

The graphic features a circular emblem with the text "OIL & GAS DEVELOPMENT COMPANY LIMITED" around the perimeter. In the center, the Urdu phrase "بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ" is written in white calligraphy. Below it, the Urdu phrase "فَبِأَيِّ آلَاءِ رَبِّكُمَا تُكَذِّبَانِ" is written in orange. Underneath that, a smaller Urdu phrase "تم اپنے رب کی کون کونسی نعمتوں کو جھٹلاؤ گے" is written in white, followed by "(سورۃ النحل)" in smaller white text. At the bottom, the English translation "Then which of the Blessings of your Lord will you deny" is written in white. The background of the graphic is a stylized map of Pakistan with green and brown tones.

**OGDCL MISSION STATEMENT**

To adopt and maintain a distinct commercial orientation with balanced, efficient and competitive structure to meaningfully explore and exploit indigenous resources for optimum production of oil and gas besides seeking opportunities abroad.

# Contents

## OIL & GAS DEVELOPMENT COMPANY LIMITED

Board of Directors	04
Corporate Information	06
Directors' Report	10
Auditors' Report to the Members	33
Balance Sheet	34
Profit and Loss Account	36
Cash Flow Statement	37
Statement of Changes in Equity	38
Notes to the Accounts	39
Pattern of Shareholding	60
Performance Over the Past Decade	62
Exploration Licences	78
Mining/Development & Production Leases	79
Location Maps	80
Reserves Status	83
Production Status	84

## PIRKOH GAS COMPANY (PRIVATE) LIMITED

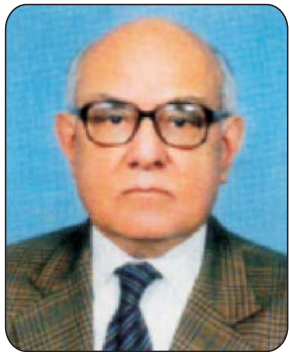
Corporate Information	86
Directors' Report	87
Auditors' Report to the Members	89
Balance Sheet	90
Profit and Loss Account	92
Cash Flow Statement	93
Statement of Changes in Equity	94
Notes to the Accounts	95
Pattern of Shareholding	105
Performance Over the Past Decade	106

## CONSOLIDATED ACCOUNTS

Auditors' Report to the Members	119
Balance Sheet	120
Profit and Loss Account	122
Cash Flow Statement	123
Statement of Changes in Equity	124
Notes to the Accounts	125
Performance Indicators	152



Board of



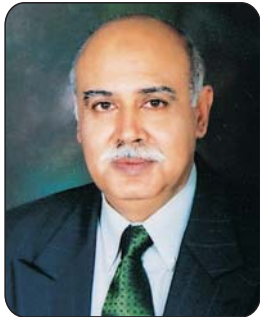
Mr. M. Afzal Khan  
Chairman



Mr. Muhammad Iqbal Awan



Mr. G. A. Sabri



Mr. Pervaiz Kausar



Mr. Pervez Hanif



Mr. Muhammad Bilal



Directors



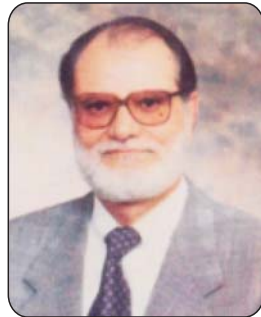
Mr. Najam K. Hyder  
Managing Director



Mr. Laeeq Ahmad



Mr. Bashir Ahmed Baloch



Mr. Maudood Ahmad Lodhi



Mr. Azam Faruque



Mr. M. Younas Khan



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Mr. M. Afzal Khan	Chairman
Mr. Najam K. Hyder	Managing Director
Mr. Muhammad Iqbal Awan	Director
Mr. G.A. Sabri	Director
Mr. Pervaiz Kausar	Director
Mr. Laeeq Ahmad	Director
Mr. Bashir Ahmad Baloch	Director
Mr. Maudood Ahmad Lodhi	Director
Mr. Pervez Hanif	Director
Mr. Muhammad Bilal	Director
Mr. Azam Faruque	Director
Mr. M. Younas Khan	Director

### COMPANY SECRETARY

Mr. Basharat A. Mirza

**AUDIT COMMITTEE**

Mr. M. Younas Khan, Director	Chairman
Mr. Muhammad Iqbal Awan, Director	Member
Mr. Azam Faruque, Director	Member
Mr. Maudood Ahmad Lodhi, Director	Member
Mr. Muhammad Bilal, Director	Member
Mr. Mukhtar H. Jaffery	Secretary

**TECHNICAL AND FINANCE COMMITTEE**

Mr. M. Afzal Khan, Chairman	Chairman
Mr. Najam K. Hyder, Managing Director	Member
Mr. Muhammad Iqbal Awan, Director	Member
Mr. G.A. Sabri, Director	Member
Mr. Maudood Ahmad Lodhi, Director	Member
Mr. Azam Faruque, Director	Member
Mr. Pervaiz Kausar, Director	Member
Mr. Laeeq Ahmad, Director	Member
Mr. Muhammad Bilal, Director	Member
Mr. Basharat A. Mirza	Secretary

**HUMAN RESOURCES COMMITTEE**

Mr. M. Afzal Khan, Chairman	Chairman
Mr. Najam K. Hyder, Managing Director	Member
Mr. G.A. Sabri, Director	Member
Mr. Maudood Ahmad Lodhi, Director	Member
Mr. Pervaiz Kausar, Director	Member
Mr. Pervez Hanif, Director	Member
Mr. Basharat A. Mirza	Secretary

**AUDITORS**

M/s Taseer Hadi Khalid & Co., Chartered Accountants

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

**LEGAL ADVISORS**

M/s Khokhar Law Chambers

**TAX ADVISORS**

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

**BANKERS**

Allied Bank of Pakistan Limited

Habib Bank Limited

Muslim Commercial Bank Limited

National Bank of Pakistan

United Bank Limited

**REGISTERED OFFICE/HEAD OFFICE**

OGDCL House

Plot No. 3, F-6/G-6, Blue Area,

Jinnah Avenue, Islamabad

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Fax: (051) 9209804-6, 9209708

Email: [csec.ogdcl.com](mailto:csec.ogdcl.com)

Website: [www.ogdcl.com](http://www.ogdcl.com)

## COMPANY PROFILE

## Senior Management Team

### Establishment

The Oil & Gas Development Company Limited (OGDCL) was created under an Ordinance in 1961, to undertake comprehensive exploratory programme and promote Pakistan's oil and gas prospects. In 1997, it was converted into a Public Limited Company and is now governed by the Companies Ordinance 1984.

Mr. Najam K. Hyder  
Managing Director

Mr. Khalid Atiq Ghazi  
Executive Director  
(Finance)

### Development

With a balanced, efficient and competitive structure, OGDCL explores and exploits indigenous resources for optimum production of oil and gas, besides seeking opportunities abroad.

Mr. Latif Ahmad Rana  
Executive Director  
(Drilling & Allied Services)

OGDCL has the largest acreage position in Pakistan and currently operates 17 exploration concessions and holds non-operated working interest in another 7 exploration concessions. In addition OGDCL has 35 Mining and Development & Production Leases which are operated by it besides having working interest ownership in 28 non-operated Mining and Development & Production Leases. OGDCL has an extensive database. Services of the Company's highly qualified and skilled expertise in the fields of geology and geophysics are frequently availed by the local and foreign oil companies. It also leases out its drilling rigs to the private sector and carries out seismic surveys and data processing on contract for these companies on extremely competitive rates.

Dr. Syed Muhammad Ahmed  
Executive Director  
(Exploration)

Mr. Mubbashar A. Zafar  
Executive Director  
(Administration)

Mr. Aftab Ahmad  
General Manager  
(Finance/Corporate Affairs/Joint Ventures)

OGDCL now holds the largest share of oil and gas reserves in the country, i.e., 48% of total oil and 37% of total gas reserves. Its percentage share of the total oil and gas production in Pakistan is 34% and 28% respectively. On the basis of its activities since inception, the company has until June 30, 2003 made 59 discoveries with a success ratio of 1:3. OGDCL's updated estimates for remaining recoverable oil and gas reserves as on 1st July, 2003, stood at 9.228 billion standard cubic feet (BSCF) of gas and 164.25 million barrels of oil including company's share in non-operated Joint Ventures.

Mr. Mukhtar H. Jaffrey  
General Manager  
(Internal Audit)

Mr. Muhammad Riaz Khan  
Acting General Manager  
(Production & Process)

During the last 42 years OGDCL has grown into a technically and commercially viable organization

Mr. M. Zafarullah Ch.  
Acting General Manager  
(Projects)

### Human Resource Base

OGDCL possesses the largest professional/ technical human resource base in the country's oil and gas industry and has developed a highly qualified pool of professionals who can undertake and supervise almost all phases of oil and gas exploration and production, from carrying out preliminary geological surveys to operation of oil and gas processing plants.

Brig. (R) M. Humayun Khan  
General Manager  
(Procurement & Stores)

Mr. Afzal Choudhri  
General Manager  
(Oil & Gas Training Institute)

### Equipment and Operational Base

OGDCL has also developed a sound equipment and operational base which includes nine Drilling Rigs, two work over Rigs, a Geological Field Party, six Seismic Parties, five Engineering Field Parties, two Gas Gathering and Pipeline Construction Parties, Seismic Data Processing Centre and a Geological Analysis Laboratory, Cementing Units and Data Logging Units. The Company also operates nine Oil and Gas Processing Plants, including a Mini-Refinery, Sulphur Recovery Plant, and Liquefied Petroleum Gas Plants.

Col. (R) K. M. Sherbaz Khan  
General Manager  
(Civil & Engineering Support Services)

Air Cdre. (R) Saleem Iftikhar  
General Manager  
(Systems Support)

## DIRECTORS' REPORT

The Board of Directors of Oil & Gas Development Company Limited (OGDCL) have pleasure in presenting the sixth Annual Report and Audited Financial Statements together with Auditors' Report thereon for the year ended June 30, 2003.

The year 2002-03 was a successful one for OGDCL, the national oil company which has come to play a pivotal role in the petroleum sector as the owner of the largest exploration acreage, highest oil and gas reserves and diversified range of operations spread over in all four provinces of the country encompassing almost every type of activity in the petroleum sector, both upstream and downstream.

During the year OGDCL made six new discoveries as well as substantially increased its profitability, while simultaneously pursuing its strategic goals of accelerating and increasing the quantum of exploration and drilling activity; optimization of production from existing fields and early commercialization of discoveries; developing a sound and competent human resource base by training and experience on the job and through structured training programs in the various required disciplines; implementing and adhering to the health, safety and environment regulations; and, streamlining of the organization's standard operating procedures and systems so as to enhance efficiency, productivity, cost effectiveness and to ensure transparency.

