



Oil & Gas Development Company Limited

Interim Report and Financial Information
Quarter Ended 30 September 2014



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CONDENSED INTERIM FINANCIAL INFORMATION

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Corporate Information

Board of Directors

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

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

Chief Financial Officer

Mr. Mushtaq Ahmad

Company Secretary

Mr. Ahmed Hayat Lak

Auditors

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

Legal Advisor

M/s Khokhar Law Chambers

Tax Advisors

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

Registered Office

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Jinnah Avenue, Islamabad.
Phone: (PABX) +92 51 9209811-8
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Website: www.ogdcl.com
Email: info@ogdcl.com

Registrar Office

Central Depository Company of Pakistan Limited,
CDC House, 99-B, Block-B, S.M.C.H.S,
Main Shahrah-e-Faisal, Karachi-74400.
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Directors' Interim Review

The Board of Directors of Oil & Gas Development Company Limited (OGDCL) is pleased to present a concise review of the Company's operational and financial performance together with the reviewed condensed financial information for the first quarter ended 30 September 2014.

Financial Results

OGDCL financial results for the quarter ended 30 September 2014 reflect stable financial performance as its Sales Revenue increased to Rs 64.396 billion (1Q 2014-15: Rs 62.416 billion) exhibiting a growth of 3.2%. The higher Sales is mainly on account of increase in oil and gas production coupled with increase in realized prices of crude oil and gas averaging at US\$ 86.41/barrel and Rs 282.93/Mcf compared with US\$ 85.76/barrel and Rs 274.87/Mcf respectively during the preceding period last year.

However, during the period under review higher operating expenses owing to increased amount of amortization of development & production assets and exploration & prospecting expenditure on account of increase in seismic survey adversely impacted OGDCL's profitability. Moreover, decline in the other income mainly due to decrease in exchange gain in comparison with the corresponding period of the last year impacted profitability. This has led the Company to register Profit after Tax of Rs 28.310 billion translating into Earnings per Share of Rs 6.58.

During July-September 2014, the Company witnessed improved liquidity position as its cash generated from operating activities increased to Rs 57.210 billion compared with Rs 43.138 billion during the corresponding period of last year.

Dividend

The Board of Directors has announced first interim cash dividend of Rs 2.50 per share (25%) for the year ending 30 June 2015.

Exploration and Development Activities

OGDCL holds the largest exploration acreage in the Country which as of 30 September 2014 stood at 112,794 sq. km (30 September 2013: 51,307 sq. km). The increase in the exploration acreage is due to addition of twenty nine (29) new exploratory blocks awarded to the Company during the year 2013-14 through competitive bidding. The Company's concession portfolio currently constitutes sixty two (62) owned and operated joint venture (JV) exploration licenses besides holding working interest in six (6) blocks operated by other Exploration & Production companies.

In line with OGDCL's exploration led business strategy to intensify exploratory efforts and embark upon high impact future growth opportunities, fast track seismic data acquisition is carried out during the quarter ended 30 September 2014. The Company acquired 1,013 Line km of 2D (1Q 2013-14: 487 Line km) and 301 sq. km of 3D seismic data (1Q 2013-14: 237 sq. km) in various exploratory blocks. During July-September 2014, OGDCL marked twenty three (23) well locations on the ground out of which four (4) wells were spud (1Q 2013-14: 2 wells) which include three (3) exploratory/appraisal wells viz., Nashpa-X5, Jarwar-1 & Zin Pab-2 and one (1) development well Kunnar-9. Moreover, drilling and testing of six (6) wells spud in the previous fiscal year also continued during the reporting period.

Regarding exploitation of unconventional oil and gas reserves, OGDCL during the period under review issued Letter of Intent (LOI) for study of shale gas, shale oil and tight gas to internationally renowned consultant. With an aim to acquire shale gas data, three (3) conventional cores each in Manna-1 & Hanif-1 and fifty eight (58) side wall cores in Hanif-1 were cut by the Company. Moreover, specified shale gas logs have been conducted in Manna-1 and Hanif-1 to acquire and evaluate shale/tight gas prospects. The Company has also identified potential horizons of tight gas in ten (10) wells and further evaluation is in progress.

Discovery

OGDCL's exploratory efforts to locate new hydrocarbon reserves during the period under review yielded significant new oil and gas discovery at Soghri-1 exploratory well in district Attock, Punjab province.

