL has extended free medical aid to the communities falling in close proximity of its fields, by providing free medicines to the local hospitals of the concession areas for treatment of the patients in far-flung and remote areas of Pakistan through hospitals, mobile dispensaries and medical camps. The Company also provides ambulances, doctors, and paramedical staff for the treatment of ailing persons.

Education

The Company identified the educational requirements of the local communities in its concession areas and felt that education facility is lacking and needs to be addressed immediately. The Company has not only constructed / rehabilitated buildings for schools but has also upgraded various local girls and boys schools. The construction / rehabilitation and up-gradation of school buildings also provided temporary employment opportunities to the locals. These schools are now providing quality education to young minds.

The Company has also donated furniture and equipment to the schools / laboratories and teaching & support staff to many schools. To promote vocational training, the Company has constructed vocational training institutions in the concession areas and given generous donations so that it can impart quality education to students in various technical disciplines. Scholarships have also been provided to the deserving students to help foster education and knowledge.

Water Supply

The Company has undertaken several projects by implementing water supply schemes to the villages within the concession areas including supply of potable water to the communities. Several water pumps have been installed besides supplying water through bouzers / tankers / trolleys especially in those areas where people are in dire need of water.

Infrastructure Development

The Company has given due importance to improving and expanding infrastructure services for sustaining economic and social development in its areas of operation.

National Cause Donations

The Company, as a responsible corporate entity launched country wide relief operations to alleviate the sufferings of the people when the country witnessed worst-ever flood in its history. The Management promptly rose on occasion of tragic disaster and presented an immediate response by contributing Rs 100 million for the flood-hit people in all the four provinces in addition to Rs 200 million donation towards Prime Minister's Flood Relief Fund. Employees of the Company also donated two-day salary to ease the woes of the flood affected people who were in urgent need of food and shelter. The Company arranged medical camps at Nowshera Khurd to provide medical facility to the flood victims of those areas along with flood relief camps besides medicines, dry ration and other necessities. The medical camps were organized at Nowshera Khurd, Charsada Tangi road, and village Usman Zai. Similarly at Qadirpur the OGDCL medical team provided medical cover to over 14,000 people who had moved from Katcha to OGDCL Bund of Qadirpur. Free medical camps were also established at Tando Mohammad Khan, Nawabshah, Materi and around Hyderabad. Moreover, the Company has also initiated relief measures for the people of Uch and surrounding areas.

Future Outlook

The Company has a strong vision and passion to contribute to the development of the Country's E&P sector and to help enhance energy security of Pakistan at the same time maximizing value for its shareholders. With a formidable presence across the country, OGDCL is looking beyond geographic boundaries for E&P opportunities. Efforts are also continuing towards formulation of joint ventures with leading E&P companies both within the country and abroad.

The Company is actively participating in the national bid rounds for acquiring more acreages and gearing to participate in international bidding rounds to work towards international presence in line with its Vision. The Company also intends to enhance its reserves and strengthen its core business (E&P) functions by incorporating international best practices and innovative thinking.

The Company has in place strong business processes and internal checks in all operations to ensure transparency and accountability. Continuous review and improvement of internal policies and processes is part of the overall plan, in addition to further enhancing corporate goodwill through focused CSR initiatives for the benefit of the communities that the Company interacts with.

Acknowledgment

As we move forward, I am confident that the Company will continue to exhibit improved operational and financial results in the coming years. Based on our strengths, the Company is endeavoring to give boost to oil and gas production and locate new prospects for reserves addition thus strengthening its position as a market leader in the E&P sector.

The success and glory achieved by the Company is attributable to the resolute support of the Company's shareholders and stakeholders particularly the Ministry of Petroleum & Natural Resources, and other divisions & departments of Federal & Provincial Governments for their supporting role and prudent policies. The Board would also like to express its gratitude for the able guidance and invaluable counseling provided by the Board Members, the participative leadership style of the Management and active involvement of the employees in rendering their services with utmost devotion and loyalty. The Board looks forward to the persistent support of all the stakeholders in order to align the Company activities with its strategic vision. The Company continues to add to the shareholders value while being a socially responsible corporate entity and banks on the support of all its stakeholders, while dispensing its corporate roles and responsibilities.

On behalf of the Board.

(Muhammad Ejaz Chaudhry)
Chairman

12 August 2011

Pattern of Shareholding

As at 30 June 2011

Number of Shareholders	Shareholding From	Shareholding To	Shares held
1,430	1	100	62,919
10,311	101	500	4,921,868
6,686	501	1,000	6,530,604
4,162	1,001	5,000	9,036,640
524	5,001	10,000	3,942,578
266	10,001	20,000	3,804,955
115	20,001	30,000	2,913,171
37	30,001	40,000	1,296,866
30	40,001	50,000	1,377,146
40	50,001	75,000	2,441,879
24	75,001	100,000	2,151,215
19	100,001	150,000	2,432,601
11	150,001	200,000	1,851,226
11	200,001	250,000	2,452,574
8	250,001	300,000	2,293,732
13	300,001	400,000	4,415,946
7	400,001	500,000	3,169,939
4	500,001	600,000	2,175,568
5	600,001	700,000	3,326,699
3	700,001	800,000	2,313,038
4	800,001	900,000	3,462,732
3	900,001	1,000,000	2,937,948
10	1,000,001	1,500,000	12,219,271
8	1,500,001	2,000,000	14,201,348
3	2,000,001	3,000,000	8,353,447
11	3,000,001	5,000,000	43,981,423
2	5,000,001	8,000,000	15,060,899
-	8,000,001	9,000,000	-
-	9,000,001	10,000,000	-
2	10,000,001	25,000,000	31,352,118
2	25,000,001	50,000,000	76,430,462
1	50,000,001	100,000,000	54,371,349
-	100,000,001	300,000,000	-
2	300,000,001	500,000,000	751,037,158
1	500,000,001	4,000,000,000	3,224,609,081
23,755			4,300,928,400

Categories of Shareholders

As at 30 June 2011

Categories of Shareholders	Number of Shareholders	Shares held	Percentage
Individuals	23,262	34,876,169	0.81
Investment Companies	8	208,957	0.00
Insurance Companies	13	16,617,161	0.39
Joint Stock Companies	143	1,772,908	0.04
Banks, DFIs, NBFIs	14	3,962,736	0.09
Modarabas and Mutual Funds	53	58,505,205	1.36
Foreign Investors	121	522,842,192	12.16
Cooperative Societies	1	3	0.00
Charitable Trusts	28	849,875	0.02
Others	110	4,495,074	0.10
OGDCL Employees Empowerment Trust	1	432,189,039	10.05
Government of Pakistan	1	3,224,609,081	74.97
TOTAL	23,755	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	3,224,609,081	74.97
OGDCL Employees Empowerment Trust	1	432,189,039	10.05
NIT & ICP			
National Investment Trust Ltd (NIT)	1	688,944	0.02
National Bank of Pakistan Trustee Department	1	1,831,643	0.04
Directors, Chief Executive Officer and their spouses and minor children			
Executives	2	3,353	0.00
Investment Companies	8	208,957	0.00
Insurance Companies	13	16,617,161	0.39
Joint Stock Companies	143	1,772,908	0.04
Banks, DFIs, NBFIs	12	1,442,149	0.03
Modarabas and Mutual Funds	53	58,505,205	1.36
Foreign Investors	121	522,842,192	12.16
Cooperative Societies	1	3	0.00
Charitable Trusts	28	849,875	0.02
Individuals	23,260	34,872,816	0.81
Others	110	4,495,074	0.10
TOTAL	23,755	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, Executive Director (Strategic Business Planning) and his wife were purchased by them through Initial Public Offering by the Government at the rate of Rs 32 per share.

Crude Oil Desalter Plant at Tando Alam Oil Complex (TOC)

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 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 Karachi Stock Exchange (Guarantee) Limited wide circular KSE/N-269 dated 19 Jan 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, as applicable to the Company for the year ended 30 June 2011.

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner: Riaz Pesnani

12 August 2011
Islamabad

M.Yousuf Adil Saleem & Co.
Chartered Accountants
Engagement Partner: Nadeem Yousuf Adil

12 August 2011
Islamabad

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (the Code) 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 almost 74.97% stake in the Company and nominates all the directors who are non-excutive directors except for the Managing Director.

2. The Directors of the Company have confirmed that none of them is serving as a director in ten or more listed companies, including this Company.

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 prepared and approved by the Board.

5. Statement of “Ethics and Business Practices” is in place duly signed by all the Directors and Executive Officer of the Company.

6. Significant policies as required under the Code of Corporate Governance have been framed and are under 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 wherever applicable and terms and conditions of employment of the CEO, CFO, Company Secretary, Head of Internal Audit and other Executive Directors have been taken 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. The Directors on the Board have adequate exposure of corporate matters and well aware of their duties and responsibilities. Orientation programs are also arranged for the Directors.

11. All material information as required under the relevant rules has been provided to the stock exchanges and to the Securities and Exchange Commission of Pakistan (SECP) within the prescribed time limit.

12. During the year, Chief Financial Officer (CFO) and Head of Internal Audit were placed with the approval of the BoD.

13. 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.

14. The CEO and CFO have duly endorsed the financial statements of the Company before approval of the Board. The half yearly and annual accounts were also initialed by the external auditors before presentation to the Board.

15. 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.

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

17. The Audit Committee comprises six members, including the Chairman of the Committee. All members of the Committee including Chairman are non-executive directors.

18. The terms of reference of the Audit Committee have been formed and duly approved by the Board and advised to the Committee for compliance. The meetings of the Audit Committee were held once every quarter prior to approval of interim and final results of the Company as required by the Code.

19. 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.

20. 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.

21. 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.

22. 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 of the Karachi Stock Exchange (Guarantee) Limited.

23. We confirm that all other material principles contained in the Code have been complied 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

(Muhammad Ejaz Chaudhry)
Chairman

12 August 2011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STOP

Financial Statements 2011

Auditors' Report to the Members

We have audited the annexed balance sheet of Oil and Gas Development Company Limited ("the Company") as at 30 June 2011 and the related profit and loss account, statement of comprehensive income, 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, statement of comprehensive income, 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 2011 and of the profit, total comprehensive income, 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.

We draw attention to note 18.1 to the financial statements wherein it is stated that trade debts include an overdue amount of Rs 45,072 million receivable from oil refineries and gas companies. We also draw your attention to note 16.2 to the financial statements wherein it is stated that long term receivable has not been paid by Karachi Electric

Supply Company Limited in accordance with settlement plan. Though the recovery of these debts have been slow due to circular debt issue, the Company considers the amount as fully recoverble for the reason given in the aforementioned notes. Our report is not qualified in respect of this matter.

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner: Riaz Pesnani

12 August 2011
Islamabad

M.Yousuf Adil Saleem & Co.
Chartered Accountants
Engagement Partner: Nadeem Yousuf Adil

12 August 2011
Islamabad

Balance Sheet

As at 30 June 2011

	Note	2011	2010
		(Rupees '000)	
SHARE CAPITAL AND RESERVES			
Share capital	4	**43,009,284**	43,009,284
Capital reserves	5	**4,059,138**	3,859,682
Unappropriated profit		**154,497,155**	110,523,520
		201,565,577	157,392,486
NON CURRENT LIABILITIES			
Deferred taxation	6	**20,786,195**	21,499,184
Deferred employee benefits	7	**3,301,169**	2,699,773
Provision for decommissioning cost	8	**14,348,981**	12,435,365
		38,436,345	36,634,322
CURRENT LIABILITIES			
Trade and other payables	9	**16,794,297**	28,624,204
Provision for taxation	10	**4,981,309**	6,216,639
		21,775,606	34,840,843
		261,777,528	228,867,651

CONTINGENCIES AND COMMITMENTS 11

The annexed notes 1 to 41 form an integral part of these financial statements.