OGDCL continues to make tireless efforts to contribute towards Pakistan's self-sufficiency in the petroleum sector and aims to assist in this national goal, by undertaking coordinated activity to meet its commitments under various concessions granted from time to time; exploring the available blocks to their optimum and extending the exploratory efforts to high risk but potentially high reward prospective frontier areas in the Indus and Balochistan basins and also offshore by utilizing state of the art seismic techniques and conducting technical & economic evaluations to prioritize all exploration blocks in terms of their prospectivity so that promising drillable structures are delineated.

It is OGDCL's endeavour to utilize all its available resources in a cost effective and efficient manner so as to enhance its reserves and production levels by exploratory and development drilling; workovers; implementing latest optimization techniques to improve recovery from older fields utilizing latest technological advances and earliest possible completion of field development projects to bring the new discoveries on stream in the shortest possible time.

Given the creativity, enthusiasm, commitment and dedication of OGDCL professionals; their continually improving skills due to on the job exposure and practical experience; stress on structured training; development of an in-house versatile capability as a result of the policy of reliance on indigenous expertise wherever feasible; and, major investments in equipment to keep abreast of technological advances in the industry OGDCL expects to achieve its objectives in near future.



## OPERATING RESULTS AND OTHER FINANCIAL INFORMATION

OGDCL's financial management strategy is to effectively deploy its resources while minimizing the financial risk by informed strategic decision making by its management.

OGDCL's financial results as at June 30, 2003 from its operations for the year then ended are summarized below:

	Rupees in million	
	2002-03	2001-02
Profit before taxation	26,417	25,687
Provision for taxation	(5,744)	(8,913)
Profit after taxation	20,673	16,775
Un-appropriated profit brought forward	31,762	25,801
	52,435	42,576
<b>APPROPRIATIONS</b>		
Transfer to contingency reserve fund	913	63
Transfer to reserve for issue of bonus shares	17,531	-
Dividend @ 120% (2001-02 : 100%)	12,903	10,752
	31,347	10,815
Un-appropriated profit carried forward	21,088	31,761
<b>Other financial information</b>		
Gross Revenues less Government levies	47,058	41,845
Total Assets	84,922	75,341
Working Capital	37,585	29,535
Contribution to National Exchequer	34,662	32,989
Workers' Profit Participation Fund contribution	1,390	1,352
Earnings per Share (Rs.)	19.23	15.60
Current Ratio (Times)	6.8	5.1
Acid Test Ratio (Times)	5.9	4.2
Return on Capital Employed (%)	34%	31%



Sales have increased due to increase in crude oil sale quantities by 10.77% and in gas sale quantities by 11.60%. Average price of crude oil also increased from Rs 1,211 to Rs 1,417 per barrel and gas from Rs 105 to Rs 109 per MCF, which have mainly contributed towards improved results.

#### DIVIDEND

An interim dividend of 93 % (2001-02 : 100%) of the par value of shares was declared / paid by the Company for the year 2002-03, and a final dividend of 27% (2001-02 : NIL) is being proposed.

#### REVIEW OF OPERATIONS AND PERFORMANCE HIGHLIGHTS

##### OVERALL SUMMARY

To meet all OGDCL's critical operational requirements, the equipment, machinery, plants and infrastructure facilities are regularly maintained in-house in a reliable operable condition by trained and experienced personnel under planned maintenance schedules.

OGDCL struck 6 discoveries, 4 in Sinjhor Block and 2 in Nim Exploration Licence area near Hyderabad, Sindh, during the period under review. These discoveries after evaluation and required appraisal/development are expected to contribute substantially in future years in increasing the production capacity of the Company.

During the period OGDCL spudded a total of 17 wells (15 exploratory and 2 appraisal / development wells). In addition, Workovers were carried out at 9 wells. Work on 5 major development projects is currently in progress of which 3 are expected to be completed and commissioned during 2003-04.

OGDCL's daily sale of major products (including share in Joint Ventures) during the period was as follows:-

Crude Oil <sup>1</sup>	28,525 Barrels
White Petroleum Products <sup>1</sup>	2,603 Barrels
Gas <sup>2</sup>	761 MMscf
Liquified Petroleum Gas <sup>1</sup>	274 M. Tons
Sulphur <sup>1</sup>	48 M. Tons

1. Oil, White Petroleum Products, LPG and Sulphur per day production is calculated at 330 days whereas gas has been calculated at 360 days year basis..

2. Excludes subsidiary Company's production which has been shown separately.

#### DISCOVERIES

The Company made an oil and gas discovery at Norai Jagir in Nim Concession in the Hyderabad district of Sindh. The discovery was made by OGDCL as an operator in a joint venture with OPI and Government Holdings. During initial short duration test, the well produced 410 barrels of oil per day and 10 MMscf of gas at a wellhead flowing pressure of 2100 Psi.



OGDCL made an oil/condensate & gas discovery at Chak-07A in the Sinjhor Exploration Licence area which lies in Sanghar District, Sindh. During the initial test the well produced 800 barrels of condensate per day having an API gravity of 51 degrees with 5 MMscf of gas per day at a well head flowing pressure of 1200 Psi.

Bhulan Shah well No. 1 structure in Nim Exploration Licence was delineated, drilled and tested with in-house OGDCL expertise. The well was drilled down to a depth of 2,309 meters. Initial duration test in Zone-1 in massive sands on 32/64 inch choke size produced 260 barrels of condensate per day and 8.10 MMscf of gas per day at a wellhead flowing pressure of 1,480 Psi.

The Chak-2 well No.1, also located in Sinjhor block, yielded oil & gas in commercial quantities. The well, on initial testing through half-inch choke flowed oil and gas at the rate of 425 barrels per day of condensate and 11 MMscf of gas.

The discovery of Resham well No.1, also located in the Sinjhor Exploration Licence, on initial testing through half-inch choke produced 1,400 barrels per day of condensate and 6 MMscf of gas.

Another discovery of Hakeem Daho in Sinjhor Block was made on December 2, 2002. The well on initial testing through half-inch choke produced 400 barrels per day of oil and 8.5 MMscf of gas.

#### Strategy for development of new discoveries on fast track basis

OGDCL as the operator in a Joint Venture with OPI and Government Holdings have made 08 discoveries in Sinjhor and Nim Exploration Blocks in the southern region since March 2002. In order to appraise and develop these fields on a fast-track basis extended well testing has been carried out at 2 wells and plans are in hand for extended well testing of others in a phase-wise sequence to complete the initial formalities for declaration of commerciality.

#### Status of recoverable reserves

OGDCL remaining recoverable reserves as on June 30, 2003 including its share in the non-operated Joint Ventures stood at 164 million (proven + probable) stock tank barrels of oil and 9,228 billion standard cubic feet (Bcf) of gas. The break-up is as follows:

<b>Oil</b>	
OGDCL operated	131 million barrels
OGDCL share in non-operated JVs	33 million barrels
Total:	164 million barrels

<b>Gas</b>	
OGDCL operated	7,043 Bcf
PGCL	1,161 Bcf
OGDCL share in non-operated JVs	1,024 Bcf
Total:	9,228 Bcf



**Production**

During the year under review, OGDCL's production averaged 21,447 barrels per day oil, 741 MMscfd gas, 198 metric tons per day LPG and 48 metric tons per day sulphur. This does not include its share of production in non-operated Joint Ventures.

OGDCL's daily sale of major products (including share in Joint Ventures) during the period averaged crude oil 28,525 barrels per day oil, 2,603 barrels per day white petroleum products, 761 MMscfd gas, 274 metric tons per day LPG and 48 metric tons per day sulphur.

OGDCL achieved a landmark when gas sales target touched 800 MMscfd. Enhancement in oil production of 1000 barrels per day was also achieved with the help of rig workovers, optimizing parameters of jet pump, wash/stimulation jobs and close monitoring of well behaviour.

After the completion of on-going oil and gas field development projects; Bobi, Chanda, capacity enhancement from Dakhni, gas enhancement from Qadirpur and bringing on stream the newly discovered oil / condensate wells in the South which are presently under extended well testing in phase-wise sequence OGDCL will substantially enhance its production level by 10,000 - 12,000 barrels per day oil, 100-150 MMscfd gas, 200 metric tons LPG and 90 metric tons sulphur.

**Exploration**

OGDCL has the largest acreage position in Pakistan and as on June 30, 2003 was operating 17 exploration concessions covering 23,666.51 Sq. Kms and holding non-operating working interests in another 7 concessions.

During the year under review, 2,502 Linear Km (L.Km) of Seismic survey was carried out.

Seismic Processing continued within the company with the existing Seismic Data Processing System, and efforts were made to outsource some of the data.

**Drilling and work over activities**

During the year under review, 17 wells (15 exploratory and 2 appraisal/development wells) were spudded and a total of 48,438 meters of drilling was carried out. In addition, workover operations at 9 wells were also carried out. OGDCL substantially increased its drilling activities in the year under review. Drilling operations were optimized with the use of PDC bits, improved BHA design, better drilling technique and improvement in preventive maintenance standards of rig equipment. Casing policy was also revised on some wells and this resulted in lesser drilling time and substantial savings. Advanced telecommunications system has been installed on all drilling rigs which has greatly



improved communication with rig sites. Wire-line Logging Acquisition System continued to be up-graded for recording of all the basic down-hole data on drilled formation objectives, which were successfully tested in all wells.

**OPERATIONS OF SUBSIDIARY PIRKOH GAS COMPANY (PVT) LIMITED (PGCL)**

Due to natural depletion of the field, the production and consequently the sales and the profitability of PGCL have declined during the period under review. Besides, there were water hold-ups in some of the wells as confirmed by results of pressure survey tests carried out by M/s Halliburton. The sale of natural gas averaged 67 MMscfd.

An in-house reservoir study undertaken is at finalization stage and, based on the recoverable reserves estimates and recommendations, a work program will be implemented to try and enhance gas production through workovers, well stimulation and Nitrogen kick-off jobs.

It is also planned during the year to try and identify, through modern seismic data interpretation techniques, new potential gas production zones in deeper horizons, and, if indications are encouraging to undertake exploratory drilling.

Meanwhile, to improve utilization of the surplus capacity presently available at PGCL's compression plant installed at Pirkoh and continue gas supply from OGDCL's Loti field, where pressures have dropped, necessary arrangements have been put in place by OGDCL to utilize Sui Southern Gas Company Limited's Pirkoh to Loti gas pipeline so that around 40 MMscfd low pressure gas from OGDCL's Loti gas field can be diverted to Pirkoh compression plant and compressed along with Pirkoh gas up to the required pressure range of 750-780 Psi to ensure supply at SNGPL's in-take point.

**STATUS OF CONCESSIONS**

Currently OGDCL is operator in 17 Exploratory Blocks and working interest owner in 7 non-operated blocks. In addition OGDCL has 35 Mining and D&PL leases (9 mining leases granted in accordance with The Pakistan Petroleum (Production) Rules 1949 and 26 granted in accordance with The Pakistan Petroleum (Exploration and Production) Rules 1986), which are operated by it. OGDCL also has working interest ownership in 28 non-operated Mining and Development & Production Leases. Latest status of the Concessions is given below.