Production

OGDCL is striving to augment hydrocarbon production by pursuing an aggressive production enhancement strategy involving short term and medium term plans and seamless development of discovered fields.

Progressing towards increase in production, the Company during the period under review successfully completed Pasahki Deep-4 & Qadirpur-53 and injected Qadirpur-30 in the system. In addition, rigless workover jobs were carried out at Nashpa-3 & Mela-3 and workover job with rig has been completed at Kunnar-8.

During July-September 2014, OGDCL witnessed increase in net gas production by 3% in comparison with the corresponding period of last year primarily on account of increase in production from Uch and Nashpa fields in conjunction with start-up of production from Dhachrapur, Maru-Reti and Jakhro fields. Similarly, net crude oil production increased by 2% owing to increase in production from Nashpa, Rajian and Lashari fields and commencement of production from Jakhro field accompanied by increase in share of crude oil production from non-operated JV fields. Increase in oil and gas production has been achieved despite Annual Turn Around carried out at Kunnar, Sinjhor, Dakhni and Bobi fields, production curtailment from Mela field, high water cut at Chanda field, heavy floods at Bahu gas field, less gas intake by UPL from Uch gas field and natural decline in some of the mature producing fields.

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

Products	Unit of Measurement	1 st Quarter 2014-15	1 st Quarter 2013-14
Crude oil	Barrels per day	40,868	40,205
Gas	MMcf per day	1,216	1,181

It is expected that upon completion of ongoing development projects namely: Kunnar Pasahki Deep-Tando Allah Yar (KPD-TAY), Sinjhor, Uch-II and Jhal Magsi daily gross production will be further enhanced by 5,600 barrels of crude oil, 184 MMcf of gas and 530 tons of LPG.

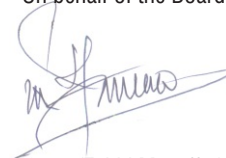
In order to improve operational efficiency of the producing fields, OGDCL during July-September 2014 carried out stimulation job at Nashpa-1 and Rajian-2 & 8 resulting in increase of oil and gas production. Moreover, the Company with an aim to update reservoir study and induce improvement in current well flow parameters carried out pressure surveys at different wells of Bobi, Dakhni, Rajian, Sinjhor and Nashpa fields. Furthermore, Annual Turn Around of plants installed at Kunnar, Sinjhor, Dakhni and Bobi fields was carried out as part of preventive maintenance plan.

In view of OGDCL's enhanced exploration acreage complemented by financial strength to support the ongoing development projects, the Company is confident to not only maintain and carry on the growing trend of its oil and gas production but in parallel return significant value to shareholders in the years to come.

Acknowledgement

The Board of Directors acknowledges the continued support and cooperation rendered by all the stakeholders which has always given the Company impetus to embark upon future growth opportunities and achieve new milestones. The Board also wishes to place on record its sincere appreciation for the dedicated contributions put in by the Company employees at all levels to ensure that the Company continues to deliver upstream growth and improved profit margins while contributing to the well being of the communities where it operates.

On behalf of the Board



(Zahid Muzaffar)
Chairman

29 October 2014

Auditors' Review Report to the Members

Introduction

We have reviewed the accompanying condensed interim balance sheet of Oil and Gas Development Company Limited ("the Company") as at 30 September 2014 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and selected notes to the condensed interim financial information for the quarter then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Conclusion

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


Other Matters

The figures for the quarter ended 30 September 2013 in the condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and related notes to the condensed interim financial information have not been reviewed and we do not express a conclusion on them.



A.F. Ferguson & Co.
Chartered Accountants
Islamabad
Date: 29 October 2014

Engagement Partner: Asim Masood Iqbal



KPMG Taseer Hadi & Co.
Chartered Accountants
Islamabad
Date: 29 October 2014

Engagement Partner: Syed Bakhtiyar Kazmi

Condensed Interim Balance Sheet [unaudited]

As at 30 September 2014

		Unaudited 30 September 2014	Audited 30 June 2014
	Note	----- (Rupees '000)- -----	
SHARE CAPITAL AND RESERVES			
Share capital		43,009,284	43,009,284
Capital reserves		6,818,500	6,606,000
Unappropriated profit		373,631,778	346,055,921
		423,459,562	395,671,205
NON CURRENT LIABILITIES			
Deferred taxation		21,659,531	22,270,517
Deferred employee benefits		10,289,702	9,827,561
Provision for decommissioning cost		21,148,405	20,417,830
		53,097,638	52,515,908
CURRENT LIABILITIES			
Trade and other payables	4	40,411,374	48,045,567
		516,968,574	496,232,680

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 22 form an integral part of this condensed interim financial information.