Chief Executive

	Note	2011	2010
		(Rupees '000)	
NON CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	12	**39,146,582**	34,998,898
Development and production assets - intangibles	13	**58,926,897**	58,630,857
Exploration and evaluation assets	14	**7,961,197**	9,551,394
		106,034,676	103,181,149
Long term investments	15	**3,568,930**	3,231,435
Long term loans and receivable	16	**2,410,907**	1,902,330
Long term prepayments		**159,550**	118,937
		112,174,063	108,433,851
CURRENT ASSETS			
Stores, spare parts and loose tools	17	**13,979,854**	14,527,278
Stock in trade		**261,835**	172,084
Trade debts	18	**77,911,312**	82,992,291
Loans and advances	19	**2,738,873**	2,216,881
Deposits and short term prepayments	20	**640,229**	616,641
Interest accrued		**324,845**	17,031
Other receivables	21	**1,459,073**	926,951
Other financial assets	22	**38,445,555**	11,120,823
Cash and bank balances	23	**13,841,889**	7,843,820
		149,603,465	120,433,800
		261,777,528	228,867,651

Director

Profit and Loss Account

For the year ended 30 June 2011

	Note	2011	2010
		(Rupees '000)	
Sales - net	24	**155,631,290**	142,571,863
Royalty		**(17,703,601)**	(16,728,843)
Operating expenses	25	**(32,997,860)**	(23,727,818)
Transportation charges		**(2,201,339)**	(1,492,267)
		(52,902,800)	(41,948,928)
Gross profit		**102,728,490**	100,622,935
Other income	26	**3,303,971**	3,300,214
Exploration and prospecting expenditure	27	**(6,621,705)**	(7,902,370)
General and administration expenses	28	**(2,233,672)**	(1,598,161)
Finance cost	29	**(1,484,781)**	(1,273,312)
Workers' profit participation fund		**(4,788,537)**	(4,660,671)
Share of profit in associate - net of taxation	15.1	**78,438**	64,118
Profit before taxation		**90,982,204**	88,552,753
Taxation	30	**(27,454,934)**	(29,375,628)
Profit for the year		**63,527,270**	59,177,125
Earnings per share - basic and diluted (Rupees)	31	**14.77**	13.76

The annexed notes 1 to 41 form an integral part of these financial statements.

Chief Executive **Director**

Statement of Comprehensive Income

For the year ended 30 June 2011

	2011	2010
	(Rupees '000)	
Profit for the year	**63,527,270**	59,177,125
Other comprehensive income - net of taxation	**-**	-
Total comprehensive income for the year	**63,527,270**	**59,177,125**

The annexed notes 1 to 41 form an integral part of these financial statements.

Chief Executive

Director

Cash Flow Statement

For the year ended 30 June 2011

	Note	2011	2010
		(Rupees '000)	
Cash flows from operating activities			
Profit before taxation		**90,982,204**	88,552,753
Adjustments for:			
Depreciation		**3,782,258**	3,323,474
Amortization of development and production assets		**12,081,914**	6,457,068
Impairment on development and production assets		**800,668**	-
Royalty		**17,703,601**	16,728,843
Workers' profit participation fund		**4,788,537**	4,660,671
Provision for employee benefits		**2,442,491**	1,288,012
Un-winding of discount on provision for decommissioning cost		**1,476,194**	1,263,914
Interest income		**(2,711,545)**	(1,560,848)
Un-realized gain on investments at fair value through profit or loss		**(18,025)**	(5,993)
Dividend income		**(10,216)**	(14,756)
Gain on disposal of property, plant and equipment		**(29,869)**	(75,086)
Effect of fair value adjustment of long term receivable		**(13,536)**	(25,620)
Provision for slow moving, obsolete and in transit stores		**-**	414,669
Provision for doubtful claims		**-**	1,050
Reversal of provision for doubtful debts		**(57,677)**	-
Share of profit in associate		**(78,438)**	(64,118)
Stores inventory written off		**10,885**	8,206
Provision for doubtful debts		**-**	82,808
		131,149,446	121,035,047
Working capital changes			
(Increase)/decrease in current assets:			
Stores, spare parts and loose tools		**536,539**	1,140,426
Stock in trade		**(89,751)**	(63,783)
Trade debts		**5,138,656**	(26,935,007)
Deposits and short term prepayments		**(23,588)**	(197,020)
Advances and other receivables		**(1,112,321)**	240,092
Decrease in current liabilities:			
Trade and other payables		**(705,249)**	(1,018,159)
Cash generated from operations		**134,893,732**	94,201,596
Royalty paid		**(29,863,444)**	(5,019,832)
Employee benefits paid		**(2,492,223)**	(1,305,743)
Payments of workers' profit participation fund - net		**(5,210,671)**	(4,459,364)
Income taxes paid		**(29,403,253)**	(21,910,472)
		(66,969,591)	(32,695,411)
Net cash from operating activities		**67,924,141**	61,506,185
Cash flows from investing activities			
Capital expenditure		**(18,092,965)**	(24,211,339)
Interest received		**2,448,532**	1,530,839
Dividend received		**44,658**	67,676
Purchase of investments		**(353,000)**	(276,970)
Proceeds from disposal of property, plant and equipment		**34,204**	84,107
Long term prepayments		**(40,613)**	(33,580)
Net cash used in investing activities		**(15,959,184)**	(22,839,267)
Cash flows from financing activities			
Dividend paid		**(18,660,181)**	(28,770,003)
Net cash used in financing activities		**(18,660,181)**	(28,770,003)
Net increase in cash and cash equivalents		**33,304,776**	9,896,915
Cash and cash equivalents at beginning of the year		**18,836,743**	8,939,828
Cash and cash equivalents at end of the year	33	**52,141,519**	18,836,743

The annexed notes 1 to 41 form an integral part of these financial statements.

Chief Executive **Director**

Statement of Changes in Equity

For the year ended 30 June 2011

	Share capital	Capital reserves		Unappropriated profit	Total equity
		Capital reserve	Self insurance		
			(Rupees '000)		
Balance at 01 July 2009	43,009,284	836,000	2,822,318	79,503,794	126,171,396
Transfer to self insurance reserve	-	-	201,364	(201,364)	-
Total comprehensive income for the year					
Profit for the year	-	-	-	59,177,125	59,177,125
Total comprehensive income for the year	-	-	-	59,177,125	59,177,125
Transactions with owners, recorded directly in equity					
Final dividend 2009: Rs 2.50 per share	-	-	-	(10,752,321)	(10,752,321)
First interim dividend 2010: Re 1.00 per share	-	-	-	(4,300,928)	(4,300,928)
Second interim dividend 2010: Rs 1.50 per share	-	-	-	(6,451,393)	(6,451,393)
Third interim dividend 2010: Rs 1.50 per share	-	-	-	(6,451,393)	(6,451,393)
Total distributions to owners	-	-	-	(27,956,035)	(27,956,035)
Balance at 30 June 2010	43,009,284	836,000	3,023,682	110,523,520	157,392,486
Balance at 01 July 2010	43,009,284	836,000	3,023,682	110,523,520	157,392,486
Transfer to self insurance reserve	-	-	199,456	(199,456)	-
Total comprehensive income for the year					
Profit for the year	-	-	-	63,527,270	63,527,270
Total comprehensive income for the year	-	-	-	63,527,270	63,527,270
Transactions with owners, recorded directly in equity					
Final dividend 2010: Rs 1.50 per share	-	-	-	(6,451,393)	(6,451,393)
First interim dividend 2011: Rs 1.50 per share	-	-	-	(6,451,393)	(6,451,393)
Second interim dividend 2011: Rs 1.50 per share	-	-	-	(6,451,393)	(6,451,393)
Total distributions to owners	-	-	-	(19,354,179)	(19,354,179)
Balance at 30 June 2011	**43,009,284**	**836,000**	**3,223,138**	**154,497,155**	**201,565,577**

The annexed notes 1 to 41 form an integral part of these financial statements.

Chief Executive **Director**

Notes to the Financial Statements

For the year ended 30 June 2011

1 LEGAL STATUS AND OPERATIONS

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

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

2.2 BASIS OF MEASUREMENT

These financial statements have been prepared on the historical cost basis except for the following material items in the balance sheet;

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

The methods used to measure fair values are 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 in PKR has been rounded off to the nearest thousand, unless otherwise stated.

2.4 SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of these 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 year, or in the year of the revision and any future year affected.

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 Exploration and evaluation expenditure

The Company's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalized for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalized the expenditure under the policy, a judgment is made that recovery of the expenditure is unlikely, the relevant capitalized amount is written off to the profit and loss account.

2.4.3 Development and production expenditure

Development and production activities commence after project sanctioning by the appropriate level of management. Judgment is applied by the management in determining when a project is economically viable. In exercising this judgment, management is required to make certain estimates and assumptions similar to those described above for capitalized exploration and evaluation expenditure. Any such estimates and assumptions may change as new information becomes available. If, after having commenced development activity, a judgment is made that a development and production asset is impaired, the appropriate amount is written off to the profit and loss account.

2.4.4 Estimation of oil and natural gas reserves

Oil and gas reserves are an important element in impairment testing for development and production assets of the Company. Estimates of oil and natural gas reserves are inherently imprecise, require the application of 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 developed reserves, affect the amount of amortization recorded in the financial statements for fixed assets related to hydrocarbon production activities.

During the year, the Company revised its estimates of reserves based on report from independent consultant hired for this purpose. The change has been accounted for prospectively, in accordance with the requirements of IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors".

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

	Rupees in million
Amortization charge would have been lower by	3,892
Development and production assets would have been higher by	3,892
Deferred tax liability and deferred tax expense would have been lower by	1,145
Total comprehensive income for the year would have been higher by	5,037

2.4.5 Provision for decommissioning cost

Provision is recognized for the future decommissioning and restoration cost of oil and gas wells, production facilities and pipelines at the end of their economic lives. The timing of recognition requires the application of 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.

2.4.6 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.

2.4.7 Taxation

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

2.4.8 Stores and spares

The Company reviews the stores and spares for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores and spares with a corresponding affect on the provision.

2.4.9 Provision against trade debts, advances and other receivables

The Company reviews the recoverability of its trade debts, advances and other receivables to assess amount of bad debts and provision required there against on annual basis.

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

The following approved accounting 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 certain additional disclosures.

IAS 1 (amendments) - Presentation of Financial Statements: (effective for annual periods beginning on or after 01 January 2011).

IAS 24 (revised definition of related parties) - Related Party Disclosures: (effective for annual periods beginning on or after 01 January 2011).

IAS 34-(amendments) - Interim Financial Reporting: (effective for annual periods beginning on or after 01 January 2011).

IFRS 7 (amendments) - Disclosures - Transfer of Financial Assets (effective for annual periods beginning on or after 01 January 2011).

IAS 12 (amendments) - Deferred Tax: Recovery of underlying assets: (effective for annual periods beginning on or after 01 January 2011).

IFRIC 13 (amendments) - Customer Loyalty Programmes: (effective for annual periods beginning on or after 01 January 2011).

IFRIC 14 (IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction), amendment with respect to voluntary prepaid contributions is effective for annual periods beginning on or after 01 January 2011.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

3.1 EMPLOYEE BENEFITS

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

3.1.1 Pension, post retirement medical benefits and accumulating compensated absences

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

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

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

The Company makes contributions or record liability in respect of defined benefit plans on the basis of actuarial valuations, carried out annually by independent actuaries. The latest actuarial valuations were carried out as of 30 June 2011. 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 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 outside profit and loss account (whether in other comprehensive income or directly in equity), if any, in which case the tax amounts are recognized outside profit and loss account.

3.2.1 Current

Provision for current taxation is based on taxable income at the current rate of tax after taking into account applicable tax credits, rebates and exemptions available, if any, adjusted for payments to GoP for payments on account of royalty and any adjustment to tax payable in respect of previous years.

3.2.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductable temporary differences to the extent that it is probable that taxable profits will be available against which the deductable temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investment in jointly controlled entities to the extent that it is probable that they will not reverse in a foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the reporting date, adjusted for payments to GoP on account of royalty.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

3.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any except for freehold land and capital work in progress, which are stated at cost less impairment loss, if any.