**Concessions 100% owned by OGDCL****Garhi Discovery Area (29 Sq. Km)**

Basal Exploration License covering an area of 1,653.98 Sq. Km located in Attock and Rawalpindi



Districts of Punjab was relinquished. During the third one year renewal of the Concession, a well at Garhi was spudded on November 5, 1999 and drilled to 5,267 meters, bottomed in Lockhart Formation of Paleocene age. Oil and gas was discovered, and an application for additional one year renewal for appraisal and evaluation of discovery area was submitted to the Government, which was granted w. e. f. December 24, 2001 with a commitment to drill one well to the depth of 4,800 meters or to the top of Eocene whichever was earlier. The committed well was spudded on June 12, 2002. It was drilled to a total depth of 5,300 meters and logged. Several zones of interest in the Lockhart, Patala and Sakeser formations were selected for a comprehensive testing program which is currently under progress.

#### **Jandran Exploration Licence (E.L.)**

Jandran Exploration License covering an area of 408 Sq. Km is located in Loralai District and Kohlu Agency of Balochistan Province. After detailed geological and geophysical studies, OGDCL drilled 3 exploratory wells to evaluate the hydrocarbon potential of the Moghulkot Formation. Third annual renewal was granted with effect from November 13, 1999 with the obligation to drill an exploratory well to the depth of 1,150 meters on top of Parh Formation. OGDCL, however, could not delineate any subsurface drillable structure due to poor seismic data, and further work could not be undertaken due to security problems. Force Majeure was, therefore, declared over the area w. e. f. May 7, 2000. Efforts were again made in May 2003 to acquire 37 Linear Km seismic data. However, the seismic party was unable to acquire the data due to safety problems for the crew and equipment.

#### **Al-Rehman E. L. (Block No. 3170-1)**

Al-Rehman Exploration Licence comprising an area of 2,063.92 Sq. Km, located in South Waziristan Agency, D. I. Khan, NWFP & Musa Khel Bazar, Zhob, Balochistan was granted w. e. f. November 5, 2002. The minimum work commitment entails geological and geophysical studies, seismic data acquisition and processing of 30 L. Km reprocessing of 100 L. Km old seismic data and drilling of an optional exploratory well to the top of Pab or 2,500 meters whichever is earlier. A seismic data acquisition program of about 284 L. Km was started in April 2003.

#### **Fateh Jang E. L. (Block No. 3372-14)**

The Fateh Jang Exploration Licence comprising an area of 2,136.46 Sq. Km, is located in Rawalpindi & Attock Districts of Punjab Province and Islamabad Capital Territory. The area was granted to OGDCL on November 5, 2002. The minimum work commitment entails G&G studies, review of previous data, acquisition, processing and interpretation of 50 L.Km 2-D seismic data, 100 sq. km 3-D seismic data and drilling of one optional exploratory well to a depth of 3,000 meters or Lockhart Formation whichever is earlier. Acquisition of seismic data has started in the western part of the Block.



#### **OGDCL OPERATED JOINT VENTURES**

OGDCL holds 95% working interest in the following concession areas, the remaining 5% (carried) working interest is held by Government Holdings (Private) Limited (GHPL):

#### **Bitrisim E. L. (Block No. 2568-4)**

Bitrisim Exploration License located in Districts Nawabshah, Khairpur and Sanghar of Sindh province was granted with effect from September 27, 1997. The minimum work commitment entailed purchasing and reprocessing of 500 L. Km seismic data, acquisition, processing & interpretation of 400 L.Km seismic data; and, drilling of 3 exploratory wells. Against the aforementioned commitment, 580 L.Km of seismic data was reprocessed and 948 L.Km data was acquired and interpreted, but only 1 structure was delineated and drilled in December, 1999, but plugged and abandoned due to mechanical failure. OGDCL invoked Article 3.8c of the Petroleum Concession Agreement and sought six months extension to drill and complete a substitute well. The extension was sought to export seismic data for reprocessing to M/s Spectrum, Houston, USA, and, based on the results, delineate structure and fulfill OGDCL's obligation. Since the seismic data could not be exported, M/s Schlumberger in Pakistan interpreted the data and identified 2 leads and 1 drillable prospect, Fateh-1, which was drilled and found to be dry and hence abandoned. Another extension was granted to spud Bitrisim X-1 (Chak-43) after Fateh-1 well was drilled and completed. Chak - 43 too, was drilled and was found to be dry and hence abandoned. Later, Kashmiri Goth was spud and completed on March 3, 2003. The well was tested for hydrocarbons in the Goru Formation sands with negative results. Further evaluation of the block continued during 2003.

#### **Khajuri E.L. (Block No. 3069-3)**

Khajuri Exploration Licence comprising an area of 1,366.04 Sq. Km, located in Musa Khel Bazar, Loralai and Zhob in Balochistan was granted on April 16, 2002. The minimum work commitment in the block is G&G studies, acquisition of 30 L.Km seismic data, processing, interpretation and integration of G&G studies and drilling of one optional exploratory well upto 1,500 meters or Parh Formation whichever is earlier. 112 L.Km of 2-D seismic data was acquired. Processing of the seismic data alongwith interpretation is in progress.

#### **Kharar E. L. (Block No. 3070-5)**

This block is located in District D.G. Khan, Punjab and District Barkhan, Balochistan. The area was granted w. e. f. March 27, 1999. The work program entailed G&G studies, interpretation of satellite images and 200 L.Km of geological field-work, 50 L.Km of seismic acquisition and processing, interpretation and integration of G&G data. All this work program has been completed. The work commitment also contained a drill or drop option after 23 months i.e., by February 27, 2001. A drillable prospect was delineated, but due to rough topographical features, work on the access road to the



drilling location could not be completed in time. The Director General Petroleum Concessions (DGPC) granted an extension upto June 26, 2003. The well, Shadani-1 was spud in June 2003 and is currently under drilling.

**Khewari E. L. (Block No. 2568-3)**

The block covering an area of 1,625.36 Sq. Km, is located in Khairpur & Nawabshah Districts of Sindh province, and was assigned to OGDCL on December 29, 1999 with a minimum work commitment to purchase and reprocess 300 L.Km of old seismic data and acquire, process & interpret 200 L. Km of new seismic data, and to drill 2 exploratory wells each to the total depth of 10,000 feet or Lower Goru Formation whichever is shallower. Against the aforementioned commitment, 257.4 L. Km seismic data was acquired. As a result, 2 prospects were identified. The first prospect, Khabar well No. 1, was drilled and abandoned as a dry hole, while Dangi-1 has been marked on ground. Civil Engineering work is in progress. Acquisition of additional 150 L. Km seismic data was planned, of which 120 L. Km has already been acquired.

**Nashpa E. L. (Block No. 3370-10)**

The area was previously held as Shakardara Exploration License wherein Chanda discovery was made. Thereafter, it was reapplied as Nashpa Exploration License and being the best bidder, was awarded to OGDCL on April 16, 2002. The minimum work commitment in the block entails acquisition, processing and interpretation of 100 L. Km 2-D seismic data and 100 Sq. Km 3-D seismic data, drilling of 1 well to 4,500 meters or 50 meters inside Datta Formation whichever is shallower. To-date 112 L. Km seismic data has been acquired and a 3-D seismic acquisition program is in planning stage.

**Nim E. L. (Block No. 2568-9)**

The block located in Hyderabad and Tharparkar Districts of Sindh province, covering an area of 326.74 Sq. Km was granted w. e. f. December 29, 1999 with a minimum work commitment to acquire 100 Sq. Km 3-D seismic data and drill four exploratory wells each up to the total depth of 2,000 meters or Lower Goru Formation whichever is earlier. So far 100 Sq. Km 3-D seismic data and 46 L. Km. 2-D seismic data have been acquired. 2-D mapping in the western part of the block at the top of Lower Goru Formation has also been completed. As a result, 4 prospects, namely Norai Jagir, Bhulan Shah, Saleh and Bahadur were identified. Two of the four wells drilled, Norai Jagir and Bhulan Shah proved productive for hydrocarbons. The Block which now covers an area of 295 Sq. Km, is currently under first renewal period with a commitment to drill one exploratory well and carry out G&G studies which are currently in progress.

**Rakhni E. L. (Block No. 2969-2)**

Rakhni Exploration License is located in Districts Musa Khel, Barkhan and D.G. Khan in the provinces of Balochistan & Punjab, and covers an area of 2,826.83 Sq. Km. The area was granted w. e. f.



September 27, 1997. However, ever since it's grant, the case became subjudice at Lahore High Court, Rawalpindi Bench, as M/s Orient Petroleum Incorporated (OPI) had obtained a Stay Order. The Stay Order was vacated w. e. f. October 7, 1999 and in line with OGDCL's request, the term of the license was restated w. e. f. the date of settlement of the case in the Court. The work commitment entails review of existing data and fieldwork, acquire, process and interpret 150 L. Km seismic data. 212 L. Km geological fieldwork has been completed and 250 L. Km seismic data has been acquired and processed. First one year renewal of the area has been granted w.e.f. October 7, 2002 with commitment to drill one exploratory well to 2,500 meters. The survey delineated Lakhrai prospect where a well was spud on June 7, 2003 to test Pab and Mughal Kot Formations. At present, the well is drilling in the Mughal Kot Formation.

**Sohawa E. L. (Block No. 3273-1)**

Sohawa Exploration Licence located in Districts Rawalpindi, Jhelum and Chakwal, of Punjab Province & covering an area of 520.17 Sq. Km was granted to OGDCL on March 26, 1999 with a minimum work commitment of G&G studies, acquisition, processing and interpretation of 50 L. Km seismic data and drilling of an optional exploratory well.

485 L. Km seismic data was acquired and processed. As a result the Boski structure was mapped and drilled to 4,399 meters depth. The well has been abandoned as a dry hole in the Lockhart Formation. All the commitment was met and the block was relinquished.

**Tando Allah Yar E. L. (Block No. 2568-8)**

Tando Allah Yar Exploration License located in Districts Hyderabad and Tharparkar, Sindh was granted on September 27, 1997. During the initial term of the license period four exploratory and three appraisal wells were drilled in the Lower Goru (Sandstone) Formation of Cretaceous age. Mir well No. 1, Miranabad well No. 1 and Khokhar South well No. 1 were declared dry and abandoned. Tando Allah Yar well No.1 was gas / condensate discovery and was completed as dual string producer while other 3 wells as single string producers. The expected oil and gas production as per initial testing results was 1,642 barrels per day of crude oil and 26 MMscfd of gas. First and second annual renewals were granted w. e. f. September 27, 2000 and July 1, 2002, respectively, with a commitment to drill one exploratory well in each period.

Acquisition, processing and interpretation of 3-D seismic data have been completed. As a result, Dars well was spud on June 22, 2003. Drilling was in progress during the period under review.