Chief Executive

		Unaudited 30 September 2014	Audited 30 June 2014
	Note	----- (Rupees '000)- -----	
NON CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	6	77,560,531	71,803,994
Development and production assets - intangibles	7	75,314,149	74,329,473
Exploration and evaluation assets	8	8,67,153	9,637,788
		161,545,833	155,771,255
Long term investments	9	140,281,761	140,393,508
Long term loans and receivable		4,988,459	5,170,798
Long term prepayments		752,123	736,992
		307,568,176	302,072,553
CURRENT ASSETS			
Stores, spare parts and loose tools		20,134,077	18,502,922
Stock in trade		446,095	420,626
Trade debts	10	97,951,864	100,510,995
Loans and advances	11	8,342,363	7,909,281
Deposits and short term prepayments		1,388,952	1,336,238
Interest accrued		11,196,234	10,110,450
Other receivables		201,536	661,017
Income tax - advance	12	17,635,807	14,319,141
Other financial assets	13	44,963,275	37,537,297
Cash and bank balances		7,140,195	2,852,160
		209,400,398	194,160,127
		516,968,574	496,232,680



Director

Condensed Interim Profit and Loss Account [unaudited]

For the Quarter ended 30 September 2014

		Unaudited Quarter ended 30 September 2014	Unreviewed & Unaudited Quarter ended 30 September 2013
	Note	----- (Rupees '000) -----	
Sales - net	14	64,395,972	62,416,425
Royalty		(7,415,784)	(7,124,699)
Operating expenses		(13,213,233)	(10,307,916)
Transportation charges		(614,943)	(615,624)
		(21,243,960)	(18,048,239)
Gross profit		43,152,012	44,368,186
Other income	15	6,280,359	7,425,042
Exploration and prospecting expenditure		(3,751,599)	(1,954,572)
General and administration expenses		(1,331,781)	(753,368)
Finance cost		(611,512)	(631,727)
Workers' profit participation fund		(2,188,414)	(2,423,766)
Share of profit in associate - net of taxation		30,809	21,758
Profit before taxation		41,579,874	46,051,553
Taxation	16	(13,269,800)	(12,463,058)
Profit for the quarter		28,310,074	33,588,495
Earnings per share - basic and diluted (Rupees)	17	6.58	7.81

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.



Chief Executive



Director

Condensed Interim Statement of Comprehensive Income [unaudited]

For the Quarter ended 30 September 2014

	Unaudited Quarter ended 30 September 2014	Unreviewed & Unaudited Quarter ended 30 September 2013
	----- (Rupees '000) -----	
Profit for the quarter	28,310,074	33,588,495
Other comprehensive income/(loss) for the quarter		
Items that will not be reclassified to profit or loss		
Remeasurement loss on employee retirement benefit plans	(1,059,171)	-
Current tax credit related to remeasurement loss on employee retirement benefit plans	537,454	-
	(521,717)	-
Total comprehensive income for the quarter	27,788,357	33,588,495

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.



Chief Executive



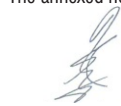
Director

Condensed Interim Cash Flow Statement [unaudited]