Cost in relation to property, plant and equipment comprises acquisition and other directly attributable costs and decommissioning cost as referred in the note 3.4.4 to the financial statements. The cost of self constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use. Software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Depreciation is provided on straight line method at rates specified in note 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 recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss account as incurred.

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

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

Impairment tests for property, plant and equipment are performed when there is an indication of impairment. At each year end, an assessment is made to determine whether there are any indications of impairment. The Company conducts annually an internal review of asset values which is used as a source of information to assess for any indications of impairment. External factors such as changes in expected future prices, costs and other market factors are also monitored to assess for indications of impairment. If any such indication exists, an estimate of the asset's recoverable amount is calculated being the higher of the fair value of the asset less cost to sell and the asset's value in use.

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

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

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

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

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

3.4 OIL AND GAS ASSETS

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

3.4.1 Pre license costs

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

3.4.2 Exploration and evaluation assets

Under the Successful efforts method of accounting, all property acquisitions, exploratory/evaluation drilling costs are initially capitalized as intangible E&E assets in well, field or specific exploration cost 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 operational costs. All other exploration costs including cost of technical studies, seismic acquisition and data processing, geological and geophysical activities are charged against income as exploration and prospecting expenditure.

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

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

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

3.4.3 Development and production assets - intangible

Development and production assets are accumulated on a field by field basis and represent the cost of developing the discovered commercial reserves and bringing them into production, together with the capitalized E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets as outlined in accounting policy 3.4.2 above. The cost of development and production assets also includes the cost of 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 proved developed reserves at the end of the year plus the production during the year, on a field by field basis. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively. Amortization is charged to profit and loss account.

3.4.4 Decommissioning cost

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

Liabilities for decommissioning cost are recognized when the Company has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reliable estimate of that liability can be made. The Company makes provision in full for the decommissioning cost on the declaration of commercial discovery of the reserves, to fulfill the obligation of site restoration and rehabilitation. Where an obligation exists for a new facility, such as oil and natural gas production or transportation facilities, this will be on construction or installation. An obligation for decommissioning may also crystallize during the period of operation of a facility through a change in legislation or through a decision to terminate operations. The amount recognized is the estimated cost of decommissioning, discounted to its net present value and the expected outflow of economic resources to settle this obligation is up to next twenty three 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 in the profit and loss account.

3.4.5 Impairment of oil and gas assets

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

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

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

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

3.5 INVESTMENTS

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

3.5.1 Investments in associate

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

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

3.5.2 Investments held to maturity

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

3.5.3 Investments at fair value through profit or loss

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

3.6 STORES, SPARE PARTS AND LOOSE TOOLS

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

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

3.7 STOCK IN TRADE

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

3.8 INTANGIBLES

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

The Company has certain contractual arrangements with other participants to engage in joint activities where all significant matters of operating and financial policies are determined by the participants such that the operation itself has no significant independence to pursue its own commercial strategy. These contractual arrangements do not create a joint venture entity and are accounted for as jointly controlled assets.

The Company accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other venturers, income from the sale, together with its share of expenses incurred by the joint venture and any expenses it incurs in relation to its interest in the joint venture on pro rate basis. The Company's share of assets, liabilities, revenues and expenses in joint ventures are accounted for on the basis of latest available audited financial statements of the joint ventures and where applicable, the cost statements received from the operator of the joint venture, for the intervening period up to the balance sheet date. The difference, if any, between the cost statements and audited financial statements is accounted for in the next accounting year.

3.12 FOREIGN CURRENCIES

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

3.13 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 trade and other payables.

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

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.

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

3.21.1 Non-financial assets

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

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

3.21.2 Financial assets

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

4 SHARE CAPITAL

Authorized share capital

2011	2010		2011	2010
(Number of shares)			(Rupees '000)	
5,000,000,000	5,000,000,000	Ordinary Shares of Rs 10 each issued for cash	**50,000,000**	50,000,000

Issued, subscribed and paid up capital

2011	2010		2011	2010
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 74.97% (2010: 74.82%) paid up capital of the Company.

5 CAPITAL RESERVES

	Note	2011 (Rupees '000)	2010 (Rupees '000)
Capital reserve	5.1	**836,000**	836,000
Self insurance reserve	5.2	**3,223,138**	3,023,682
		4,059,138	3,859,682

5.1 This represents bonus shares issued by former wholly owned subsidiary- Pirkoh Gas Company (Private) Limited (PGCL) prior to merger.

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

6 DEFERRED TAXATION

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

	2011 (Rupees '000)	2010 (Rupees '000)
Accelerated depreciation on property, plant and equipment	**3,856,208**	6,378,894
Expenditure of exploration and evaluation, development and production assets	**18,563,141**	19,006,585
Provision for decommissioning cost	**(1,099,288)**	(3,348,310)
Long term receivable	**(492)**	(4,550)
Long term investment in associate	**17,743**	44,318
Provision for doubtful debts, claims and advances	**(98,815)**	(117,752)
Provision for slow moving and obsolete stores	**(452,302)**	(460,001)
	20,786,195	21,499,184

Deferred tax has been calculated at the current effective tax rate of 29.42% (2010: 29.92%) after taking into account depletion allowance and set offs, where available, in respect of royalty payment to the GoP. The effective tax rate is reviewed annually.

7 DEFERRED EMPLOYEE BENEFITS

	Note	2011 (Rupees '000)	2010 (Rupees '000)
Post retirement medical benefits	7.1	**1,985,397**	1,580,886
Accumulating compensated absences	7.2	**1,315,772**	1,118,887
		3,301,169	2,699,773

7.1 Post retirement medical benefits

The amount recognized in the balance sheet is as follows:

	2011	2010
Present value of defined benefit obligation	**3,873,233**	2,575,373
Un recognized actuarial loss	**(1,887,836)**	(994,487)
Net liability at end of the year	**1,985,397**	1,580,886

	2011	2010
	(Rupees '000)	
Movement in the present value of defined benefit obligation is as follows:		
Present value of defined benefit obligation at beginning of the year	**2,575,373**	2,186,605
Current service cost	**106,715**	94,472
Interest cost	**360,552**	288,579
Benefits paid	**(185,581)**	(101,366)
Actuarial loss	**1,016,174**	107,083
Present value of defined benefit obligation at end of the year	**3,873,233**	2,575,373
Movement in liability recognized in the balance sheet is as follows:		
Opening liability	**1,580,886**	1,187,744
Expense for the year	**590,092**	494,508
Benefits paid	**(185,581)**	(101,366)
Closing liability	**1,985,397**	1,580,886
Expense recognized in profit and loss account is as follows:		
Current service cost	**106,715**	94,472
Interest cost	**360,552**	288,579
Net actuarial loss recognized	**122,825**	111,457
	590,092	494,508
The expense is recognized in the following line items in profit and loss account:		
Operating expenses	**298,784**	249,267
General and administration expenses	**80,706**	68,586
Technical services	**210,602**	176,655
	590,092	494,508
Significant actuarial assumptions used were as follows:		
Discount rate per annum	**14%**	14%
Medical inflation rate per annum	**9%**	9%
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;

	2011	
	(Rupees '000)	
	1% increase	**1% decrease**
Present value of medical obligation	**4,178,103**	**3,379,148**
Current service cost and interest cost	**732,465**	**573,431**

Comparison of present value of defined benefit obligation and experience adjustments of medical benefits is as follows:

	2011	2010	2009	2008	2007
	(Rupees '000)				
Present value of obligation	**3,873,233**	2,575,373	2,186,605	1,901,688	608,371
Actuarial loss on obligation	**1,016,174**	107,083	63,369	1,238,985	46,135

The expected medical expense for next financial year is Rs 913.462 million.

	2011	2010
	(Rupees '000)	

7.2 Accumulating compensated absences

	2011	2010
Present value of defined benefit obligation	**1,118,887**	820,755
Charge for the year-net	**643,446**	555,508
Payment made during the year	**(446,561)**	(257,376)
Net liability at end of the year	**1,315,772**	1,118,887

The rates of discount and salary increase were assumed at 14% (2010: 14%) each per annum.

8 PROVISION FOR DECOMMISSIONING COST

	Note	2011	2010
		(Rupees '000)	
Balance at beginning of the year		**12,435,365**	10,814,506
Provision made during the year		**437,422**	356,945
		12,872,787	11,171,451
Unwinding of discount on provision for decommissioning cost	29	**1,476,194**	1,263,914
Balance at end of the year		**14,348,981**	12,435,365

The above provision for decommissioning cost is analyzed as follows:

	2011	2010
Development and production wells	**8,523,950**	8,109,239
Production facilities	**1,118,756**	1,096,044
Unwinding of discount on provision for decommissioning cost		
Development and production wells	**4,169,309**	2,868,721
Production facilities	**536,966**	361,361
	4,706,275	3,230,082
	14,348,981	12,435,365

Significant assumptions used were as follows:

	2011	2010
Discount rate per annum	**11.99%**	11.99%
Inflation rate per annum	**9.46%**	9.46%

		Note	2011	2010
			(Rupees '000)	
9	**TRADE AND OTHER PAYABLES**			
	Creditors		**14,549**	206,904
	Accrued liabilities		**6,657,548**	6,500,721
	Royalty payable		**3,859,078**	16,018,921
	Excise duty payable		**198,147**	92,490
	General sales tax payable		**679,887**	888,994
	Payable to joint venture partners		**2,245,848**	2,891,948
	Retention money		**387,424**	374,746
	Trade deposits		**137,981**	137,981
	Employees' pension trust	9.1	**341,186**	-
	Un-paid dividend		**1,693,996**	997,631
	Un-claimed dividend		**116,930**	119,297
	Advances from customers		**367,290**	186,955
	Other payables		**94,433**	207,616
			16,794,297	28,624,204
9.1	**Employees' pension trust**			
	The amount recognized in the balance sheet is as follows:			
	Present value of defined benefit obligation		**21,118,775**	17,529,400
	Fair value of plan assets		**(16,222,573)**	(12,845,226)
	Deficit of the fund		**4,896,202**	4,684,174
	Unrecognized actuarial gain		**(4,555,016)**	(4,684,174)
	Net liability at end of the year		**341,186**	-
	The movement in the present value of defined benefit obligation is as follows:			
	Present value of defined benefit obligation at beginning of the year		**17,529,400**	12,293,631
	Current service cost		**1,256,940**	592,713
	Interest cost		**2,401,410**	1,851,204
	Benefits paid		**(752,939)**	(454,045)
	Actuarial loss		**683,964**	3,245,897
	Present value of defined benefit obligation at end of the year		**21,118,775**	17,529,400
	The movement in the fair value of plan assets is as follows:			
	Fair value of plan assets at beginning of the year		**12,845,226**	11,512,672
	Expected return on plan assets		**1,875,832**	1,496,917
	Contributions		**1,860,080**	947,000
	Benefits paid		**(752,939)**	(454,045)
	Actuarial gain/(loss)		**394,374**	(657,318)
	Fair value of plan assets at end of the year		**16,222,573**	12,845,226
	The movement in liability recognized in the balance sheet is as follows:			
	Opening liability		-	-
	Expense for the year		**2,201,266**	947,000
	Payments to the fund during the year		**(1,860,080)**	(947,000)
	Closing liability		**341,186**	-

	2011	2010
	(Rupees '000)	
Expense recognized in profit and loss account is as follows:		
Current service cost	**1,256,940**	592,713
Interest cost	**2,401,410**	1,851,204
Expected return on plan assets	**(1,875,832)**	(1,496,917)
Actuarial loss recognized	**418,748**	-
	2,201,266	947,000
Plan assets comprise:		
Bonds	**3,406,901**	2,627,085
Equity	**652,931**	557,739
Term deposits Receipts (TDRs)	**12,057,497**	9,499,062
Cash and bank balances	**105,244**	161,340
	16,222,573	12,845,226
The expense is recognized in the following line items in profit and loss account:		
Operating expenses	**990,206**	418,179
General and administration expenses	**429,348**	192,322
Technical services	**781,712**	336,499
	2,201,266	947,000
Actual return on plan assets	**2,270,206**	839,599

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:

	2011	2010	2009	2008	2007
			(Rupees '000)		
Present value of defined benefit obligation	**21,118,775**	17,529,400	12,293,631	11,262,067	9,320,649
Fair value of plan assets	**(16,222,573)**	(12,845,226)	(11,512,672)	(10,024,651)	(9,179,845)
Deficit	**4,896,202**	4,684,174	780,959	1,237,416	140,804
Experience adjustments on obligation	**683,964**	(3,245,897)	591,570	(851,946)	(790,131)
Experience adjustments on plan assets	**394,374**	(657,318)	(147,470)	(244,666)	(68,809)

Significant actuarial assumptions used were as follows:

	2011	2010
Discount rate per annum	**14%**	14%
Rate of increase in future compensation levels per annum	**14%**	14%
Expected rate of return on plan assets per annum	**12%**	14%
Indexation rate per annum	**7%**	7%

The Company expects to make a contribution of Rs 2,220.806 million (2010: 1,860.080 million) to the employees' pension trust during the next twelve months.