**Zin E. L. (Block No. 2868-1)**

Zin Exploration Licence located in Mari and Bugti agencies and Districts Nasirabad and Kacchi, Balochistan, covering an area of 5,559.74 Sq. Km was granted w.e.f. June 23, 1996. Force Majeure over the block was declared w.e.f. June 23, 1996 due to security reasons, which was lifted



w.e.f. August 15, 1999. 190 L. Km seismic data has been acquired, processed and interpreted in the southern part of the Exploration Licence area. A drillable structure was delineated and the well location marked on ground. However, work on access road to the location had to be stopped due to security problems. No exploratory work could be undertaken in the northern part of the E.L. area since as high risks were involved even under heavy security cover. The area of the E. L. is, again, under Force Majeure since August 15, 2000. GOP granted an extension upto August 15, 2002 to adjust the term for the license to compensate for stoppage of work on the access road to the Zin X-1 well location. Security problems continue in the area. Therefore, all exploration program have been on hold, and cannot be started until the security problem gets satisfactorily resolved.

#### OGDCL OPERATED JOINT VENTURES (JOINT VENTURES WITH GOVERNMENT HOLDINGS (PRIVATE) LIMITED AND OTHER E&P COMPANIES)

OGDCL holds working interest at different sharing percentages in the following concession areas with GHPL and other E&P companies:

##### **Gurgalot E. L. (Block No. 3371-5)**

The block located in the Kohat and Attock Districts of NWFP and Punjab provinces, covers an area of 385.84 Sq. Km. The area was granted on June 28, 2000. OGDCL holds 75%, Pakistan Oilfields Limited (POL) 20% and Government Holdings (Private) Limited (GHPL) 5% working interest in the block. The minimum work commitment was to reprocess 500 L. Km old seismic data, acquire, process and interpret 100 L. Km new seismic data and drill one exploratory well to a depth of 2,500 meters or Patala Formation, whichever is shallower. The interpretation of all these seismic data alongwith those outsourced and subjected to an advanced and sophisticated processing technique, resulted in identification of a drillable prospect namely Gurgalot structure.

##### **Kotra E. L. (Block No. 2867-4)**

Kotra Block situated in Kacchi and Khuzdar Districts of Balochistan covers an area of 836.83 Sq. Km and was granted to POL and GHPL on December 16, 2000 with the minimum work commitment of acquisition, processing and interpretation of 50 L. Km seismic data and a contingent well based on the results of seismic interpretation. As part of an understanding between OGDCL and POL, OGDCL agreed to participate with 66.5% working interest along with operatorship for OGDCL which was assigned and transferred to OGDCL on February 21, 2002. Processing and interpretation of all the seismic data acquired resulted in mapping of Kotra structure, the first well location on which has been marked on ground and the civil engineering works on the location was in progress during the period under review.

##### **Shakardarra E. L.**

Shakardarra concession located in Districts Mianwali and Attock of Punjab Province and Districts



Kohat, Karak and North Waziristan Agency in NWFP was granted with w.e.f December 26, 1994. OGDCL (operator), GHPL and Zaver Petroleum Ltd. hold 85.5%, 5% and 9.5% pre-commercial and 72%, 17.5% and 10.5% post-commercial working interests, respectively. OGDCL made the first ever discovery in the NWFP, on January 29, 2000 when Chanda well No.1 flowed 1,283 barrels per day of oil and 5.19 MMscfd of gas. Successful drilling of another well, Chanda Deep well No.1, down to 5,100 meters was critical to evaluate not only the full potential of Datta Sandstone but also the deeper horizons when three separate zones in Datta Sandstone were tested for 2,250 barrels per day of oil and 7.86 MMscfd of gas. By virtue of OGDCL's consistent exploratory efforts, Kohat basin has been opened up for future exploration with good prospects of success. Production testing has been completed. Commercial discovery and Mining/Development & Production Lease (M/D&PL) has been approved and granted by DGPC. A field study is being carried out.

##### **Sinhoro E. L. (Block No. 2568-5)**

The block located in Sanghar & Khairpur Districts of Sindh province, which earlier covered an area of 2,350.75 Sq. Km, was reduced to 1,880 Sq. Km, on December 29, 2002 as part of the first renewal. Joint venture partners in the block are OPI & GHPL with 19% & 5% pre-commercial and 15% & 25% post-commercial working interests, respectively.

Minimum work commitment in the block was to purchase and reprocess 500 L. Km old seismic data, acquire, process and interpret 400 L. Km new seismic data and drill 7 exploratory wells. All commitments have been met with 2 discoveries made in 2002 and 4 discoveries made in 2003. Additionally 1 appraisal well was drilled in March, 2003. 350 L.Km additional new seismic data was acquired alongwith 110 L.Km of old reprocessed data to further evaluate the block.

#### NON-OPERATED JOINT VENTURES

OGDCL holds significant non-operated working interests in the following Concessions:

##### **Badin-III E.L. (Block No. 2468-2)**

Badin-III Exploration Licence covering an area of 5,419.65 Sq. Km located in Hyderabad and Thatta Districts of Sindh Province was first awarded on June 24, 1998 to BP (Pakistan), holding a pre-discovery share of 38% as operator and Occidental 38%, OGDCL 19% and GHPL 5% (carried) as joint venture partners. Post discovery share stands at 30% each of BP (Pakistan) & Occidental and 15% of OGDCL and 25% of GHPL. Development and Production Lease over Jhaberi South well was granted w.e.f. March 27, 2003. An oil and gas discovery was made from the exploratory well Shah Dino No.1



**Block-28**

Tullow Pakistan (Developments) Limited as operator holds 95% and 50% pre-discovery and post discovery working interest respectively in Block-28, which is situated in Sibi & Loralai Districts of Balochistan. OGDCL's working interest ownership is 5% and 50% in pre-discovery and post discovery periods. Work program for the concession entails geological field work, landsat, aero-magnetic gravity survey (1,300 stations), 300 L. Km of seismic acquisition and drilling of one exploratory well. The block is under Force Majeure since inception.

**Ghauspur Block**

Ghauspur block is located in Jacobabad and Sukkur Districts of Sindh and is operated by M/s Petroleum Exploration (Pvt.) Ltd. ("PEL") with OGDCL, Sherrit and Novus being joint venture partners. A gas discovery was made from Badar Well No.1 in February 1994. Subsequently, Badar M/D&P Lease covering an area of 123 Sq.Km was granted to the Joint Venture w.e.f. March 13, 2002 wherein PEL holds 26.32%, OGDCL holds 50%, Sherrit holds 15.79% and Novus holds 7.89% working interest. Gas Sales Agreement in respect of Badar gas field has been signed by all partners. Currently, development work at the Badar gas field site is under way to bring the field into production at an early date.

**Khushalgarh E.L. (Block No. 3372-10)**

Khushalgarh concession covering an area of 703.28 Sq. Km, is located in Attock and Kohat districts of Punjab and NWFP. The area was granted w.e.f. November 6, 1999 to POL and GHPL having 95% and 5% working interest respectively. Subsequently through an Assignment Agreement dated March 1, 2000, POL assigned 47.5% pre-commercial working interest to OGDCL. Based on the geological work carried out in the concession area an Exploratory well Dosa-1 was spudded on October 7, 2002 and is currently being drilled below 15,467 feet.

**Kirthar Block**

The Government of Pakistan granted the Kirthar Exploration Licence covering 3,268 Sq. Km located in Kirthar, Sindh and signed a Concession Agreement with M/s Lasmo Oil Pakistan Limited ("LOPL"), (now Eni Pakistan Limited) and OGDCL on November 30, 1994, with LOPL as the Operator of the block having 95% working interest. Subsequently, Kirthar Pakistan BV (KPBV), (a joint venture between Premier Pakistan and Shell), also joined the consortium and after requisite assignments Eni Pakistan Limited holds 47.5% pre-commercial working interest, Kirthar Pakistan (KP) B.V. holds 33.25% interest while Premier Kufpec Pakistan (PKP) B.V holds 14.25% and OGDCL holds 5% pre-commercial working interest (carried). The Badhra gas field located southeast of the Bhit field was discovered by Kirthar Joint Venture as a result of drilling of Badhra-2 Exploratory well. Gas bearing sandstone was encountered in the lower part of the Mughal Kot Formation. An appraisal program was completed during 2003 comprising the extended test of Bahdra-2.



**Tal (Block No. 3370-3)**

Tal Block covering an area of 4,643.48 Sq. Km located in Kohat, Karak and Bannu districts, North Waziristan and Adam Khel Agencies, NWFP was awarded on February 11, 1999 to MOL (a Hungarian Oil Company) as the operator with 10% working interest and OGDCL 30%, PPL 30%, POL 25% and GHPL 5% (carried) as the joint venture partners. The operator after carrying out exploration activities spudded Manzalai well No. 1 on February 6, 2002 and gas was discovered from this well on November 27, 2002. Currently the joint venture is evaluating various options for carrying out Extended Well Testing at Manzalai well No. 1.

**New Block-B (Block No. 2769-11)**

New Block-B covering an area of 770.29 Sq. Km was granted on March 3, 2003 to the joint venture comprising of Tullow, OGDCL, POL and AOC with Tullow being the operator. The working interest shares in this block are Tullow 48.18%, OGDCL 30%, POL 14.55% & AOC 7.27%. Currently work program committed for the initial term for conducting G&G studies and 3-D seismic acquisition is being planned respectively to delineate drillable prospects in the concession area.

**Offshore Blocks G & H**

A Farm out agreement to be followed by a Deed of Assignment has been signed with M/s Total FinaElf Exploration & Production, France, for a joint venture in offshore blocks G&H whereby Total FinaElf will assign to the following companies the working interest percentage out of its interest in Blocks G&H:

Petronas Carigali (Pakistan) Ltd.	30 %
OMV (Pakistan) Exploration GmbH	15 %
OGDCL	10 %
Mari Gas Company Ltd.	5 %

**PROJECTS UNDER IMPLEMENTATION**

**Bobi Development Project**

The Project is located in District Hyderabad, Sindh and envisaged completion date of the project was December, 2003. However due to heavy monsoon rains in Sindh region during July 2003, the installation work of the plant was suspended until August 20, 2003. Hence, the completion of the project may be extended upto February 2004. On its completion, the Bobi Development Project will produce about 2,800 barrels per day of oil and 125 metric tones per day of LPG. Besides Bobi, satellite fields namely Mithrao, Chak Dim will also be developed for processing of their production at Bobi field.

**Qadirpur Expansion Project**

The Project is located in District Sukkur and Jacobabad, Sindh. Qadirpur gas field has been supplying gas to SNGPL in the range of 382-438 MMscfd which includes 35-40 MMscfd of raw gas for LPG and 100-137 MMscfd of dehydrated gas. While the remaining gas is being processed through



plant membrane unit, a contract for the supply of Memguard Unit, and Membrane Elements was signed on June 28, 2001 with M/s Universal Oil Products Asia Pacific (Pte) Ltd (UOP) to expand the existing membrane facility to achieve 400 MMscfd sales gas with a provision to further expand the facility to achieve 500 MMscfd sale gas. The project is in advanced stage of construction and 400 MMscfd processed sales gas is planned to be made available shortly to SNGPL. Further expansion up to 500 MMscfd processed gas will be commissioned by December, 2003.