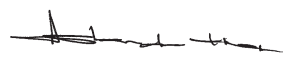
For the Quarter ended 30 September 2014

	Unaudited Quarter ended 30 September 2014	Unreviewed & Unaudited Quarter ended 30 September 2013
	----- (Rupees '000) -----	
Cash flows from operating activities		
Profit before taxation	41,579,874	46,051,553
Adjustments for:		
Depreciation	1,179,960	1,040,135
Amortization of development and production assets	4,771,858	3,021,094
Royalty	7,415,784	7,124,699
Workers' profit participation fund	2,188,414	2,423,766
Provision for employee benefits	954,565	2,598,770
Un-winding of discount on provision for decommissioning cost	609,045	627,943
Interest income	(4,529,190)	(4,420,365)
Un-realized loss on investments at fair value through profit or loss	9,489	8,627
Dividend income	(18,615)	(17,026)
Gain on disposal of property, plant and equipment	(573)	(832)
Share of profit in associate	(30,809)	(21,758)
Stores inventory written off	-	716
	54,129,802	58,437,322
Working capital changes		
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	(1,631,155)	(366,940)
Stock in trade	(25,469)	28,977
Trade debts	2,559,131	(10,866,818)
Deposits and short term prepayments	(52,714)	13,573
Advances and other receivables	(138,037)	(3,089,849)
Increase/(decrease) in current liabilities:		
Trade and other payables	2,368,883	(1,018,254)
Cash generated from operations	57,210,441	43,138,011
Royalty paid	(6,333,284)	(6,325,937)
Employee benefits paid	(6,268,116)	(4,365,323)
Long term prepayments	(15,131)	(120,431)
Received from workers' profit participation fund	346,775	525,459
Income taxes paid	(16,659,998)	(9,773,669)
	(28,929,754)	(20,059,901)
Net cash from operating activities	28,280,687	23,078,110
Cash flows from investing activities		
Capital expenditure	(11,214,374)	(12,245,943)
Interest received	3,567,587	3,602,308
Dividends received	36,990	35,401
Purchase of investments	-	(88,319)
Proceeds from disposal of property, plant and equipment	3,730	5,762
Net cash used in investing activities	(7,606,067)	(8,690,791)
Cash flows from financing activities		
Dividends paid	(8,951,117)	(1,383,573)
Net cash used in financing activities	(8,951,117)	(1,383,573)
Net increase in cash and cash equivalents	11,723,503	13,003,746
Cash and cash equivalents at beginning of the quarter	40,113,906	42,414,472
Cash and cash equivalents at end of the quarter	51,837,409	55,418,218

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.



Chief Executive



Director

Condensed Interim Statement of Changes in Equity [unaudited]

For the Quarter ended 30 September 2014

	Share capital	Capital reserves		Unappropriated profit	Total equity
		Capital reserve	Self insurance		
----- (Rupees '000)- -----					
Balance at 01 July 2013 - previously reported	43,009,284	836,000	4,920,000	274,893,417	323,658,701
Change in accounting policy for remeasurement of employee retirement benefit plans	-	-	-	(11,392,680)	(11,392,680)
Balance at 01 July 2013 - restated	43,009,284	836,000	4,920,000	263,500,737	312,266,021
Transfer to self insurance reserve	-	-	213,339	(213,339)	-
Charged to self insurance reserve	-	-	(839)	839	-
Total comprehensive income for the quarter					
Profit for the quarter	-	-	-	33,588,495	33,588,495
Other comprehensive loss for the quarter	-	-	-	-	-
Total comprehensive income for the quarter	-	-	-	33,588,495	33,588,495
Transactions with owners, recorded directly in equity					
Final dividend 2013: Rs 2.75 per share	-	-	-	(11,827,553)	(11,827,553)
Total distributions to owners	-	-	-	(11,827,553)	(11,827,553)
Balance at 30 September 2013 - restated	43,009,284	836,000	5,132,500	285,049,179	334,026,963
Balance at 01 July 2014	43,009,284	836,000	5,770,000	346,055,921	395,671,205
Transfer to self insurance reserve	-	-	213,059	(213,059)	-
Charged to self insurance reserve	-	-	(559)	559	-
Total comprehensive income for the quarter					
Profit for the quarter	-	-	-	28,310,074	28,310,074
Other comprehensive loss for the quarter	-	-	-	(521,717)	(521,717)
Total comprehensive income for the quarter	-	-	-	27,788,357	27,788,357
Transactions with owners, recorded directly in equity					
Total distributions to owners	-	-	-	-	-
Balance at 30 September 2014	43,009,284	836,000	5,982,500	373,631,778	423,459,562

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.



Chief Executive



Director

For the Quarter ended 30 September 2014

1 LEGAL STATUS AND OPERATIONS

Oil and Gas Development Company Limited (OGDCL), "the Company", was incorporated on 23 October 1997 under the Companies Ordinance, 1984. The Company was established to undertake exploration and development of oil and gas resources, including production and sale of oil and gas and related activities formerly carried on by Oil and Gas Development Corporation, which was established in 1961. The registered office of the Company is located at OGDCL House, Plot No. 3, F-6/G-6, Blue Area, Islamabad, Pakistan. The Company is listed on all the three stock exchanges of Pakistan and its Global Depository Shares (1GDS = 10 ordinary shares of the Company) are listed on the London Stock Exchange.

Government of Pakistan (GoP) through the Privatization Commission, intends to further divest upto 10% of its equity holding in the Company through issuance of shares and Global Depository Shares (GDSs). The GDSs will be listed on the London Stock Exchange.