		Note	2011	2010
			(Rupees '000)	
10	**PROVISION FOR TAXATION**			
	Tax payable at beginning of the year		**6,216,639**	2,540,170
	Income tax paid during the year		**(29,403,253)**	(21,910,472)
	Provision for current taxation - for the year	30	**26,167,923**	23,127,095
	Provision for taxation - prior years	30	**2,000,000**	2,459,846
	Tax payable at end of the year		**4,981,309**	6,216,639

11 CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

11.1.1 Claims against the Company not acknowledged as debts amounted to Rs 2,786.062 million at year end (2010: Rs 3,246.112 million).

11.1.2 Certain banks have issued guarantees on behalf of the Company in ordinary course of business aggregating Rs 106.133 million (2010 : Rs 106.133 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 the period ended 31 March 2011 (2010: 31 March 2010) are as follows;

- Indemnity bonds given to Collector of Customs against duty concessions on import of equipment and materials amounted to Rs 2.838 million (year ended 30 June 2010: Rs 6.492 million).

11.2 Commitments

11.2.1 Commitments outstanding at year end amounted to Rs 12,271.159 million (year end 30 June 2010: Rs 11,164.797 million). These include amounts aggregating to Rs 7,869.703 million (year ended 30 June 2010 : Rs 7,056.326 million) representing the Company's share in the minimum work commitments under Petroleum Concession Agreements.

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 2,437.309 million (year end 30 June 2010 : Rs 3,662.399 million).

11.2.3 The Company's share of associate commitments based on the financial information of associate for the period ended 31 March 2011 (2010: 31 March 2010) are as follows;

	2011	2010
	(Rupees '000)	
Capital expenditure:		
Share in joint ventures	**182,323**	630,756
Others	**49,106**	53,535
	231,429	684,291
Operating lease rentals due:		
Less than one year	**2,926**	3,769
More than one year but less than five years	**4,680**	6,567
	7,606	10,336
	239,035	694,627

12 PROPERTY, PLANT AND EQUIPMENT

Description	Freehold land	Leasehold land	Buildings, offices and roads on freehold land	Buildings, offices and roads on leasehold land	Plant and machinery	Rigs	Pipelines	Office and domestic equipment	Office and technical data computers	Furniture and fixtures	Vehicles	Decom-missioning cost	Capital works in progress (Note 12.3)	Stores held for capital expenditure	Total
															(Rupees '000)
Cost															
Balance as at 01 July 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	2,761,070	70,011,404
Additions	20,973	28,505	228,959	19,969	3,078,393	144,995	287,615	27,235	21,543	31,384	495,868	167,510	5,059,595	1,642,362	11,254,906
Disposals / transfers	-	-	-	-	(17,733)	(13,572)	-	(4,165)	(2,421)	-	(155,312)	-	(145,357)	(1,975,903)	(2,314,463)
Adjustments	-	10,623	(632)	(10,623)	367	-	-	265	-	-	-	-	-	-	-
Balance as at 30 June 2010	184,883	508,357	2,508,474	838,679	46,260,730	1,373,487	9,260,133	617,988	518,374	87,491	4,356,437	1,096,043	8,913,242	2,427,529	78,951,847
Balance as at 01 July 2010	184,883	508,357	2,508,474	838,679	46,260,730	1,373,487	9,260,133	617,988	518,374	87,491	4,356,437	1,096,043	8,913,242	2,427,529	78,951,847
Additions	48,032	1,394,154	257,029	296,875	3,783,137	541,486	469,981	36,474	19,364	3,590	253,014	22,712	2,958,575	1,076,911	11,161,334
Disposals / transfers	-	-	-	-	(15,008)	(16,169)	(70,049)	(3,633)	(4,394)	(13)	(91,623)	-	(968,056)	(1,576,613)	(2,745,558)
Adjustments	-	75,799	8,003	(86,523)	(5,007)	8,706	-	(980)	162	-	(160)	-	-	-	-
Balance as at 30 June 2011	**232,915**	**1,978,310**	**2,773,506**	**1,049,031**	**50,023,852**	**1,907,510**	**9,660,065**	**649,849**	**533,506**	**91,068**	**4,517,668**	**1,118,755**	**10,903,761**	**1,927,827**	**87,367,623**
Depreciation															
Balance as at 01 July 2009	-	167,194	775,447	547,131	28,616,993	707,079	5,235,043	396,889	405,548	31,885	2,529,197	384,542	-	358,490	40,155,438
Charge for the year	-	24,121	107,875	68,866	2,496,240	84,973	345,713	53,115	50,158	15,223	538,816	88,080	-	108,506	3,981,686
On disposals	-	-	-	-	(15,710)	(11,956)	-	(3,993)	(2,403)	-	(150,113)	-	-	-	(184,175)
Adjustments	-	(672)	612	-	(2,439,475)	-	2,439,437	98	-	-	-	-	-	-	-
Balance as at 30 June 2010	-	190,643	883,934	615,997	28,658,048	780,096	8,020,193	446,109	453,303	47,108	2,917,900	472,622	-	466,996	43,952,949
Balance as at 01 July 2010	-	190,643	883,934	615,997	28,658,048	780,096	8,020,193	446,109	453,303	47,108	2,917,900	472,622	-	466,996	43,952,949
Charge for the year	-	43,163	148,878	70,810	3,255,610	103,092	273,834	50,911	43,166	11,313	521,292	92,068	-	(150,078)	4,464,059
On disposals	-	-	-	-	(14,470)	(16,124)	(70,049)	(3,502)	(4,172)	(12)	(87,638)	-	-	-	(195,967)
Adjustments	-	996	2,373	(3,566)	899	148	-	(759)	4	-	(95)	-	-	-	-
Balance as at 30 June 2011	**-**	**234,802**	**1,035,185**	**683,241**	**31,900,087**	**867,212**	**8,223,978**	**492,759**	**492,301**	**58,409**	**3,351,459**	**564,690**	**-**	**316,918**	**48,221,041**
Carrying amount - 2010	184,883	317,714	1,624,540	222,682	17,602,682	593,391	1,239,940	171,879	65,071	40,383	1,438,537	623,421	8,913,242	1,960,533	34,998,898
Carrying amount - 2011	**232,915**	**1,743,508**	**1,738,321**	**365,790**	**18,123,765**	**1,040,298**	**1,436,087**	**157,090**	**41,205**	**32,659**	**1,166,209**	**554,065**	**10,903,761**	**1,610,909**	**39,146,582**
Rates of depreciation (%)	**-**	**3.3~4**	**2.5~8**	**2.5~8**	**4~20**	**10**	**10**	**15**	**30**	**15**	**20**	**2.5~10**	**-**	**25**	

12.1 Cost and accumulated depreciation as at 30 June 2011 include Rs 23,784.830 million (2010 : Rs 21,789.009 million) and Rs 13,944.805 million (2010 : Rs 11,610.070 million) respectively being the Company's share in property, plant and equipment relating to joint ventures operated by other working interest owners.

		Note	2011	2010
			(Rupees '000)	
12.2	**The depreciation charge has been allocated to:**			
	Operating expenses	25	**3,645,113**	3,200,766
	General and administration expenses	28	**137,145**	122,708
	Technical services		**681,801**	658,212
			4,464,059	3,981,686
12.3	**Capital works in progress**			
	Production facilities and other civil works in progress:			
	Wholly owned		**3,080,201**	2,498,361
	Joint ventures		**7,756,279**	6,212,120
			10,836,480	8,710,481
	Construction cost of field offices and various bases/offices owned by the Company		**67,281**	202,761
			10,903,761	8,913,242

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. Khalid Jamil Khan	1,360,000	235,567	235,567
Mr. Saifullah Turk	559,244	189,427	189,427
Mr. Khurshid A Hashmi	559,244	291,287	291,287
Mr. Syed Amjad Ali	555,000	1,000	1,000
Mr. Attu Ram Punjabi	555,000	1,000	1,000
Mr. Muhammad Ashraf Najmi	555,000	1,000	1,000
Mr. Khurshid Ahmed	555,000	1,000	1,000
Mr. Arshad Hussain Rizvi	555,000	1,000	1,000
Mr. Aftab Hussain	969,000	161,184	161,184
Mr. Kaleem Ullah Khan	969,000	164,367	164,367
Mr. Nadeem Anwar	551,667	144,324	144,324
Mr. Naseer Ahmed Kasi	556,667	148,061	148,061
Mr. Syed Hasnain Jaffery	969,000	57,224	57,224
Mr. Qazi M Shakeel Ahmed	555,000	125,460	125,460
Mr. Muhammad Basharat	1,198,974	669,240	669,240
Mr. Iftikhar Hussain Shah	555,000	162,495	162,495
Mrs. Mubasher ud Din	559,244	217,262	217,262
Mr. Zafar Iqbal	555,000	79,015	79,015
Mr. Iftikhar A Mirza	555,000	106,943	106,943
Mr. Fazal ur Rehman	559,244	97,660	97,660
Mr. Shafiq ur Rehman	1,198,974	629,198	629,198
Mr. Anas Qurashi	969,000	96,900	96,900
Mr. Muhammad Jamal	555,000	96,318	96,318
Mr. Abdul Mateen	570,851	187,099	187,099
Mr. Irfan Javed Warsi	1,000	1,000	1,000
Mr. Midhat Ali Jaffery	969,000	1,000	96,900
Mrs. Shabina Anjum	969,000	1,000	96,900
Mr. M Arshad Hussain	969,000	1,000	96,900
Mrs. Eram Ali Aziz	969,000	1,000	96,900
Mr. Shamim Iftikhar	969,000	1,000	96,900
Mr. Mazhar ul Islam	969,000	1,000	96,900
Mr. Rais Ahmed	969,000	1,000	96,900
Mr. Muhammad Badar Iqbal	969,000	1,000	96,900
Mr. Mansoor Humayon	969,000	1,000	96,900
Mr. M Zafar Chaudhry	1,360,000	1,000	136,000
Mr. Mujeb ur Rehman	969,000	1,000	96,900
Mr. Amjad Saeed Yazdani	969,000	1,000	96,900
Mr. Imran Shoukat	969,000	1,000	96,900
Mr. Javed Hasan	969,000	1,000	96,900
Mr. Roohullah	969,000	1,000	96,900
Mr. Zahid Imran Farani	969,000	1,000	96,900
Mr. Khan Alam	969,000	1,000	96,900
Mr. Tahir Shoukat	969,000	1,000	96,900
Mr. Amjad Javed	969,000	1,000	96,900
Mr. Zahid Aleem Malik	969,000	1,000	96,900
Mr. Ayaz un Nabi	969,000	1,000	96,900
	37,841,109	3,886,031	5,939,031
Computers sold to employees as per Company's policy	2,850,856	203,379	285,090
Aggregate of other items of property, plant and equipment with individual book value not exceeding Rs 50,000, sold through public auction.	60,736,910	246,558	27,981,000
2011	**101,428,874**	**4,335,968**	**34,205,121**
2010	190,293,264	9,019,569	84,106,017