#### Chanda Development Project

The first ever discovery in the NWFP is located in District Kohat, NWFP. It is a joint venture with M/s Zaver Petroleum Limited & GHPL. The project is expected to be completed by April, 2004. On its regular production, the field will produce 13 MMscfd gas and 3,700 barrels per day oil and 45-50 metric tons LPG per day from two wells.

#### Dakhni Expansion Project

The Dakhni Expansion Project located in District Attock, Punjab is expected to be completed by September, 2005. On completion, it will enhance supply of sales gas from 17 to 35 MMscfd, condensate from 650 to 1,292 barrels per day, sulphur from 60 to 120 metric tons per day and LPG from 8 to 15 metric tons per day.

#### Dhodak Plant Enhancement Project

The project, is expected to be completed by June 2005 and will cost Rs. 1.1 billion approximately. The project will enhance gas from 41 to 71 MMscfd, condensate from 2,800 to 5,000 barrels per day and LPG from 190 to 290 metric tons per day.

#### DIRECTORS AND BOARD MEETINGS HELD DURING THE YEAR

The Company has 12 Directors on its Board including The Managing Director.

Your new Board was elected at the Extra-ordinary General Meeting held on April 19, 2002 for a 3 years term.

During the period under review Major General Parvez Akmal was transferred back to Pakistan Army and in his place Mr. Najam K. Hyder was appointed as Managing Director w.e.f. March 11, 2003.

The following other Directors resigned from the Company's Board of Directors also during the period:

1. Mr. Ejaz Hussain Rathore
2. Mr. Javed Burki
3. Mr. Fakir Syed Aijazuddin
4. Mr. Muhammad Salim

The vacancies of 4 Directors were filled by new appointments as follows:

1. Mr. Muhammad Bilal
2. Mr. Pervez Hanif



3. Mr. Laeeq Ahmed
4. Mr. Pervaiz Kausar

Mr. M. Younas Khan was also appointed on the Board of Directors to fill an existing vacancy.

We wish to record the Board's appreciation for the valuable contributions and services rendered by the outgoing Managing Director and all the outgoing Directors during their tenure. We also extend a warm welcome to the new Managing Director and other incoming Directors.

The Board presently comprises of Mr. M. Afzal Khan (Chairman), Mr. Najam K. Hyder (Managing Director), Mr. Muhammad Iqbal Awan, Mr. G.A. Sabri, Mr. Bashir Ahmad Baloch, Mr. Azam Faruque, Mr. Maudood Ahmad Lodhi, Mr. Muhammad Bilal, Mr. Pervez Hanif, Mr. Laeeq Ahmad, Mr. Pervaiz Kausar and Mr. M. Younas Khan (Directors).

Seven Board meetings were held during the period under review and the attendance by each Director was as follows:

	Number of meetings attended
Mr. M. Afzal Khan	7
Mr. Najam K. Hyder	2
Mr. Muhammad Iqbal Awan	(Appointed on 11.03.2003) 5
Mr. G.A. Sabri	4
Mr. Bashir Ahmad Baloch	-
Mr. Azam Faruque	2
Mr. Maudood Ahmad Lodhi	4
Mr. Muhammad Bilal	3
Mr. Pervez Hanif	(Appointed on 21.12.2002) 1
Mr. Laeeq Ahmad	(Appointed on 26.06.2003) 1
Mr. Pervaiz Kausar	(Appointed on 26.06.2003) 1
Mr. M. Younas Khan	(Appointed on 26.06.2003) -
Mr. Ejaz Hussain Rathore (Ex-Director)	4
Major General Parvez Akmal (Ex-MD)	5
Mr. Javed Burki (Ex-Director)	3
Mr. Fakir Syed Aijazuddin (Ex-Director)	6
Mr. Muhammad Salim (Ex-Director)	6

#### AUDITORS

OGDCL's statutory auditors' for the year ended June 30, 2003, M/s Taseer Hadi Khalid & Company, Chartered Accountants and M/s Khalid Majid Rahman Sarfraz Rahim Iqbal Rafiq, Chartered Accountants stand retired and being eligible have offered themselves for re-appointment for the year ending June 30, 2004.



**PATTERN OF SHAREHOLDING**

The pattern of shareholding as on June 30, 2003 is annexed.

OGDCL was not listed during the period under review but is in the process of being listed during the coming year.

Therefore, no trading in the shares of the Company was carried out by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children.

**HOLDING COMPANY**

OGDCL has no Holding Company.

100% of the Issued and Paid up Shares are held by the Government of Pakistan.

**CONSOLIDATED FINANCIAL STATEMENTS**

Consolidated financial statements of OGDCL and its wholly owned subsidiary Pirkoh Gas Company (Private) Limited (PGCL) are annexed.

**CODE OF CORPORATE GOVERNANCE**

Securities and Exchange Commission of Pakistan (SECP) has formulated a Code of Corporate Governance to establish a framework of good corporate governance whereby every listed company is managed in compliance with best practices.

This Code has been adopted by the company with necessary modifications to suit the specific requirements of the company and the same has been approved by the Board of Directors in May 2003. The requirements under the Code in terms of vision / mission statements, Corporate Strategy and statement of ethics and business practices of the Company are being complied with. The Company is also in the process of meeting other requirements for upgrading and formulating various policies, procedures and systems to provide more effective internal control in the Company and better financial reporting system. The Company is very soon going to be listed on all the Stock Exchanges of Pakistan and is getting prepared to meet all other requirements of Code of Corporate Governance as a listed Company.

An Audit Committee of the Board consisting of five Directors has already been constituted and it is being assisted by General Manager who is also the Head of Internal Audit Department. The main purpose of the Committee is to assist the Board of Directors in providing an independent overview of the Company's system of internal control and financial reporting process through monitoring the



quality, independence and effectiveness of both the Internal and External Auditors.

Terms of Reference (TOR) and the mandate of Internal Audit Department, has also been drastically changed from a predominantly pre-commitment audit of procurement and other transactions to more comprehensive audit of all functions and activities of the Company with emphasis on the effectiveness of the policies, systems and procedures being followed in the Company. The overall objective is to provide the Board with independent assurance that all business risks are being managed with effective controls. It is hoped that with the revised scope, the Internal Audit Department will play a more effective role in providing necessary help and assistance to the management and assurance to the Board and also help in getting various requirements which need to be complied under the Code of Corporate Governance.

The Company is in the process of being listed on the stock exchanges and the Directors of the Company hereby confirm the following as required by the Code:

- The financial statements, prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement. Wherever there has been a change in the policy it has been fully disclosed in the Accounts.
- International accounting standards (IAS), as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is being reviewed to ensure that it is being effectively implemented and monitored.
- In view of its sound financial position there are no doubts about the Company's ability to continue as going concern.
- Key operating and financial data of last ten years is enclosed.
- Value of investments, including bank deposits, of various funds as at June 30, 2003, based on their respective accounts, is as under:

OGDCL Employees General Provident Fund Trust	Rs 306.259 million
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OGDCL Employees Pension & Gratuity Fund Trust	Rs 1,968.455 million
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The audits for the above funds for the year ended 30th June, 2003 are in progress.

#### HEALTH, SAFETY AND ENVIRONMENT

Overall health and safety, particularly the preventive aspects, remain a priority consideration for the Company in all operations and continuous upgradation and improvements in personnel skills, safeguards, protective gears, equipment and facilities is being implemented. Environment protection is also one of the key concerns of the Company and effective measures have been initiated to ensure compliance with the applicable environment protection standards.

The health, safety and environment Policy Statement has been revised during the period under review emphasizing the commitment of the Management.

In-house capability for conducting initial Environment Impact Assessment (EIA) has been developed in the Company and EIA studies were assigned priority during the year. Third party HSE Audits have also been carried out for Dhodak, Dakhni, Qadirpur and Uch Plants and at various fields. EIA of Qadirpur and Chanda field is planned in the coming year.

#### QUALITY CONTROL

The Company continuously monitors the quality of its products despatched to customers to ensure that high standards and consistency are maintained.

The Company's laboratories are manned by skilled and trained professionals and are well equipped with modern testing equipment which is continually upgraded in view of technological developments.

#### INFORMATION TECHNOLOGY

The Company is committed to improving its information technology resources for creation of an overall environment which will ensure that increasing demands for timely availability of reliable and accurate management information are met so as to facilitate the decision making process, besides meeting and fulfilling other management and statutory requirements on a timely basis.

Working towards this objective the Company continues to acquire and implement upgraded versions of relevant communications and computer hardware besides continuous upgrading of software and development of personnel skills by structured user training program and on the job exposure.

#### HUMAN RESOURCES

As on June 30, 2003, the Company's manpower strength comprised a total of 11,854 employees, 1,661 Officers and 10,193 Staff. Relations between the management and the workers continued to



be cordial and are expected to remain so in the future also. We attribute the year's successes to the Company's highly able, skilled and motivated workforce.

#### TRAINING AND DEVELOPMENT

As part of OGDCL's commitment to improve the knowledge of its personnel, broaden their vision, create an awareness amongst them about the fast changing technological developments and expose them to modern management concepts various structured training programs are conducted in-house.

Company personnel are also regularly nominated on technical and management courses, seminars, workshops, exhibitions and study tours both within the country and overseas.

Besides, the Company's diversified and vast range of operations encompassing all facets of the oil and gas industry business, upstream and downstream both, provide an ideal opportunity for on the job training programs for improvement of operational skills.

This not only benefits the Company and the personnel but also contributes towards developing a skilled and experienced manpower resource pool in the country.

Established in 1975 and located in Islamabad, Oil & Gas Training Institute (OGTI) was transformed into an institute of national level with the cooperation and assistance of Canadian International Development Agency (CIDA) in 1986 to meet the training requirements of OGDCL in particular and that of the oil & gas industry of Pakistan in general. It offers both long-term training programs spread over one year, consisting of classroom course as well as on-job training for fresh graduates and diploma holders and short term programs comprising of classroom courses (one to several weeks), workshops, seminars and lectures by eminent scholars/professionals and field trips/study tours designed for professionals already working in the industry with a view to improving their knowledge base and professional abilities.

During the period under review, 159 trainees (Graduate Engineers and M.Sc. Degree holders) of OGDCL completed their one year training program, and they were subsequently inducted in the Company. Additionally, 22 special trainees (Diploma Holders) from Dera Bugti area completed their two years special training.

Under the Short Term Training Programs, 116 courses were conducted by OGTI during the period under review, and were attended by 1,255 professionals. Out of these 78 participants belonged to



other oil & gas companies.

OGTI also arranged 4 seminars during the year which were attended by 216 participants.