2 BASIS OF PREPARATION

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

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

3 ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

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

As disclosed in detail in note 3.1.2 to the financial statements for the year ended 30 June 2014, during 2014, the Company changed its accounting policy for defined benefit plans.

The effect of change in accounting policy for remeasurement of employee retirement benefit plans on the condensed interim profit and loss account and the condensed interim statement of comprehensive income for the quarter ended 30 September 2013 has not been accounted for since the actuarial valuation was carried out as at 31 December 2013. The Company believes that the financial impact is not material in the context of this condensed interim financial information.

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

For the Quarter ended 30 September 2014

		Unaudited 30 September 2014	Audited 30 June 2014
		----- (Rupees '000) -----	
4	TRADE AND OTHER PAYABLES		
	Note		
		13,446	1,534
	Creditors		
	Payable to Government of Pakistan - on account of Kunnar discount	2,085,112	2,085,112
	Accrued liabilities	6,126,988	5,461,545
	Royalty payable	6,112,753	5,030,253
	Excise duty payable	247,113	263,989
	General sales tax payable	1,714,512	1,843,507
	Provincial sales tax payable	-	7,528
	Payable to joint venture partners	4,986,729	4,554,969
	Retention money	2,532,172	1,617,016
	Trade deposits	126,710	73,478
	Employees' pension trust	7,468,223	11,791,096
	Workers' profit participation fund - net	2,188,414	-
	Un-paid dividend	5,231,774	13,936,304
	Un-claimed dividend	169,632	416,219
	Payable to benevolent fund	17	15
	Advances from customers	747,094	873,443
	Other payables	660,685	89,559
		<u>40,411,374</u>	<u>48,045,567</u>

4.1 This represents payable to Ministry of Finance in respect of price discount on Kunnar crude sale, withheld by the Company due to related receivable from a customer and tax recoveries made by tax authorities. Also refer note 5.1.1 to the condensed interim financial information.

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

5 CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

5.1.1 During the year ended 30 June 2014, tax authorities raised demands of Rs 13,370 million by disallowing effect of price discount on sale of crude from Kunnar field. Upto 30 September 2014, the tax authorities have recovered Rs 3,532 million (30 June 2014: Rs 1,375 million) from the Company. The Company has filed an appeal before Appellate Tribunal Inland Revenue (ATIR) which is currently pending. Management is of the view that the price discount is not income of the Company and hence not liable to tax. Accordingly, management is confident that the matter will be resolved in favour of the Company as the discounted price for Kunnar field was finally determined by the Ministry of Petroleum and Natural Resources (MNPR) and major portion of price discount amount was paid to the GoP during the year ended 30 June 2014 upon directions from the Ministry of Finance, to this effect.

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

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

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

For the Quarter ended 30 September 2014

5.2 Commitments

5.2.1 Commitments outstanding at quarter end amounted to Rs 52,228.705 million (30 June 2014: Rs 47,553.857 million). These include amounts aggregating to Rs 29,245.220 million (30 June 2014: Rs 27,035.950 million) representing the Company's share in the minimum work commitments under Petroleum Concession Agreements.

5.2.2 Letters of credit issued by various banks on behalf of the Company in ordinary course of the business, outstanding at the quarter end amounted to Rs 25,493.409 million (30 June 2014: Rs 28,731.248 million).

5.2.3 The Company's share of associate commitments for capital expenditure based on the financial statements of associate for the year ended 30 June 2014 was Rs 1,782 million (31 March 2014: Rs 1,197 million).

		Unaudited 30 September 2014	Audited 30 June 2014
		----- (Rupees '000) -----	
6 PROPERTY, PLANT AND EQUIPMENT	Note		
Carrying amount at beginning of the quarter/ year		71,803,994	52,605,226
Additions/adjustments during the quarter/ year	6.1	7,112,482	25,086,393
Book value of disposals		(3,157)	(25,397)
Depreciation for the quarter/ year		(1,352,788)	(5,485,142)
Impairment charge for the quarter/ year		-	(135,668)
Revision in estimate of decommissioning cost during the quarter/ year		-	(241,418)
Carrying amount at end of the quarter/ year		<u>77,560,531</u>	<u>71,803,994</u>
6.1 Additions/adjustments during the quarter/ year			
Freehold land		-	364
Buildings, offices and roads on freehold land		5,040	527,424
Buildings, offices and roads on leasehold land		10,532	973,440
Plant and machinery		1,275,790	11,190,956
Rigs		(602,037)	2,950,401
Pipelines		16,481	1,425,869
Office and domestic equipment		92,807	61,249
Office and technical data computers		25,570	195,848
Furniture and fixture		3,830	12,490
Vehicles		43,519	352,682
Decommissioning cost		-	(397,025)
Capital work in progress (net)		5,215,789	6,728,832
Stores held for capital expenditure (net)		1,025,161	1,063,863
		<u>7,112,482</u>	<u>25,086,393</u>