13 DEVELOPMENT AND PRODUCTION ASSETS - intangibles

(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 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
Additions	-	-	-	-	12,563,074	12,563,074	189,434	12,752,508
Transfer from exploration and evaluation assets	(281,437)	2,038,191	285,974	1,234,923	-	3,277,651	-	3,277,651
Transfers in/(out)	4,052,256	3,896,173	763,941	118	(8,712,488)	-	-	-
Balance as at 30 June 2010	34,688,700	35,655,951	5,612,518	8,567,172	9,672,610	94,196,951	8,109,239	102,306,190
Balance as at 01 July 2010	34,688,700	35,655,951	5,612,518	8,567,172	9,672,610	94,196,951	8,109,239	102,306,190
Additions	-	-	-	-	10,849,885	10,849,885	414,711	11,264,596
Transfer from exploration and evaluation assets	1,147	1,268,888	236	643,755	-	1,914,026	-	1,914,026
Transfers in/(out)	7,653,308	7,583,236	25,658	473,075	(15,735,277)	-	-	-
Balance as at 30 June 2011	**42,343,155**	**44,508,075**	**5,638,412**	**9,684,002**	**4,787,218**	**106,960,862**	**8,523,950**	**115,484,812**
Amortization								
Balance as at 01 July 2009	18,286,804	14,345,000	377,603	141,994	-	33,151,401	4,066,864	37,218,265
Charge for the year	2,857,574	3,148,317	-	-	-	6,005,891	451,177	6,457,068
Balance as at 30 June 2010	21,144,378	17,493,317	377,603	141,994	-	39,157,292	4,518,041	43,675,333
Balance as at 01 July 2010	21,144,378	17,493,317	377,603	141,994	-	39,157,292	4,518,041	43,675,333
Charge for the year	5,298,033	5,617,682	-	-	-	10,915,715	1,166,199	12,081,914
Balance as at 30 June 2011	**26,442,411**	**23,110,999**	**377,603**	**141,994**	**-**	**50,073,007**	**5,684,240**	**55,757,247**
Impairment								
Balance as at 01 July 2010	-	-	-	-	-	-	-	-
Charge for the year	-	-	703,589	-	-	703,589	97,079	800,668
Balance as at 30 June 2011	**-**	**-**	**703,589**	**-**	**-**	**703,589**	**97,079**	**800,668**
Carrying amounts - 2010	13,544,322	18,162,634	5,234,915	8,425,178	9,672,610	55,039,659	3,591,198	58,630,857
Carrying amounts - 2011	**15,900,744**	**21,397,076**	**4,557,220**	**9,542,008**	**4,787,218**	**56,184,266**	**2,742,631**	**58,926,897**

	2011	2010
	(Rupees '000)	
13.1 Wells in progress		
Wholly owned	**2,855,272**	4,244,185
Joint ventures	**1,931,946**	5,428,425
	4,787,218	9,672,610

		Note	2011	2010
			(Rupees '000)	
14	**EXPLORATION AND EVALUATION ASSETS**			
	Balance at beginning of the year		**4,899,241**	4,942,575
	Additions during the year		**5,124,570**	7,769,503
			10,023,811	12,712,078
	Cost of dry and abandoned wells during the year	27	**(3,932,698)**	(4,535,186)
	Cost of wells transferred to development and production assets during the year		**(1,914,026)**	(3,277,651)
			(5,846,724)	(7,812,837)
			4,177,087	4,899,241
	Stores held for exploration and evaluation activities	14.1	**3,784,110**	4,652,153
	Balance at end of the year		**7,961,197**	9,551,394
14.1	**Stores held for exploration and evaluation activities**			
	Balance at beginning of the year		**4,652,153**	3,837,124
	Additions		**98,831**	1,862,158
	Issuances		**(966,874)**	(1,047,129)
	Balance at end of the year		**3,784,110**	4,652,153

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

	Note	2011	2010
		(Rupees '000)	
Liabilities related to exploration and evaluation		**463,945**	907,892
Current assets related to exploration and evaluation		**154,403**	340,610
Exploration and prospecting expenditure	27	**6,621,705**	7,902,370

		Note	2011	2010
15	**LONG TERM INVESTMENTS**			
	Investments in related party	15.1	**250,930**	221,634
	Investments held to maturity	15.2	**3,318,000**	3,009,801
			3,568,930	3,231,435
15.1	**Investment in related party - associate, quoted**			
	Mari Gas Company Limited (MGCL)			
	Cost of investment (14,700,000 (2010: 14,700,000) fully paid ordinary shares of Rs 10 each)		**73,500**	73,500
	Post acquisition profits brought forward		**148,134**	136,936
			221,634	210,436
	Share of profit for the year - net of taxation		**78,438**	64,118
	Dividend received		**(49,142)**	(52,920)
			29,296	11,198
			250,930	221,634

Summarized financial information in respect of MGCL is set out below:

	2011	2010
	(Rupees '000)	
Total assets	**24,055,049**	22,627,082
Total liabilities	**13,688,790**	13,792,313
Total revenue for the year	**4,807,415**	3,772,158
Total distribution for the year	**281,864**	251,455

The latest available unaudited financial statements of MGCL are that of 31 March 2011. For the purpose of applying equity method of accounting, the assets, liabilities and results are based on unaudited financial information of MGCL for the nine months period ended 31 March 2011 (2010: 31 March 2010) as the financial statements for the year ended 30 June 2011 were not issued till the date of authorization of financial statements of the Company.

Under the terms of Well Head Price Agreement between Mari Gas Company Limited (MGCL) and the President of Islamic Republic of Pakistan, the shareholders of Mari Gas Company Limited are entitled to certain minimum return on shareholders' funds as stipulated in the said agreement. MGCL has created certain un-distributable reserves out of profits in accordance with the terms of above referred agreement. Accordingly, for the purpose of equity accounting, the Company has accounted for its share of profit from MGCL only to the extent of profit which is available for distribution among the shareholders.

The Company has 20% (2010: 20%) holding in the associate. The fair value of the investment in associate as of the year end was Rs 1,578.339 million (2010: Rs 951 million).

	Note	2011	2010
		(Rupees '000)	
15.2 Investments held to maturity			
Term Deposit Receipts (TDRs)	15.2.1	**3,318,000**	3,009,801
		3,318,000	3,009,801

15.2.1 These represent investments in local currency TDRs. Face value of these investments is Rs 3,318 million (2010: Rs 2,965 million) and carry effective interest rate of 13.85% (2010: 12.30% to 12.50%) per annum. These investments are due to mature within next 12 months, however, these have not been classified as current assets based on the management's intention to reinvest them in the like investments for a longer term. These investments are earmarked against capital reserve as explained in note 5 to the financial statements.

	Note	2011	2010
		(Rupees '000)	
16 LONG TERM LOANS AND RECEIVABLE			
Long term loans - secured	16.1	**2,410,907**	1,824,164
Long term receivable - unsecured	16.2	**-**	78,166
		2,410,907	1,902,330
16.1 Long term loans - secured			
Considered good:			
Executives		**790,661**	614,179
Other employees		**2,043,754**	1,545,592
		2,834,415	2,159,771
Current portion shown under loans and advances	19	**(423,508)**	(335,607)
		2,410,907	1,824,164

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

	Balance as at 01 Jul 2010	Disbursement during the year	Adjustments during the year	Repayments during the year	Balance as at 30 June 2011
			(Rupees '000)		
Due from:					
Executives	614,179	139,553	122,338	85,409	**790,661**
Other employees	1,545,592	868,036	(122,338)	247,536	**2,043,754**
2011	**2,159,771**	**1,007,589**	**-**	**332,945**	**2,834,415**
2010	1,891,083	521,153	-	252,465	2,159,771

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 2,275.800 million (2010: Rs 1,715.922 million) which carry no interest. The balance amount carries an effective interest rate of 13.17% (2010: 13.65%) per annum. Interest free loans to employees have not been discounted as required by IAS 39 "Financial Instruments: Recognition and Measurement" as the amount involved is deemed immaterial.

The maximum amount due from executives at the end of any month during the year was Rs 790.661 million (2010: Rs 614.179 million).

	Note	2011	2010
		(Rupees '000)	
16.2 Long term receivable - unsecured			
Considered good		**606,937**	606,937
Effect of fair value adjustment		**(1,671)**	(15,208)
		605,266	591,729
Current portion shown under other receivables	21	**(605,266)**	(513,563)
		-	78,166

This represents 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.

This receivable carries no interest and was repayable in eight years with two years grace period. In accordance with IAS 39 "Financial Instruments: Recognition and Measurement" this 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.

The amount from KESC is receivable in 32 equal quarterly installments of Rs 46.688 million commencing from February 2004. KESC has not paid any installment due since December 2008 due to prevailing circular debt issue. The GoP has confirmed to the Company in writing that steps are being taken to resolve the issue of circular debt under a policy on priority. Management considers this amount to be fully recoverable. Therefore, no provision has been made in these financial statements.

		2011	2010
		(Rupees '000)	
17	**STORES, SPARE PARTS AND LOOSE TOOLS**		
	Stores, spare parts and loose tools	**15,123,251**	15,741,623
	Stores and spare parts in transit	**403,737**	323,222
		15,526,988	16,064,845
	Provision for slow moving, obsolete and in transit stores	**(1,547,134)**	(1,537,567)
		13,979,854	14,527,278
18	**TRADE DEBTS**		
	Un-secured, considered good	**77,911,312**	82,992,291
	Un-secured, considered doubtful	**138,440**	196,117
		78,049,752	83,188,408
	Provision for doubtful debts	**(138,440)**	(196,117)
		77,911,312	82,992,291

18.1 Trade debts include overdue amount of Rs 45,072 million (2010: Rs 58,159 million) receivable from oil refineries and gas companies. Considering slow settlement of these debts during the year due to circular debt issue, a committee under the chairmanship of Secretary Finance, GoP has been formed to review and settle the circular debt issue. The GoP has confirmed to the Company in writing that steps are being taken to resolve the issue of circular debt under a mechanism on priority. Management considers this amount to be fully recoverable. Therefore, no provision has been made in these financial statements on account of circular debts outstanding.

		Note	2011	2010
			(Rupees '000)	
19	**LOANS AND ADVANCES**			
	Advances considered good:			
	Suppliers and contractors		**541,458**	1,075,191
	Joint venture partners		**907,821**	786,525
	Others		**866,086**	19,558
			2,315,365	1,881,274
	Current portion of long term loans - secured	16.1	**423,508**	335,607
			2,738,873	2,216,881
	Advances considered doubtful		**187,033**	187,033
			2,925,906	2,403,914
	Provision for doubtful advances		**(187,033)**	(187,033)
			2,738,873	2,216,881
20	**DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Security deposits		**14,516**	10,601
	Short term prepayments		**625,713**	606,040
			640,229	616,641

		Note	2011	2010
			(Rupees '000)	
21	**OTHER RECEIVABLES**			
	Development surcharge		**80,357**	80,357
	Current portion of long term receivable - unsecured	16.2	**605,266**	513,563
	Claims receivable		**28,703**	9,219
	Workers' profit participation fund	21.1	**711,463**	289,329
	Others		**33,284**	34,483
			1,459,073	926,951
	Claims considered doubtful		**10,439**	10,439
			1,469,512	937,390
	Provision for doubtful claims		**(10,439)**	(10,439)
			1,459,073	926,951
21.1	**Workers' profit participation fund - net**			
	Receivable at beginning of the year		**289,329**	468,801
	Prior year adjustment		**-**	21,835
			289,329	490,636
	Received from fund during the year		**(289,329)**	(490,636)
	Paid to the fund during the year		**5,500,000**	4,950,000
			5,500,000	4,950,000
	Charge for the year		**(4,788,537)**	(4,660,671)
	Receivable at end of the year		**711,463**	289,329
22	**OTHER FINANCIAL ASSETS**			
	Investments:			
	At fair value through profit or loss - NIT units		**145,925**	127,900
	Held to maturity	22.1	**38,299,630**	10,992,923
			38,445,555	11,120,823

22.1 This represents foreign currency TDRs amounting to USD 188.005 million, carrying interest rate ranging from 2.00% to 3.54% per annum and local currency TDRs amounting to Rs 22,150 million, carrying interest rate of 13.03% to 13.85% . The balance of 30 June 2010 represented foreign currency TDRs amounting to USD 128.437 million with interest rate ranging from 1.50% to 1.90% per annum.