### SOCIAL RESPONSIBILITY AND WELFARE ACTIVITIES

The Company endeavours to be a responsible corporate citizen in the community and being fully aware of its social obligations continues to proactively promote, develop and maintain medical, social and welfare facilities and schemes for the benefit of under privileged local communities affected by its work and presence in the vicinity of the vast spread of Company's operations mostly in far flung and underdeveloped areas throughout the four provinces of the country.

These include employment opportunities for locals; building of roads and mosques; setting up dispensaries and providing free first aid health care; establishing schools, granting fellowships and scholarships to deserving students; supply of drinking water; and, donations for charitable causes and for undertaking of numerous projects to improve the quality of life for the peoples and communities with which its interacts.

OGDCL's field operations are coordinated in consultation with representatives of the local administration and the local communities. Traditional customs in the areas are strictly observed based on mutual respect for ethnic, social and cultural differences and to ensure cooperation to be able to fulfill its objectives.

### FUTURE PLANS

The Company has set very aggressive targets for the financial year 2003-04 which comprise drilling of 22 wells -14 exploratory and 8 development wells.

An offshore group has been established in OGDCL to revive offshore exploration activities. OGDCL is in the process of collection/purchase of some offshore data to develop a database followed by data processing and interpretation while looking for joint ventures in the Basin and Deep-sea areas. As a first step farm-out agreement followed by a Deed of Assignment has been signed with M/s Total FinaElf Exploration & Production, France for a joint venture in offshore block G & H. Subsequently, Production Sharing arrangement was adopted and as a result, licences over offshore Blocks G & H area were granted to GHPL. Thereafter OGDCL alongwith other contractors is a 10% working interest owner alongwith Total FinaElf holding 40%, Petronas holding 30%, OMV 15% and Mari gas 5%.



The Company is expected to maintain its performance and operating results except for accelerated exploration which may result in a larger write off in respect of unsuccessful expenditure and adverse effect if any of the pricing for OGDCL's oil and gas primarily bench-marked to the internationally quoted Middle East crude oil and HSFO prices.

### PRIVATIZATION

In April/May 1999, Privatization Board of Pakistan approved privatization of OGDCL and appointment of Financial Advisor. Expression of Interest (EOI) for Financial Advisory Services for OGDCL were invited by the Privatization Commission in June 1999. Messrs Merrill Lynch were then appointed as Financial Advisor.

Recently Government of Pakistan has decided to disinvest part of its shareholding in the company. Initially 2.5% of equity with green shoe option of another 2.5% will be offered shortly to the general public. The company is, therefore, in the process of listing its shares on all three Stock Exchanges of the country.

### LOOKING AHEAD

With plans in the offing to list the Company on the Stock Exchange, OGDCL looks forward to a new corporate culture that will demand an increased degree of transparency, accountability and responsibility.

However, the Company remains steadfast in it's vision-to strive to make Pakistan self-reliant in the energy sector; to motivate, train and develop it's human resources; and, to provide a better quality of life for the communities it works with.

### ACKNOWLEDGEMENTS

The Board of Directors would like to express their appreciation for the concerted efforts and dedication of all Company personnel, without which the Management could neither have run the Company affairs efficiently nor achieved the improved results.

The Board also wishes to express their appreciation for the continued assistance and cooperation extended to the Company's Management, in matters relating to Company's operations, by local administrations and the various departments of Provincial and Federal Government, particularly the Ministry of Petroleum and Natural Resources and the Ministry of Finance.



The Board also appreciates the continued cooperation of suppliers, contractors, financial institutions, service providers and customers.

The Board would like to express special thanks to our esteemed shareholders for their continuing unstinting support and guidance. The Board assures the shareholders that their interests are of prime concern both to the Board of Directors and Company's Management and all efforts will be made to meet the challenges in years ahead and to achieve even better results.

The Board and Company Management firmly believes in a partnership concept for ensuring continued progress in future and hopes that they will continue to enjoy full confidence, cooperation and support from all concerned.

We seek Allah's guidance and His blessings for achieving our common objectives.

For and on behalf of the Board of Directors

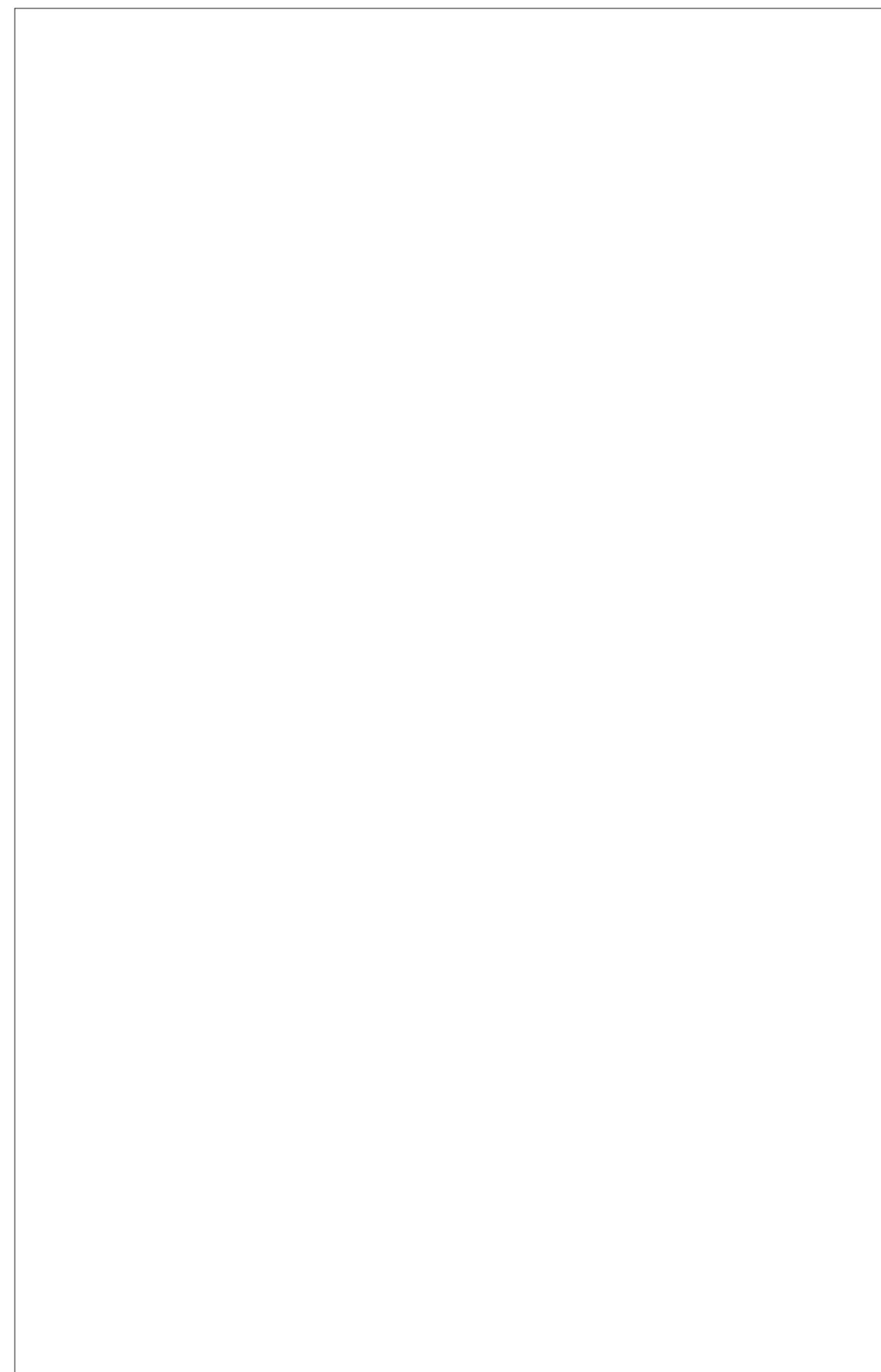
*M. Afzal Khan*

**M.Afzal Khan**  
Chairman

Islamabad,  
September 29, 2003.



Top OGDCL Management with Field Managers



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Oil and Gas Development Company Limited as at June 30, 2003 and the related profit and loss account, cash flow statement and statement of changes in equity together with 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 purpose of our audit.

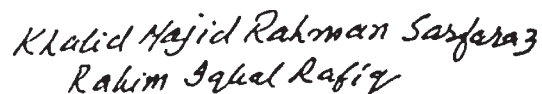
It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account, together with the notes thereon have been drawn up in conformity with the Companies Ordinance 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2003 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance 1980.



TASEER HADI KHALID & CO  
Chartered Accountants  
Islamabad  
September 29, 2003



KHALID MAJID RAHMAN SARFARAZ  
RAHIM IQBAL RAFIQ  
Chartered Accountants  
Islamabad  
September 29, 2003



# BALANCE As At

	Note	2003 (Rs '000)	2002 (Rs '000)
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital (2,500,000,000 shares of Rs 10 each)		<u>25,000,000</u>	<u>25,000,000</u>
Issued, subscribed and paid-up capital	4	10,752,321	10,752,321
Reserve for issue of bonus shares		32,256,963	—
Pre-incorporation profit		—	14,725,824
Unappropriated profit		<u>21,087,495</u>	<u>31,761,423</u>
		<b>64,096,779</b>	<b>57,239,568</b>
<b>CONTINGENCY RESERVE FUND</b>	5	<b>1,363,968</b>	<b>450,878</b>
<b>LONG TERM LOANS</b>	6	<b>14,751</b>	<b>14,751</b>
<b>LONG TERM PROVISIONS</b>	7	<b>4,808,113</b>	<b>4,099,026</b>
<b>DEFERRED LIABILITIES</b>	8	<b>8,183,119</b>	<b>6,394,698</b>
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
Current maturity of long term loans	6	—	239,901
Creditors, accrued and other liabilities	9	3,551,948	3,964,914
Provision for taxation		—	2,937,488
Proposed dividend		2,903,127	—
		<b>6,455,075</b>	<b>7,142,303</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	10	<b>—</b>	<b>—</b>
		<u><b>84,921,805</b></u>	<u><b>75,341,224</b></u>

The annexed notes 1 to 35 form an integral part of these accounts.