7 DEVELOPMENT AND PRODUCTION ASSETS - INTANGIBLES

Carrying amount at beginning of the quarter/ year	74,329,473	74,651,460
Additions during the quarter/ year	3,667,611	18,189,251
Transfer from exploration and evaluation assets during the quarter/ year	2,088,923	1,244,211
Amortization charge for the quarter/ year	(4,771,858)	(18,061,296)
Impairment charge for the quarter/ year	-	(585,192)
Reversal of impairment during the quarter/ year	-	583,758
Revision in estimate of decommissioning cost during the quarter/ year	-	(1,692,719)
Carrying amount at end of the quarter/ year	<u>75,314,149</u>	<u>74,329,473</u>

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

For the Quarter ended 30 September 2014

		Unaudited 30 September 2014	Audited 30 June 2014
8	EXPLORATION AND EVALUATION ASSETS	----- (Rupees '000) -----	
	Note		
	Balance at beginning of the quarter/ year	7,913,076	4,811,334
	Additions during the quarter/ year	2,956,730	8,784,888
		10,869,806	13,596,222
	Cost of dry and abandoned wells during the quarter/ year	(2,032,857)	(4,438,935)
	Cost of wells transferred to development and production assets during the quarter/ year	(2,088,923)	(1,244,211)
		(4,121,780)	(5,683,146)
		6,748,026	7,913,076
	Stores held for exploration and evaluation activities	1,923,127	1,724,712
	Balance at end of the quarter/ year	8,671,153	9,637,788
9	LONG TERM INVESTMENTS		
	Investment in related party - associate, quoted		
	Mari Petroleum Company Limited (MPCL)	388,241	375,807
	Investments held to maturity		
	Term Deposit Receipts (TDRs)	5,345,000	5,345,000
	Investment in Pakistan Investment Bonds	52,548,520	52,672,701
	Investment in Term Finance Certificates	82,000,000	82,000,000
		139,893,520	140,017,701
		140,281,761	140,393,508

9.1 These represent investments in local currency TDRs. Face value of these investments is Rs 5,345 million (30 June 2014: Rs 5,345 million) and carry effective interest rate of 10.75% (30 June 2014: 10.75%) per annum. These investments are due to mature within next 12 months, however, these have not been classified as current assets based on the management's intention to reinvest them in the like investments for a longer term.

9.2 This represents investment in Pakistan Investment Bonds (PIBs) carrying interest rate of 11.50% per annum. These PIBs were issued on 19 July 2012 for a period of five (5) years maturing on 19 July 2017.

9.3 This represents investment in Privately Placed Term Finance Certificates (TFCs) issued by Power Holding (Private) Limited (PHPL). National Bank of Pakistan executed the transaction on 10 September 2012 as Trustee. These TFCs are secured by Sovereign Guarantee, covering the principal, markup, and/or any other amount becoming due for payment in respect of investment in TFCs. TFCs are for a period of seven (7) years including grace period of three (3) years carrying interest rate of KIBOR + 1%, payable semi-annually. The principal portion of these TFCs shall be repaid in eight (8) equal installments starting from 42nd month of date of transaction. The interest due as of 30 September 2014 is Rs 9,215 million (30 June 2014: Rs 6,911 million) of which Rs 8,688 million (30 June 2014: Rs 4,083 million) was past due as of the balance sheet date.

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

For the Quarter ended 30 September 2014

	Unaudited 30 September 2014	Audited 30 June 2014
	----- (Rupees '000) -----	
10 TRADE DEBTS		
Un-secured, considered good	97,951,864	100,510,995
Un-secured, considered doubtful	112,782	112,782
	98,064,646	100,623,777
Provision for doubtful debts	(112,782)	(112,782)
	<u>97,951,864</u>	<u>100,510,995</u>

10.1 Trade debts include overdue amount of Rs 53,740 million (30 June 2014: Rs 53,265 million) mainly on account of Inter-Corporate Circular debt, receivable from oil refineries and gas companies. Since the Government of Pakistan (GoP) is pursuing for satisfactory settlement of Inter-Corporate Circular debt issue, the Company considers this amount to be fully recoverable.