		Note	2011	2010
			(Rupees '000)	
23	**CASH AND BANK BALANCES**			
	Cash at bank:			
	Deposit accounts	23.1	**13,725,436**	7,674,284
	Current accounts		**89,838**	149,659
			13,815,274	7,823,943
	Cash in hand		**22,780**	19,877
	Cash in transit		**3,835**	-
			13,841,889	7,843,820

23.1 These deposit accounts carry interest rate of 0.05% to 12.00% (2010: 0.10% to 11.25%) per annum and include foreign currency deposits amounting to USD 2.689 million (30 June 2010: USD 11.587 million). Deposits amounting to Rs 106.133 million (2010: Rs 106.133 million) with banks were under lien to secure bank guarantees issued on behalf of the Company.

		Note	2011	2010
			(Rupees '000)	
24	**SALES - net**			
	Gross sales			
	Crude oil		**84,825,937**	67,665,788
	Gas		**93,823,246**	77,521,907
	Gasoline		**75,940**	4,304
	Kerosene oil		**47,045**	114,502
	High speed diesel oil		**1,823**	-
	Naphtha		**151,162**	349,988
	Liquefied petroleum gas		**5,424,125**	4,410,366
	Sulphur		**880,162**	226,332
	Other operating revenue	24.1	**47,478**	38,170
			185,276,918	150,331,357
	Effect of price discount on crude oil-net of government levies	24.2	**(15,239,388)**	-
	Effect of gas price revision-net of government levies	24.3 & 24.4	**2,786,389**	5,461,100
			(12,452,999)	5,461,100
	Government levies			
	Excise duty		**(2,936,566)**	(1,461,480)
	Development surcharge		**(6,638)**	(24,024)
	General sales tax		**(14,159,216)**	(11,735,090)
	Discount on crude oil price		**(90,209)**	-
			(17,192,629)	(13,220,594)
			155,631,290	142,571,863
24.1	**Other operating revenue**			
	Gas processing		**47,478**	38,170
			47,478	38,170

24.2 Kunnar crude oil price was provisionally fixed by the Ministry of Petroleum and Natural Resources (MPNR) vide letter no. PL-NPA(4)2000-Kun dated 17 June 2002 on the basis of pricing formula of Badin-II (Revised) concession having no price discounts, subject to retrospective adjustment on finalization of Kunnar Crude Oil Sale Purchase Agreement ("the COSA"). As advised by the MPNR vide letter No.PL-Misc(6)/2005/Bobi dated 30 October 2008 the Kunnar COSA was submitted on the basis of aforementioned pricing formula. Later on, the MNPR advised that the Kunnar COSA may be resubmitted on the basis of Badin-I pricing formula which contains discounts and the Company was also advised vide MPNR letter No. PL-NPA(4)2009-Kunnar dated 30 April 2011, to revise invoices for the period starting January 2007. The Company is pursuing the matter with the concerned authorities to get the price without discount, however, being prudent the Company has decided to make an adjustment of Rs 15,239 million in these financial statements. Also refer note 3.9.

24.3 Bobi gas was provisionally invoiced on the basis of Daru Gas Price subject to retrospective adjustment. Oil and Gas Regulatory Authority (OGRA) notified the Bobi gas prices on 24 September 2010 w.e.f 01 January 2007. Based on the OGRA price notifications, an amount of Rs 2,786 million, relating to the period from 01 January 2007 to 30 June 2010 has been invoiced to the customer and accounted for in these financial statements. Also refer note 3.9.

24.4 Qadirpur gas price is linked with High Sulphur Fuel Oil (HSFO) prices in the international market. Qadirpur Gas Pricing Agreement contained discount levels defined upto HSFO price of US$ 200/M.Ton. It also states that in case HSFO price exceeds said level, the parties will negotiate the discount for higher HSFO prices. During price notification period of July-December 2005, the HSFO prices started exceeding US$ 200/M.Ton. The matter was taken up with the GoP in August 2005. As a result of negotiation with the Government, a discount table for HSFO prices above US$ 200/M.Ton and upto US$ 400/M.Ton was agreed in March 2009. Formal notification of revised discount table by the Government is still awaited.

Meanwhile, the Government issued a provisional discount table for HSFO prices upto US$ 320/M.Ton and provisional price notification for the period from 01 July 2006 to 31 December 2007 was issued by OGRA. As no further notification was issued, the Company continued to raise invoices until 31 December 2009 under above referred notification. Subsequently, on 18 January 2010, OGRA issued provisional price notification for the period from 01 January 2008 to 31 December 2009 and on 18 February 2010 OGRA issued price notification for the period 01 January to 30 June 2010. Based on the aforesaid notifications, an amount of Rs 5,461 million, on account of prior period revenues, was invoiced to the customer and accounted for in the year 2010. Adjustment in revenue from July 2005 to June 2011 may be required upon final notification of the discount table and the wellhead prices, impact of which cannot be determined at this stage.

	Note	2011	2010
		(Rupees '000)	
25 OPERATING EXPENSES			
Salaries, wages and benefits	25.1	**6,163,478**	5,057,107
Traveling and transportation		**636,382**	597,660
Repairs and maintenance		**820,607**	562,104
Stores and supplies consumed		**1,260,529**	1,047,645
Rent, fee and taxes		**363,350**	280,823
Insurance		**425,272**	375,124
Communication		**35,699**	40,809
Utilities		**34,346**	39,182
Land and crops compensation		**227,805**	286,039
Contract services		**1,981,676**	924,922
Joint venture expenses		**1,374,068**	1,903,395
Desalting, decanting and naphtha storage charges		**108,074**	83,217
Charges related to minimum supply of gas - liquidated damages		**195,570**	132,734
Welfare of locals at fields		**164,650**	419,347
Provision for slow moving, obsolete and in transit stores		**-**	414,669
Provision for doubtful debts		**-**	82,808
Stores inventory written off		**10,885**	8,206
Workover charges		**1,189,941**	575,287
Depreciation	12.2	**3,645,113**	3,200,766
Impairment on development and production assets		**800,668**	-
Amortization of development and production assets	13	**12,081,914**	6,457,068
Transfer from general and administration expenses	28	**1,564,257**	1,299,257
Miscellaneous		**3,327**	3,432
		33,087,611	23,791,601
Stock of crude oil and other products:			
Balance at beginning of the year		**172,084**	108,301
Balance at end of the year		**(261,835)**	(172,084)
		32,997,860	23,727,818

25.1 These include charge against employee retirement benefits of Rs 1,282.302 million (2010: Rs 667.447 million).

Notes to the Financial Statements

For the year ended 30 June 2011

		Note	2011	2010
			(Rupees '000)	
26	**OTHER INCOME**			
	Income from financial assets			
	Interest income on:			
	Investments and bank deposits		**2,711,545**	1,560,848
	Delayed payments from customers		**329,114**	137,163
			3,040,659	1,698,011
	Dividend income from NIT units		**10,216**	14,756
	Un-realized gain on investments at fair value through profit or loss		**18,025**	5,993
	Effect of fair value adjustment of long term receivable		**13,536**	25,620
	Exchange (loss)/gain - net		**(43,250)**	767,574
			3,039,186	2,511,954
	Income from non financial assets			
	Insurance claim received		**-**	5,875
	Gain on disposal of property, plant and equipment		**29,869**	75,086
	Gain on disposal of stores, spare parts and loose tools		**40,699**	78,375
	Penalty imposed on customers and suppliers		**-**	199,977
	Others		**194,217**	428,947
			264,785	788,260
			3,303,971	3,300,214
27	**EXPLORATION AND PROSPECTING EXPENDITURE**			
	Cost of dry and abandoned wells	14	**3,932,698**	4,535,186
	Prospecting expenditure		**2,689,007**	3,367,184
			6,621,705	7,902,370
28	**GENERAL AND ADMINISTRATION EXPENSES**			
	Salaries, wages and benefits	28.1	**2,383,212**	2,033,895
	Traveling and transportation		**260,022**	244,062
	Repairs and maintenance		**205,986**	129,525
	Stores and supplies consumed		**46,585**	100,519
	Rent, fee and taxes		**47,721**	48,139
	Communication		**39,352**	46,796
	Utilities		**46,589**	44,414
	Training and scholarships		**12,803**	13,489
	Legal services		**32,578**	34,425
	Contract services		**121,322**	101,061
	Auditors' remuneration	28.2	**13,108**	13,053
	Advertising		**41,765**	48,304
	Joint venture expenses		**552,572**	564,505
	Insurance		**1,803**	1,650
	Donations	28.3	**220,487**	-
	Unallocated expenses of technical services		**517,504**	38,190
	Depreciation	12.2	**137,145**	122,708
	Miscellaneous		**10,684**	9,404
			4,691,238	3,594,139
	Operations	25	**(1,564,257)**	(1,299,257)
	Technical services		**(893,309)**	(696,721)
			(2,457,566)	(1,995,978)
			2,233,672	1,598,161

28.1 These include charge against employee retirement benefits of Rs 508.293 million (2010: Rs 260.908 million).

		2011	2010
		(Rupees '000)	
28.2	**Auditors' remuneration**		
	M/s KPMG Taseer Hadi & Co., Chartered Accountants		
	Annual audit fee	**1,350**	1,350
	Half yearly review	**350**	350
	Out of pocket expenses	**200**	200
	Concession audit fee for the year ended June 30, 2010/ 2009	**3,743**	3,458
	Verification of Central Depository Company record	**50**	50
	Audit fee for claims lodged by employees under BESOS	**202**	180
	Employees data verification under BESOS	**-**	900
	Annual audit fee BESOS	**214**	-
	Special review for ten months April 30,2011 & 2010	**770**	-
		6,879	6,488
	M/s M. Yousuf Adil Saleem & Co., Chartered Accountants		
	Annual audit fee	**1,350**	1,350
	Half yearly review	**350**	350
	Out of pocket expenses	**200**	200
	Verification of Central Depository Company record	**50**	50
	Concession audit fee for the year ended June 30, 2010/ 2009	**2,819**	3,105
	Certification of fee payable to OGRA	**200**	300
	Dividend certification	**300**	300
	Audit of Workers' Profit Participation Fund	**100**	-
	Verification of financial impact of revised salary package	**-**	330
	Reprinting of units/shares certificates under BESOS	**-**	400
	Formulation of BESOS rules for OGDCL Employees Empowerment Trust	**90**	180
	Special review for ten months April 30,2011 & 2010	**770**	-
		6,229	6,565
		13,108	13,053

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	2011	2010
			(Rupees '000)	
29	**FINANCE COST**			
	Unwinding of discount on provision for decommissioning cost	8	**1,476,194**	1,263,914
	Others		**8,587**	9,398
			1,484,781	1,273,312
30	**TAXATION**			
	Provision for taxation:			
	- for the year	10	**26,167,923**	23,127,095
	- prior years	10	**2,000,000**	2,459,846
			28,167,923	25,586,941
	Deferred		**(712,989)**	3,788,687
		30.1	**27,454,934**	29,375,628

		2011	2010
		(Rupees '000)	
30.1	**Reconciliation of tax charge for the year :**		
	Accounting profit	**90,982,204**	88,552,753
	Tax rate	**48.78%**	52.07%
	Tax on accounting profit at applicable rate	**44,381,119**	46,109,684
	Tax effect of royalty allowed for tax purposes	**(15,556,782)**	(7,501,908)
	Tax effect of depletion and other allowances	**(6,643,426)**	(11,246,808)
	Tax effect of amount not admissible for tax purposes	**1,119,446**	(3,121)
	Tax effect of exempt income	**(1,019)**	(1,526)
	Tax effect of income chargeable to tax at reduced corporate rate	**(16,543)**	(272,878)
	Tax effect of amounts that are admissible for tax purposes	**-**	(647,513)
	Tax effect of litigious taxation issues	**2,531,417**	1,423,168
	Tax effect of prior years	**2,000,000**	2,459,846
	Tax impact of deferred tax charged at reduced effective tax rate	**(359,278)**	(943,316)
		27,454,934	29,375,628

30.2 Various appeals in respect of assessment years 1992-93 to 2002-03, tax years 2003 to 2010 are pending at different appellate forums in the light of the order of the Commissioner of Inland Revenue (Appeals) and decision of the Adjudicator, appointed by both the Company as well as the Federal Board of Revenue (FBR) mainly on the issues of decommissioning cost and depletion allowance.