Chairman

Director

# SHEET

## June 30, 2003

	Note	2003 (Rs '000)	2002 (Rs '000)
<b>FIXED CAPITAL EXPENDITURE</b>			
Property, plant and equipment	11	16,320,950	14,922,314
Exploration and development expenditure	12	16,219,246	14,631,053
Projects in progress	13	4,124,282	4,068,637
Stores held for capital expenditure		870,749	949,849
		<b>37,535,227</b>	<b>34,571,853</b>
<b>LONG TERM INVESTMENTS</b>	14	<b>491,500</b>	<b>491,500</b>
<b>INVESTMENTS HELD TO MATURITY</b>	15	<b>541,948</b>	<b>428,860</b>
<b>LONG TERM PREPAYMENTS</b>		<b>34,029</b>	<b>32,986</b>
<b>LONG TERM RECEIVABLES</b>	16	<b>2,279,147</b>	<b>3,138,364</b>
<b>CURRENT ASSETS</b>			
Stores and stocks	17	6,057,651	6,380,358
Trade debts—unsecured (considered good)	18	12,995,933	13,084,730
Loans, advances, deposits, prepayments and other receivables	19	5,543,945	2,304,136
Cash and bank balances	20	19,442,425	14,908,437
		<b>44,039,954</b>	<b>36,677,661</b>
		<b>84,921,805</b>	<b>75,341,224</b>

  
 Managing Director




## PROFIT AND LOSS ACCOUNT

### For The Year Ended June 30, 2003

	Note	2003 (Rs '000)	2002 (Rs '000)
Sales less government levies	21	45,008,279	39,739,477
Other operating revenue	22	61,919	65,619
		<b>45,070,198</b>	39,805,096
Less: Operating expenses	23	8,117,042	6,408,187
Royalty		4,970,478	4,330,071
Transportation charges		635,524	529,658
Amortization of exploration and development expenditure	12	1,359,576	1,472,408
		<b>15,082,620</b>	12,740,324
		<b>29,987,578</b>	27,064,772
Less: Exploration expenditure written off including exploratory dry holes	24	2,526,119	1,195,687
		<b>27,461,459</b>	25,869,085
Less: General and administration expenses	25	994,730	572,089
Financial charges	26	646,672	297,475
Workers' Profit Participation Fund		1,390,373	1,351,991
		<b>3,031,775</b>	2,221,555
		<b>24,429,684</b>	23,647,530
Other income	27	1,987,402	2,040,297
<b>PROFIT BEFORE TAXATION</b>		<b>26,417,086</b>	25,687,827
Provision for taxation	28	5,744,000	8,913,000
<b>PROFIT AFTER TAXATION</b>		<b>20,673,086</b>	16,774,827
Unappropriated profit brought forward		31,761,423	25,801,307
		<b>52,434,509</b>	42,576,134
<b>APPROPRIATIONS :</b>			
Transfer to contingency reserve fund		913,089	62,390
Transfer to reserve for issue of bonus shares		17,531,139	—
Interim dividend @ Rs 9.30 per share (2002: Rs 10 per share)		9,999,659	10,752,321
Proposed dividend @ Rs 2.70 per share (2002: Rs - per share)		2,903,127	—
		<b>31,347,014</b>	10,814,711
<b>UNAPPROPRIATED PROFIT CARRIED FORWARD</b>		<b>21,087,495</b>	31,761,423
Earnings per share - Basic (Rupees)	30	<b>19.23</b>	15.60

The annexed notes 1 to 35 form an integral part of these accounts.

  
Chairman

Director


  
Managing Director

# CASH FLOW STATEMENT

## For The Year Ended June 30, 2003

	2003 (Rs '000)	2002 (Rs '000)
<b>Cash flow from operating activities</b>		
Net profit before taxation	26,417,086	25,687,827
Adjustment for non cash items :		
Depreciation	2,351,068	2,482,091
Amortization of exploration and development expenditure	1,359,576	1,472,408
Provision for staff retirement benefits	709,816	328,459
Provision for inventory reconciliation	350,265	385,060
Royalty	4,970,478	4,330,071
Financial charges	244,918	297,475
Provision against advances	326,025	—
Net loss on impairment of receivables	401,754	—
Interest income	(909,685)	(1,434,192)
Profit on sale of fixed assets	(69)	(1,448)
Dividend income	(390,900)	(152,963)
	<u>35,830,332</u>	<u>33,394,788</u>
Decrease/(increase) in stores and stocks	(27,558)	(866,528)
Decrease/(increase) in trade debts and other receivables	395,885	(1,935,610)
(Decrease) in creditors, accrued and other liabilities	(964,371)	(449,683)
Cash generated from operations	<u>35,234,288</u>	<u>30,142,967</u>
Royalty paid	(4,415,848)	(4,311,901)
Staff retirement benefits paid	(140,696)	(171,659)
Taxes paid	(10,944,034)	(5,941,774)
	<u>(15,500,578)</u>	<u>(10,425,334)</u>
	<u>19,733,710</u>	<u>19,717,633</u>
<b>Cash flow from investing activities</b>		
Proceeds from sale of fixed assets	82	1,497
Interest received	862,985	1,400,436
Dividend received	390,900	152,963
Fixed capital expenditure	(5,964,945)	(5,671,027)
Long term prepayments	(1,043)	(6,255)
	<u>(4,712,021)</u>	<u>(4,122,386)</u>
<b>Cash flow from financing activities</b>		
Repayment of long term loans	(233,142)	(334,892)
Financial charges paid	(254,901)	(408,685)
Dividend paid	(9,999,659)	(14,730,680)
	<u>(10,487,702)</u>	<u>(15,474,257)</u>
<b>Increase in cash and bank balances</b>	<u>4,533,988</u>	<u>120,990</u>
<b>Cash and bank balances at the beginning of the year</b>	<u>14,908,437</u>	<u>14,787,447</u>
<b>Cash and bank balances at the end of the year</b>	<u><u>19,442,425</u></u>	<u><u>14,908,437</u></u>

The annexed notes 1 to 35 form an integral part of these accounts.

  
Chairman

Director

  
Managing Director




## STATEMENT OF CHANGES IN EQUITY

### For The Year Ended June 30, 2003

	Share Capital (Rs '000)	Reserve for issue of bonus shares (Rs '000)	Pre- incorporation profit (Rs '000)	Unappropriated Profit (Rs '000)	Total (Rs '000)
Balance at June 30, 2001	10,752,321	—	14,725,824	25,801,307	51,279,452
Profit for the year	—	—	—	16,774,827	16,774,827
Dividends	—	—	—	(10,752,321)	(10,752,321)
Transfer to contingency reserve fund	—	—	—	(62,390)	(62,390)
Balance at June 30, 2002	10,752,321	—	14,725,824	31,761,423	57,239,568
Profit for the year	—	—	—	20,673,086	20,673,086
Transfer to reserve for :					
Reserve for issue of bonus shares	—	32,256,963	(14,725,824)	(17,531,139)	—
Dividends	—	—	—	(12,902,786)	(12,902,786)
Transfer to contingency reserve fund	—	—	—	(913,089)	(913,089)
Balance at June 30, 2003	<u>10,752,321</u>	<u>32,256,963</u>	<u>—</u>	<u>21,087,495</u>	<u>64,096,779</u>

The annexed notes 1 to 35 form an integral part of these accounts.

  
Chairman

Director

  
Managing Director

# NOTES TO THE ACCOUNTS

## For The Year Ended June 30, 2003

### 1 LEGAL STATUS AND OPERATIONS

Oil and Gas Development Company Limited (OGDCL), "The Company", was incorporated on October 23, 1997 and is deemed to own all the properties, rights, assets, obligations and liabilities of Oil and Gas Development Corporation (OGDC) as on that date. 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 domiciled in Islamabad, Pakistan.

### 2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance 1984 or the requirements of the said directives take precedence.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 ACCOUNTING CONVENTION

These accounts have been prepared under historical cost convention, modified by capitalization of exchange differences on translation of foreign currency finance utilized for acquisition of fixed assets.

#### 3.2 EMPLOYEES' RETIREMENT BENEFITS

##### a) Pension

The Company operates an approved funded pension scheme under an independent trust for its employees including those seconded to its wholly owned subsidiary Pirkoh Gas Company (Private) Limited as a defined benefit plan. Contribution is made to pension scheme on the basis of actuarial recommendations. The Projected Unit Credit Method is used to generate actuarial values. Contribution for the year is charged to income currently. Unrecognized actuarial gain or loss is amortised over the expected remaining service of current employees.

##### b) Post retirement medical benefits

The Company provides post retirement medical benefits to its employees including those seconded to its wholly owned subsidiary Pirkoh Gas Company (Private) Limited and their families. Liability is provided on the basis of actuarial recommendation. The Projected Unit Credit Method is used to generate actuarial values. Actuarial gains or losses are amortized over the future expected remaining life time of employees.

##### c) Compensated absences

The Company has a leave encashment policy whereby employees including those seconded to its wholly owned subsidiary Pirkoh Gas Company (Private) Limited are able to encash leave balance at the time of retirement or during the service. Liability is provided on the basis of actuarial recommendation. The Projected Unit Credit Method is used to generate actuarial values.

#### 3.3 TAXATION

##### CURRENT

Provision for current taxation is based on taxable income at applicable tax rates, adjusted for payments to the Government comprising royalty and levies.



## **DEFERRED**

The Company accounts for deferred taxation on all major temporary differences, using the liability method. Deferred tax liability has been calculated at the estimated effective rate of 28.57% (2002: 30%) after taking into account availability of depletion allowance and set off available in respect of royalty payment to the Government.

### **3.4 PROPERTY, PLANT AND EQUIPMENT**

Freehold land and projects in progress are stated at cost and leasehold land is stated at cost less accumulated amortisation. Other assets are stated at cost less accumulated depreciation. Cost in relation to fixed assets signifies historical cost and exchange differences as referred to in note 3.12 (a) and borrowing cost in note 3.10. Depreciation is provided on straight line method at rates specified in note 11 to the accounts so as to write off the cost of the assets over the estimated useful life. Exchange differences as referred to in note 3.12(a) are depreciated over remaining life of the asset to which they relate. The amortisation of leasehold land is charged to income, while depreciation provided on assets is charged to income and/or allocated to exploration and development expenditure related to use of the assets.

Maintenance and normal repairs are charged to income as and when incurred. Major improvements are capitalised. Gains and losses on disposal of assets are credited or charged to income in the year of disposal.

### **3.5 PROJECTS IN PROGRESS**

Projects in progress are stated at cost and are transferred to the respective assets when available for intended use.

### **3.6 EXPLORATION AND DEVELOPMENT EXPENDITURE**

Exploration and development activities of the Company are accounted for under the "successful efforts" method whereby costs of property acquisitions, successful exploratory wells and all development costs, including unsuccessful development wells, are capitalised and amortised on unit-of-production method. Unsuccessful exploratory wells are expensed when declared to be non-productive. All exploration costs other than those related to exploratory drilling are charged against revenue for the year, as incurred.

### **3.7 INVESTMENTS**

#### **a) INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES**

Investments in subsidiaries and associates where significant influence can be established, are stated at cost and the carrying amount is adjusted for reduction, if any, in the recoverable amounts of such investments.

#### **b) INVESTMENTS HELD TO MATURITY**

Investments with fixed or determinable payments and fixed maturity and where the Company has positive intent and ability to hold to maturity are classified as held to maturity. These are stated at amortized cost using the effective interest rate method.

### **3.8 STORES AND STOCKS**

Stores and spares are valued at the lower of cost and net realisable value less allowance for obsolete and slow moving items. Cost is determined on the moving average basis and comprises all costs of purchases and other costs incurred in bringing the inventories to their present location and condition. Net realisable 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.