11 LOANS AND ADVANCES

This includes an amount of Rs 3,180 million (30 June 2014: Rs 3,180 million) paid under protest to Federal Board of Revenue (FBR) on account of sales tax demand raised in respect of capacity invoices from Uch Gas Field for the period from July 2004 to March 2011. Based on Sales Tax General Order (STGO) 1 of 2000 dated 24 January 2000, the matter was argued before various appellate forums, however, the Supreme Court of Pakistan finally decided the issue against the Company on 15 April 2013. Further, the FBR granted time relaxation to the Company for issuance of debit note for an amount of Rs 750 million for the period April 2011 to May 2012. Uch Power Limited (UPL) challenged the grant of time relaxation to the Company by FBR before Islamabad High Court. On 27 December 2013, the Honourable Court decided the matter in favour of the Company. In light of the Islamabad High Court decision, the Company has applied to FBR for obtaining condonation of time limit for issuing debit notes to UPL for the remaining amount of Rs 3,180 million for the period from July 2004 to March 2011 and currently the matter is pending with FBR.

UPL has filed an Intra Court appeal against the decision of the Islamabad High Court. Management is confident that the Intra Court appeal by UPL will also be decided in favour of the Company.

	Unaudited 30 September 2014	Audited 30 June 2014
	----- (Rupees '000) -----	
12 INCOME TAX - ADVANCE		
Note		
Income tax - advance/ (provision for taxation) at beginning of the quarter/ year	14,319,141	(2,238,065)
Income tax paid during the quarter/ year	14,502,408	53,272,836
Income tax recovered by tax authorities during the quarter/ year	2,157,590	1,374,654
Provision for current taxation for the quarter/ year - Profit and loss account	(12,781,408)	(52,258,517)
Tax credit related to remeasurement loss on employee retirement benefit plans for the quarter/ year - other comprehensive income	537,454	13,204,249
Provision for taxation - prior years	(1,099,378)	963,984
Income tax - advance at end of the quarter/ year	<u>17,635,807</u>	<u>14,319,141</u>

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

13 OTHER FINANCIAL ASSETS

Investments:

At fair value through profit or loss - NIT units
Investment in Term Deposits

	266,061	275,551
13.1	44,697,214	37,261,746
	<u>44,963,275</u>	<u>37,537,297</u>

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

For the Quarter ended 30 September 2014

- 13.1 This represents foreign currency TDRs amounting to USD 338.964 million (30 June 2014: USD 319.401 million), carrying interest rate ranging from 3.30% to 4.75% (30 June 2014: 3.25% to 3.95%) per annum, having maturities between one month to six months. These also include local currency TDRs amounting to Rs 9,750 million (30 June 2014: Rs 5,587 million), carrying interest rate of 9.40% to 10.05% (30 June 2014: 9.85% to 9.90%) per annum having maturities up to three months.

	Unaudited Quarter ended 30 September 2014	Unreviewed & Unaudited 2013
	----- (Rupees '000) -----	

14 SALES - net

Gross sales

Crude oil	31,992,135	31,719,721
Gas	36,942,164	35,430,625
Liquefied petroleum gas	1,716,764	1,209,956
Sulphur	262,969	252,362
Other operating revenue	18,971	12,674
	<u>70,933,003</u>	<u>68,625,338</u>

Government levies

Excise duty	(878,673)	(904,822)
General sales tax	(5,658,358)	(5,304,091)
	<u>(6,537,031)</u>	<u>(6,208,913)</u>
	<u>64,395,972</u>	<u>62,416,425</u>

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

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

	Unaudited Quarter ended 30 September 2014	Unreviewed & Unaudited 2013
	----- (Rupees '000) -----	

15 OTHER INCOME

Interest income	4,529,190	4,427,093
Dividend income from NIT units	18,615	17,026
Un-realized (loss) on investments at fair value through profit or loss	(9,489)	(8,627)
Exchange gain - net	1,583,018	2,364,505
Others	159,025	625,045
	<u>6,280,359</u>	<u>7,425,042</u>