		2011	2010
31	**EARNINGS PER SHARE - BASIC AND DILUTED**		
	Profit for the year (Rupees '000)	**63,527,270**	59,177,125
	Average number of shares outstanding during the year ('000)	**4,300,928**	4,300,928
	Earnings per share - basic (Rupees)	**14.77**	13.76

There is no dilutive effect on the 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 analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The 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. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

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

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 the basis of agreements approved by GoP.

Sale of crude oil and natural gas is at prices determined in accordance with the agreed pricing formula as approved by GoP under respective agreements. Prices of liquefied petroleum gas are determined by the Company subject to maximum of preceding months' average prices of Saudi Aramco. Sale of refined petroleum products is made at prices notified by OGRA.

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

Bank and investments

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

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:

	2011	2010
	(Rupees '000)	
Long term investments	**3,318,000**	3,009,801
Long term loans and receivable	**3,439,681**	2,751,500
Trade debts	**77,911,312**	82,992,291
Loans and advances	**907,821**	786,525
Deposits	**14,516**	10,601
Other receivables	**773,450**	333,031
Interest accrued	**324,845**	17,031
Other financial assets	**38,299,630**	10,992,923
Bank balances	**13,815,274**	7,823,943
	138,804,529	108,717,646

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

	2011	2010
	(Rupees '000)	
Oil refining companies	**32,685,730**	47,344,482
Oil and gas marketing companies	**40,632,970**	31,255,545
Power generation companies	**4,201,243**	4,038,517
Banks and financial institutions	**55,757,749**	21,843,698
Others	**5,526,837**	4,235,404
	138,804,529	108,717,646

The Company's most significant customers, an oil refining company and a gas marketing company, accounts for Rs 40,450 million of the trade debts carrying amount at 30 June 2011 (30 June 2010: Rs 41,502 million).

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

	2011	2010
	(Rupees '000)	
Crude oil	**32,685,627**	47,309,172
Gas	**44,796,477**	35,248,514
Kerosene oil	**47,315**	49,201
High speed diesel oil	**1,909**	-
Naphtha	**103**	35,310
Liquefied petroleum gas	**283,858**	288,974
Other operating revenue	**96,023**	61,120
	77,911,312	82,992,291

32.1.3 Impairment losses

The aging of trade debts at the reporting date was:

	2011		2010	
	Gross debts	Impaired	Gross debts	Impaired
	(Rupees '000)		(Rupees '000)	
Not past due	**30,786,598**	**-**	25,029,408	-
Past due 0-30 days	**10,988,833**	**-**	7,325,481	-
Past due 30-60 days	**6,601,348**	**-**	8,617,245	-
Past due 60-90 days	**4,638,294**	**-**	7,469,278	-
Over 90 days	**25,034,679**	**(138,440)**	34,746,996	(196,117)
	78,049,752	**(138,440)**	83,188,408	(196,117)

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

	2011	2010
	(Rupees '000)	
Balance at beginning of the year	**196,117**	113,309
Provision (reversed) made during the year	**(57,677)**	82,808
Balance at end of the year	**138,440**	196,117

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, advances and other receivables during the year was as follows:

	2011	2010
	(Rupees '000)	
Balance at beginning of the year	**197,472**	196,422
Provision made during the year	**-**	1,050
Balance at end of the year	**197,472**	197,472

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 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	2011 Carrying amount	2011 Contractual cash flows	2010 Carrying amount	2010 Contractual cash flows
	(Rupees '000)		(Rupees '000)	
All the trade and other payables have maturity upto one year	**11,348,709**	**11,348,709**	11,436,844	11,436,844

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 optimizing 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:

	2011	2010
	(USD '000)	
Trade debts	**116,863**	310,305
Investments held to maturity	**176,427**	128,437
Cash and bank balances	**2,689**	11,587
Trade and other payables	**(2,967)**	(2,963)
	293,012	447,366

Foreign currency commitments outstanding at year end are as follows:

	2011	2010
	(Rupees '000)	
Euro (¤)	**414,515**	579,697
USD ($)	**3,184,140**	4,718,674
GBP (£)	**590,661**	621,354
JPY (¥)	**-**	94,335
	4,189,316	6,014,060

The following significant exchange rates applied during the year:

	Average rate		Reporting date mid spot rate	
	2011 (Rupees)	2010 (Rupees)	2011 (Rupees)	2010 (Rupees)
USD 1	**84.91**	83.38	**85.90**	85.59

Foreign currency sensitivity analysis

A 10 percent strengthening of the PKR against the USD at 30 June 2011 would have decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 30 June 2010.

	2011	2010
	(Rupees '000)	
Profit and loss account	**2,516,890**	3,828,919

A 10 percent weakening of the PKR against the USD at 30 June 2011 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:

	30 June		30 June	
	2011	**2010**	**2011**	**2010**
	%		(Rupees '000)	
Fixed rate instruments				
Financial assets				
Long term investments	**13.85**	12.30 to 12.50	**3,318,000**	3,009,801
Long term loans	**13.17**	13.65	**1,118,493**	443,849
Other financial assets	**2.00 to 13.85**	1.5 to 1.90	**38,299,630**	10,992,923
Cash and bank balances	**0.05 to 12.00**	0.10 to 11.25	**13,725,436**	7,674,284
			56,461,559	22,120,857
Financial liabilities			**-**	-
			56,461,559	22,120,857

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.

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 maximize investment returns on surplus funds. The Company's price risk arises from investments in NIT units which are designated at fair value through profit or loss, however, in accordance with the investment strategy the performance of NIT units is actively monitored and they are managed on a fair value basis.

Sensitivity analysis of price risk

A change of Rs 5 in the value of investments at fair value through profit and loss would have increased or decreased profit and loss by Rs 22.701 million (30 June 2010: 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 5,680 million (30 June 2010: Rs 5,710 million) on the basis that all other variables remain constant.

32.4 Fair values

All financial assets and financial liabilities are initially recognized at the fair value of consideration paid or received, net of transaction costs as appropriate, and subsequently carried at fair value or amortized cost, as indicated in the tables below.

The financial assets and liabilities are presented by class in the tables below at their carrying values, which generally approximate to the fair values.

Financial assets and liabilities

30 June 2011	Loans and receivables	Held at fair value through profit or loss	Other financial assets and liabilities at amortized cost	Total
	(Rupees '000)			
Financial assets				
Long term loans and receivable	2,834,415	-	605,266	3,439,681
Loans and advances	907,821	-	-	907,821
Deposits	10,601	-	-	10,601
Trade debts - net of provision	77,911,312	-	-	77,911,312
Other receivables	61,987	-	-	61,987
Cash and bank balances	-	-	13,841,889	13,841,889
Long term investments	-	-	3,318,000	3,318,000
Other financial assets	-	145,925	38,299,630	38,445,555
Total financial assets	81,726,136	145,925	56,064,785	137,936,846
Non financial assets				123,840,682
Total assets				261,777,528
Financial liabilities				
Trade and other payables	-	-	11,348,709	11,348,709
Non financial liabilities				48,863,242
Total liabilities				60,211,951

Financial assets and liabilities

30 June 2010	Loans and receivables	Held at fair value through profit or loss	Other financial assets and liabilities at amortized cost	Total
	(Rupees '000)			
Financial assets				
Long term loans and receivable	2,159,771	-	591,729	2,751,500
Loans and advances	786,525	-	-	786,525
Deposits	10,601	-	-	10,601
Trade debts - net of provision	82,992,291	-	-	82,992,291
Other receivables	309,951	-	-	309,951
Cash and bank balances	-	-	7,843,820	7,843,820
Long term investments	-	-	3,009,801	3,009,801
Other financial assets	-	127,900	10,992,923	11,120,823
Total financial assets	86,259,139	127,900	22,438,273	108,825,312
Non financial assets				120,042,339
Total assets				228,867,651
Financial liabilities				
Trade and other payables	-	-	11,436,844	11,436,844
Non financial liabilities				60,038,321
Total liabilities				71,475,165

The basis for determining fair values is as follows:

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. Since the majority of the financial assets are fixed rate instruments, there is no significant difference in market rate and the rate of instrument, fair value significantly approximates to carrying value.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

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

	Level 1	Level 2	Level 3
		Rupees '000	
30 June 2011			
Assets carried at fair value			
Investments at fair value through profit and loss account	**145,925**	-	-
30 June 2010			
Assets carried at fair value			
Investments at fair value through profit and loss account	127,900	-	-

Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Investment in fair value through profit and loss account - held for trading

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date.

Investment in associate

The fair value of investment in associate is determined by reference to their quoted closing bid price at the reporting date. The fair value is determined for disclosure purposes.

Non-derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

32.5 Capital management

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

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

		Note	2011	2010
			(Rupees '000)	
33	**CASH AND CASH EQUIVALENTS**			
	Cash and bank balances	23	**13,841,889**	7,843,820
	Short term highly liquid investments	22	**38,299,630**	10,992,923
			52,141,519	18,836,743
34	**NUMBER OF EMPLOYEES**			
	Total number of employees at the end of the year was as follows:			
	Regular		**10,173**	9,989
	Contractual		**462**	375
			10,635	10,364

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:

	2011	2010
	(Rupees '000)	
Associated company		
Share of profit in associate - net of taxation	**78,438**	64,118
Major shareholders		
Government of Pakistan		
Dividend paid	**14,490,555**	21,442,811

	2011	2010
	(Rupees '000)	
RELATED PARTY TRANSACTIONS- Continued		
OGDCL Employees' Empowerment Trust (OEET)		
Dividend paid	**1,269,057**	2,822,984
Related parties by virtue of common directorship and GoP holdings		
Attock Refinery Limited		
Sale of crude oil	**42,579,898**	43,264,807
Desalting charges paid	**-**	11,613
Trade debts as at 30 June	**8,096,742**	23,013,182
Trade payable as at 30 June	**41,360**	30,453
Pakistan Refinery Limited		
Sale of crude oil	**6,940,357**	7,359,928
Trade debts as at 30 June	**5,255,178**	6,667,053
Government Holdings (Private) Limited (GHPL)		
GHPL share (various fields)	**112,146**	161,565
Receivable (net) as at 30 June	**200,417**	105,330
Pak Arab Refinery Company Limited		
Sale of crude oil	**9,381,929**	4,803,555
Trade debts as at 30 June	**5,334,219**	3,413,254
Sui Northern Gas Pipelines Limited		
Sale of natural gas	**50,969,405**	50,914,967
Purchase of high BTU value gas	**1,989,829**	2,335,522
Qadirpur interim compression project payment	**326,167**	226,121
Trade debts as at 30 June	**10,300,248**	13,588,706
Payable as at 30 June	**110,000**	-
Sui Southern Gas Company Limited		
Sale of natural gas	**34,652,371**	21,604,079
Pipeline rental charges	**34,800**	1,639
Payment against supply of gas to locals	**11,717**	-
Trade debts as at 30 June	**30,283,498**	17,617,638
Pakistan State Oil Company Limited		
Sale of refined petroleum products	**48,868**	114,502
Sale of liquefied petroleum gas	**-**	25,424
Purchase of petroleum, oil and lubricants	**2,971,954**	2,925,499
Trade debts as at 30 June	**49,020**	48,997
Packages Limited		
Sale of sulphur	**-**	2,808
National Insurance Company Limited		
Insurance premium paid	**613,818**	881,596