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

For the Quarter ended 30 September 2014

	Unaudited Quarter ended 30 September 2014	Unreviewed & Unaudited Quarter ended 30 September 2013
	----- (Rupees '000) -----	
16 TAXATION		
Current		
- for the quarter	12,781,408	12,265,509
- for prior period	1,099,378	-
	13,880,786	12,265,509
Deferred		
- for the quarter	88,286	197,549
- for prior period	(699,272)	-
	(610,986)	197,549
	13,269,800	12,463,058

17 EARNINGS PER SHARE - BASIC AND DILUTED

Profit for the quarter (Rupees '000)	28,310,074	33,588,495
Average number of shares outstanding during the quarter ('000)	4,300,928	4,300,928
Earnings per share - basic (Rupees)	6.58	7.81

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

18 RELATED PARTIES TRANSACTIONS

Government of Pakistan owns 74.97% (30 June 2014: 74.97%) shares of the Company. Therefore, all entities owned and controlled by the Government of Pakistan are related parties of the Company. Other related parties comprise associated company, major shareholders, directors, companies with common directorship, key management personnel and employees pension trust. The Company in normal course of business pays for electricity, gas and telephone to entities controlled by Government of Pakistan which are not material, hence not disclosed in this condensed interim financial information. Transactions of the Company with related parties and balances outstanding at the quarter end are as follows:

	Unaudited Quarter ended 30 September 2014	Unreviewed & Unaudited Quarter ended 30 September 2013
	----- (Rupees '000) -----	
Associated company		
Share of profit in associate - net of taxation	30,809	21,758
Major shareholders		
Government of Pakistan		
Dividend paid	7,255,217	8,867,488
Payable as at 30 September	2,085,112	-
Related parties by virtue of common directorship and GoP holdings		
Government Holdings (Private) Limited (GHPL)		
GHPL share (various fields)	13,222	25,999
Receivable as at 30 September	670,979	652,256
Power Holding (Private) Limited (PHPL)		
Markup earned	2,304,357	2,153,275
Receivable as at 30 September	91,214,958	91,474,235
State Bank of Pakistan		
Interest earned on Pakistan Investment Bonds (PIBs)	1,471,713	1,183,769
Receivable as at 30 September	51,956,469	51,956,469

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

For the Quarter ended 30 September 2014

	Unaudited Quarter ended 30 September 2014	Unreviewed & Unaudited Quarter ended 30 September 2013
RELATED PARTIES TRANSACTIONS - continued		
Pak Arab Refinery Company Limited		
Sale of crude oil	2,808,150	998,418
Trade debts as at 30 September	2,519,101	-
Advance as at 30 September	-	5,896,082
Sui Northern Gas Pipelines Limited		
Sale of natural gas	14,053,398	15,198,357
Purchase of high BTU value gas	1,203,952	621,269
Trade debts as at 30 September	11,851,822	12,063,189
Payable as at 30 September	1,098	1,098
Sui Southern Gas Company Limited		
Sale of natural gas	15,023,851	15,465,427
Pipeline rental charges	9,165	18,864
Trade debts as at 30 September	56,217,125	43,622,709
Pakistan State Oil Company Limited		
Purchase of petroleum, oil and lubricants	1,037,540	1,100,969
Trade debts as at 30 September	1,867	1,867
Payable as at 30 September	2,900	-
National Insurance Company Limited		
Insurance premium paid	166,104	85,521
National Logistic Cell		
Crude transportation charges paid	457,809	320,851
Payable as at 30 September	414,792	463,065
Enar Petrotech Services Limited		
Consultancy services	800	26,990
Sale of crude oil	3,143,547	3,671,080
Trade debts as at 30 September	1,715,057	2,055,890
Payable as at 30 September	5,147	5,147
Other related parties		
Contribution to staff benefit funds	6,018,406	2,838,462
Remuneration including benefits and perquisites of key management personnel	190,255	142,857

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

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

For the Quarter ended 30 September 2014

19 RISK MANAGEMENT

Financial risk management objectives and policies are consistent with that disclosed in the annual audited financial statements for the year ended 30 June 2014.

20 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

20.1 The members approved final cash dividend relating to the year ended 30 June 2014 at the rate of Rs 3 per share amounting to Rs 12,903 million in its annual general meeting held on 24 October 2014.

20.2 The Board of Directors approved interim cash dividend at the rate of Rs 2.50 per share amounting to Rs 10,752 million in its meeting held on 29 October 2014.

21 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on 29 October 2014 by the Board of Directors of the Company.

22 GENERAL

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



Chief Executive



Director



Oil & Gas Development Company Limited

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