	Note	2011	2010
		(Rupees '000)	
RELATED PARTY TRANSACTIONS- Continued			
National Logistic Cell			
Crude transportation charges paid		**1,745,512**	1,200,418
Payable as at 30 June		**571,060**	263,358
Heavy Mechanical Complex			
Purchase of stores and spares		**60,214**	41,979
Water and Power Development Authority			
Sale of natural gas		**10,655**	43,622
Receivable as at 30 June		**4,023**	22,328
Enar Petrotech Services Limited			
Consultancy services		**464,135**	603,528
Sale of crude oil		**1,968,773**	1,678,775
Trade debts as at 30 June		**249,877**	69,286
Payable as at 30 June		**29,398**	42,935
Other related parties			
Contribution to staff benefit funds		**2,201,266**	947,000
Remuneration including benefits and perquisites of key management personnel	35.1	**167,531**	173,256

35.1 Key management personnel

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

	2011	2010
	(Rupees '000)	
Managerial remuneration	**74,554**	83,382
Housing and utilities	**29,070**	30,839
Other allowances and benefits	**34,926**	42,024
Medical benefits	**845**	1,527
Leave encashment	**2,458**	-
Contribution to pension fund	**25,678**	15,484
	167,531	173,256
Number of persons	**26**	30

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

36 REMUNERATION OF CHIEF EXECUTIVES, DIRECTORS AND EXECUTIVES

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

	2011		2010	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees '000)			
Managerial remuneration	1,330	1,251,240	6,823	1,053,247
Housing and utilities	893	866,538	3,728	726,247
Other allowances and benefits	614	897,643	6,012	1,067,352
Medical benefits	5	154,691	114	145,437
Leave encashment	324	15,789	-	13,395
Contribution to pension fund	-	438,780	-	213,013
	3,166	3,624,681	16,677	3,218,691
Number of persons including those who worked part of the year	2	1,235	2	1,089

- Executive means any employee whose basic salary exceeds Rs 500,000 (2010: 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 executives and certain executives were provided with free use of Company's cars in accordance with their entitlement. Certain loans to executives are provided interest free loans, refer note 16.1.2 to the financial statements.

- The aggregate amount charged in these financial statements in respect of fee to 12 directors (2010: 15) was Rs 4,380,000 (2010: Rs 2,958,800).

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 lease. However, Securities and Exchange Commission of Pakistan (SECP) vide its circular No. 21 of 2009 has decided to defer the implementation of IFRIC 4 to all companies which have executed implementation agreements with the Government/Authority or entity, this relaxation would be available till the conclusion of their agreements, entered on or before 30 June 2010. However, impact of IFRIC-4 is mandatory to be disclosed in the financial statements as per requirements of IAS-8.

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

	2011	2010
	(Rupees '000)	
Profit for the year	**63,527,270**	59,177,125
Amortization reversed	**225,600**	55,124
Finance income recognized	**3,480,264**	3,174,773
Sales revenue reversed	**(3,817,642)**	(3,567,889)
Tax impact at estimated effective rate	**32,885**	101,127
Adjusted profit for the year	**63,448,377**	58,940,260

Carried forward balance of unappropriated profit at the end of year would have been as follows.

	2011	2010
	(Rupees '000)	
Adjusted unappropriated profit brought forward	**113,699,972**	82,917,111
Proposed dividend	**-**	-
Adjusted profit for the year	**63,448,377**	58,940,260
	177,148,349	141,857,371
Transfer to capital reserve	**(199,456)**	(201,364)
Dividend paid	**(19,354,179)**	(27,956,035)
Adjusted unappropriated profit at end of year	**157,594,714**	113,699,972
Unadjusted profit	**154,497,155**	110,523,520

38 Application of IFRS 2 - Share Based Payment

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

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

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

The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of the State Owned Enterprises need to be accounted for by the covered entities, including the Company, under the provisions of the amended International Financial Reporting Standard to share based payment (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities and Exchange Commission of Pakistan on receiving representation from some of the entities covered under the scheme and after having consulted the Institute of Chartered Accountants of Pakistan vide their letter number CAIDTS/PS& TAC/2011-2036 dated 02 February 2011 has granted exemption to such entities from the application of IFRS2 to the Scheme vide SRO 587 (I)/2011 dated 07 June 2011.

Had the exemption not been granted the staff costs of the Company for the year would have been higher by Rs 6,027 million (2010: Rs 5,274 million), profit after taxation and unappropriated profit would have been lower by Rs 6,027 million (2010: Rs 5,274 million), earnings per share would have been lower by Rs 1.40 (2010: Rs 1.23) per share and reserves would have been higher by Rs 11,301 million (2010: Rs 5,274 million).

39 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 12 August 2011.

40 DATE OF AUTHORIZATION FOR ISSUE

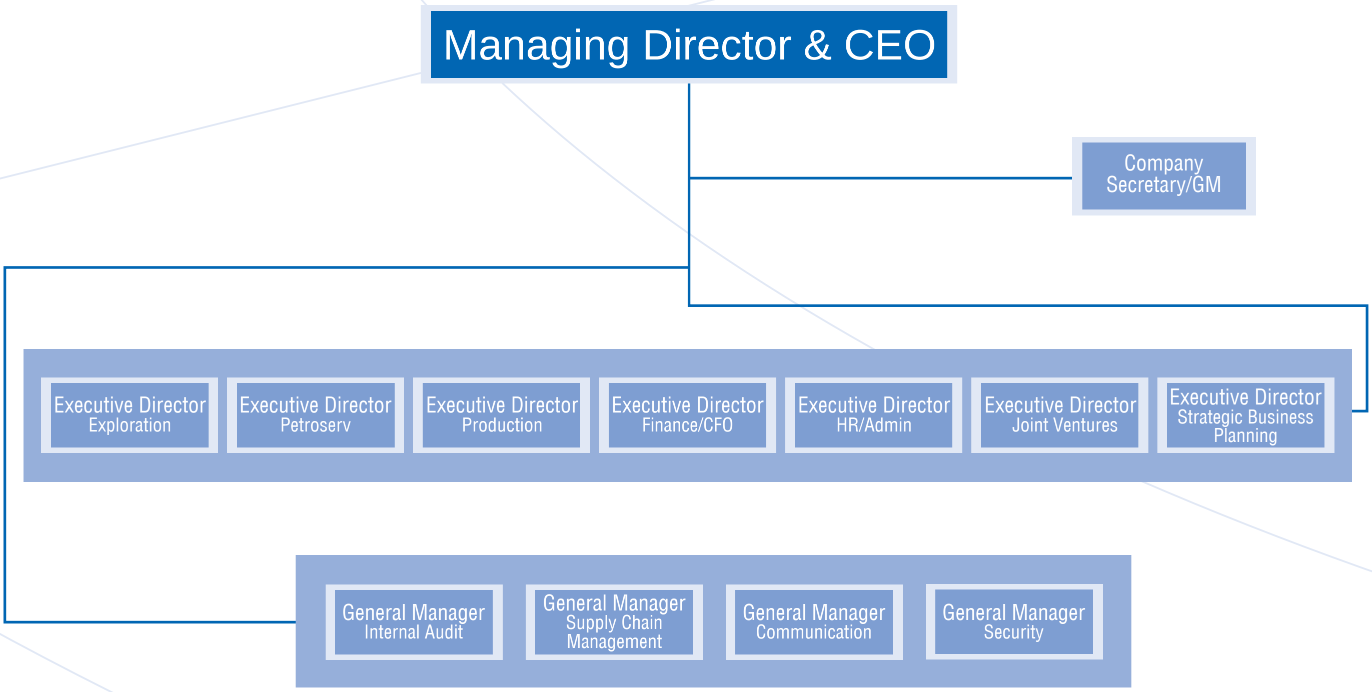
These financial statements were authorized for issue on 12 August 2011 by the Board of Directors of the Company.

41 GENERAL

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

Chief Executive **Director**

Organogram


Managing Director & CEO
Company Secretary/GM
Executive Director Exploration
Executive Director Petroserv
Executive Director Production
Executive Director Finance/CFO
Executive Director HR/Admin
Executive Director Joint Ventures
Executive Director Strategic Business Planning
General Manager Internal Audit
General Manager Supply Chain Management
General Manager Communication
General Manager Security

Abbreviations

AEEA	Annual Environment Excellence Award
AGM	Annual General Meeting
ARL	Attock Refinery Limited
ATA	Annual Turn Around
Bbl	Barrel
Bcf	Billion cubic feet
BESOS	Benazir Employees Stock Option Scheme
Bopd	Barrels of oil per day
BP	British Petroleum
Bpd	Barrels per day
CBA	Collective Bargaining Agent
CEO	Chief Executive Officer
COSA	Crude Oil Sale Purchase Agreement
CSR	Corporate Social Responsibility
DFI	Development Financial Institution
DGPC	Directorate General of Petroleum Concessions
DNV	M/s Det Norske Veritas
D&PL	Development and Production Lease
ECC	Economic Coordination Committee of Cabinet
EIA	Environmental Impact Assessment
EL	Exploration License
Eni	Eni Pakistan Limited
EOR	Enhanced Oil Recovery
E&P	Exploration and Production
EPA	Environmental Protection Agency
EPS	Earnings per Share
ERW	Extended Reach Well
FC	Frontier Constabulary
GDS	Global Depository Shares
G&G	Geological and Geophysical
GHPL	Government Holdings (Pvt.) Limited
GoP	Government of Pakistan
GSA	Gas Sales Agreement
HRMS	Human Resource Management System
HSE	Health, Safety and Environment
HSFO	High Sulphur Fuel Oil
IAS	International Accounting Standards
ICAP	Institute of Chartered Accountants of Pakistan
ICMAP	Institute of Cost & Management Accountants of Pakistan
IEE	Initial Environmental Examination
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IR	Investors' Relation
ISMS	Information Security Management System
ISO	International Organization for Standardization
IT	Information Technology
JV	Joint Venture
Km	Kilometer
KESC	Karachi Electric Supply Company Limited
KPD	Kunnar Pasakhi Deep
KPK	Khyber Pakhtunkhwa
KSE	Karachi Stock Exchange
KUFPEC	Kuwait Foreign Petroleum Exploration Company
L. kms	Line Kilometer
LPG	Liquified Petroleum Gas
LSE	London Stock Exchange
MD	Managing Director
MGCL	Mari Gas Company Limited
MIA	Mechanical Integrity Assessment
MMcf	Million cubic feet
MMcfd	Million cubic feet per day
MMstb	Million stock barrels
MOL	MOL Pakistan Oil & Gas BV
MOS	Memorandum of Settlement
MP&NR	Ministry of Petroleum and Natural Resources
M. Tons	Metric tons
NBFI	Non-Banking Financial Institution
NDMA	National Disaster Management Authority
NDT	Non Destructive Testing
NFEH	National Forum of Environment and Health
NGL	Natural Gas Liquid
OEET	OGDCL Employees Empowerment Trust
OGDCL	Oil & Gas Development Company Limited
OGRA	Oil & Gas Regulatory Authority
OGTI	Oil & Gas Training Institute
OHSAS	Occupational Health & Safety Assessment Series
OMV	OMV (Pakistan) Exploration GmbH
OPL	Ocean Pakistan Limited
PAT	Profit After Taxation
PEL	Pakistan Exploration (Pvt.) Limited
PGCL	Pirkoh Gas Company (Pvt.) Limited
PKP	Premier Kufpec Pakistan
POL	Pakistan Oilfields Limited
PPIS	Pakistan Petroleum Information Service
PPL	Pakistan Petroleum Limited
SAARC	South Asian Association for Regional Cooperation
SNGPL	Sui Northern Gas Pipeline Limited
SOEs	State Owned Enterprises
SOPs	Standard Operating Procedures
SSGCL	Sui Southern Gas Company Limited
TAY	Tando Allah Yar
TOR	Terms of Reference
UPL	Uch Power Limited

Form of Proxy

Fourteenth 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 Fourteenth Annual General Meeting of the Company to be held on 28 September 2011 or at any adjournment thereof.

Revenue Stamp

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

Dated this ______ day of ______________ 2011

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) along with proxy form to the Company.

Entry Card

Fourteenth 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: | | | | | | - | | | | | | | | - | |

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.