Stocks are valued at the lower of average annual cost (including appropriate production overheads) and net realisable value.

### 3.9 REVENUE RECOGNITION

Revenue from sale is recognised on delivery of products and/or on rendering of services to customers. Effect of adjustments, if any, arising from revision in sale prices is reflected as and when the prices are finalised with the customers and/or approved by the Government. Interest on delayed payments from customers is recorded on receipt basis.

The profits and losses of subsidiary and associated companies are carried forward in the accounts of the subsidiary and associated companies and are not accounted for in the accounts of the Company except to the extent of dividend declared by the subsidiary and associated companies.

Income on bank deposits is proportionately accrued upto the balance sheet date.

Income on investment in Government securities is recognised on time proportion basis taking into account the effective yield of such securities.

### 3.10 BORROWING COST

Interest cost related to the financing of major projects under development is capitalised as a part of project cost. All other interest cost is expensed as incurred.

### 3.11 JOINT VENTURE OPERATIONS

Transactions related to joint venture operations in which the Company has a working interest are accounted for on the basis of latest available audited accounts of the joint venture and where applicable, the cost statements received from the operator of the joint venture, for the intervening period upto the balance sheet date.

### 3.12 FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of the transaction. All assets and liabilities in foreign currencies are translated into rupees at the rate of exchange ruling on the balance sheet date with the exception of those in respect of which exchange risk cover is obtained, where these are stated at the committed rate. Exchange differences are accounted for as follows:

- a) Exchange differences on translation and repayment of foreign currency finance utilised for the acquisition of fixed assets and plants are capitalised as part of the cost of the related assets.
- b) All other exchange differences are included in income for the year.

### 3.13 PROVISIONS

A provision is recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Decommissioning cost relating to producing/shut in fields and production facilities is capitalized to the cost of fields and plant and machinery as the case may be. The provision for decommissioning cost is determined on the basis of the estimates provided by the in house technical staff and existing current prices. Decommissioning cost relating to fields is amortized on the unit of production method and costs relating to production facilities is depreciated on straight line basis on rates mentioned in note 11.

**3.14 FINANCIAL INSTRUMENTS**

Financial assets mainly comprise investments, loans, advances, deposits, trade debts, other receivables, cash and bank balances. These are stated at their nominal values as reduced by the appropriate allowance for impairment.

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant liabilities are creditors, accrued and other liabilities, employees retirement benefits and long term loans. These are stated at nominal values.

**3.15 OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES**

Financial assets and liabilities are reflected at the net amount in the balance sheet, in case the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

**4 SHARE CAPITAL**

Issued, subscribed and paid up capital

In consideration for all the properties, rights, assets, obligations and liabilities of the 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 the Government of Pakistan on October 23, 1997.

**5 CONTINGENCY RESERVE FUND**

	Balance at July 1, 2002 (Rs '000)	Transfer during the year (Rs '000)	Balance at June 30, 2003 (Rs '000)
Rigs/wells/plants insurance	356,952	891,178	1,248,130
Workmen compensation	33,154	7,716	40,870
Vehicle repair	60,772	14,196	74,968
Total	450,878	913,090	1,363,968
2002	388,488	62,390	450,878

The Company has set aside contingency reserve fund for self insurance of rigs, wells, plants, workmen compensation and vehicle repair.

**6 LONG TERM LOANS**

	Note	2003 (Rs '000)	2002 (Rs '000)	Due date of final repayment
<b>GOVERNMENT OF PAKISTAN</b>				
1. USSR Credit 2-553/A	6.1	14,751	14,751	Mar 31, 1998
2. IDB Loan (US \$ nil ; 2002 : US \$ 1,841,750)		—	111,058	Dec 31, 2002
<b>DIRECT LOAN</b>				
3. Sicon Oil and Gas (s.r.l.) (US \$ nil; 2002 : US \$ 2,136,700)		—	128,843	Mar 4, 2003
		14,751	254,652	
Less: Amount payable within twelve months shown as current liability		—	239,901	
		14,751	14,751	

**6.1** Loan 1 is unsecured and represents the on-lent proceeds of credit obtained by the Government of Pakistan in foreign currency from the Government of the Russian

Federation (Union of Soviet Socialist Republics). The installment of principal and interest thereon is transferred to the Government Fund as and when this is paid by the Government of Pakistan. The loan carries interest @ 2.5% per annum. Repayment of installments due is pending further instructions from the Government of Pakistan.

## 7 LONG TERM PROVISIONS

	2003 (Rs '000)	2002 (Rs '000)
Decommissioning cost of Fields and production facilities		
Opening balance	4,099,026	—
Provisions made during the year	709,087	4,099,026
	<u>4,808,113</u>	<u>4,099,026</u>
The above provision for decommissioning cost is analyzed as follows:		
Fields	4,625,968	4,099,026
Production facilities	182,145	—
	<u>4,808,113</u>	<u>4,099,026</u>

## 8 DEFERRED LIABILITIES

	2003 (Rs '000)	2002 (Rs '000)
Taxation (note 8.1)	6,520,361	5,215,000
Post retirement medical benefits (note 8.2)	731,714	706,200
Compensated absences (note 8.3)	931,044	473,498
	<u>8,183,119</u>	<u>6,394,698</u>

### 8.1 Taxation

Credit/(debit) balances arising on account of:

Accelerated depreciation on property, plant and equipment	1,741,165	1,714,177
Accelerated amortization of exploration and development expenses	4,975,029	3,500,823
Provision for impairment of assets	(195,833)	—
	<u>6,520,361</u>	<u>5,215,000</u>

### 8.2 Post retirement medical benefits

The amounts recognized in the balance sheet are as follows :

Present value of defined benefit obligation	441,720	706,200
Net actuarial gains not recognised	289,994	—
Net liability at the end of the year	<u>731,714</u>	<u>706,200</u>
Opening net liabilities	706,200	518,169
Charge for the year	36,403	188,031
Benefits paid during the year	(10,889)	—
Net liability at the end of the year	<u>731,714</u>	<u>706,200</u>

#### Particulars of charge for the year

Current service cost	21,256	188,031
Interest cost	33,090	—
Actuarial gains recognised	(17,943)	—
	<u>36,403</u>	<u>188,031</u>

The latest actuarial valuation was carried out as at June 30, 2003. The rate of discount was assumed as 7% per annum and medical cost inflation was assumed at 5% per annum.



**8.3 Compensated absences**

	2003 (Rs '000)	2002 (Rs '000)
Opening balance	473,498	452,000
Charge for the year	457,546	21,498
Closing net liability at the end of the year (present value of obligation)	<u>931,044</u>	<u>473,498</u>

Previous actuarial valuation was carried out in 2001. The liability provided for during the year is on account of last 2 years on the basis of latest actuarial valuation carried out as at June 30, 2003. The rate of discount was assumed as 7 % per annum and salary increases were assumed to average 7 % per annum.

**9 CREDITORS, ACCRUED AND OTHER LIABILITIES**

	2003 (Rs '000)	2002 (Rs '000)
Trade creditors	42,312	53,362
Accrued liabilities	1,266,891	1,250,091
Royalty	922,465	367,835
Excise duty	100,319	87,379
Sales tax	—	477,414
Payable to wholly owned subsidiary company - Pirkoh Gas Company (Private) Limited	66,602	138,772
Payable to joint venture partners	795,636	1,206,700
Retention money	261,785	236,878
Advances from customers	80,900	78,917
Workers' Profit Participation Fund (note 9.1)	—	51,991
Interest accrued on long term loans	—	3,224
Other liabilities	15,038	12,351
	<u>3,551,948</u>	<u>3,964,914</u>

**9.1 WORKERS' PROFIT PARTICIPATION FUND**

Balance at beginning of the year	51,991	1,222,499
Allocation for the year	1,390,373	1,351,991
Interest on funds utilized in the Company's business	9,930	98,118
	<u>1,452,294</u>	<u>2,672,608</u>
Less: Amount paid to the trustees of the fund (Refundable)/payable at end of the year (note 19)	<u>1,561,921</u>	<u>2,620,617</u>
	<u>(109,627)</u>	<u>51,991</u>

**10 CONTINGENCIES AND COMMITMENTS**

- 10.1** Claims against the company not acknowledged as debts amounted to Rs 4,430.410 million (2002 : Rs 3,159.442 million) at the year end. These include net liquidated damages aggregating Rs 2,148.880 million (2002 : Rs 905 million) claimed by a customer related to minimum supply of gas, disputed by the Company.
- 10.2** Capital commitments outstanding as at June 30, 2003 amounted to Rs 5,711.935 million (2002: Rs 3,904.907 million). This includes amounts aggregating Rs 3,641.889 million (2002 : Rs 2,962.526 million) representing OGDCL's share in the minimum work commitments related to operated/non operated concessions.
- 10.3** Certain banks have issued guarantees aggregating Rs 104.459 million ( 2002 : Rs 29 million) on behalf of the company in the ordinary course of business.
- 10.4** Refer note 28.1 for contingencies relating to tax matters.

## 11 PROPERTY, PLANT AND EQUIPMENT

DESCRIPTION	Cost		Rate of depreciation (%age)	As at June 30, 2003		Depreciation Charge for the year/ (On deletions)	As at June 30, 2003		Written Down Value as at June 30, 2003
	As at July 1, 2002	Additions/(deletions) during the year		(Rs '000)	Adjustments		(Rs '000)	(Rs '000)	
Freehold land	83,950	1,104	—	85,025	—	—	—	—	85,025
Leasehold land	245,079	—	1 – 3.3	245,079	—	8,050	—	64,015	181,064
Buildings / offices on freehold land	794,051	21,287	2.5	778,412	(36,926)	19,498	(4,196)	123,876	654,536
Buildings / offices on leasehold land	5,777	—	2.5	5,777	—	144	—	630	5,147
Buildings / roads in fields on freehold land	234,942	101,037	8	372,905	36,926	24,927	4,196	78,055	294,850
Buildings / roads in fields on leasehold land	484,856	29,998	8	514,854	—	41,181	—	120,309	394,545
Plant and machinery	24,231,975	3,256,132	10	27,488,136	29	1,776,381	—	15,130,680	12,357,456
Rigs	637,087	26,617	10	663,704	—	13,721	—	588,931	74,773
Pipelines	3,722,862	25,639	10	3,748,501	—	374,449	—	1,943,677	1,804,824
Rolling stock	1,693,810	57,527	20	1,748,683	—	40,885	—	1,610,391	138,292
		(2,654)				(2,641)			
Office and domestic equipment	296,434	14,973	15	311,407	—	10,306	—	290,954	20,453
Office and technical data computers	387,037	24,474	30	411,511	—	21,912	—	298,488	113,023
Furniture and fixtures	67,662	8,784	15	76,446	—	2,467	—	46,468	29,978
Aircraft	19,855	—	10	19,855	—	17,869	—	17,869	1,986
Total	32,905,377	3,567,572		36,470,295	—	2,333,921	—	20,314,343	16,155,952
		(2,654)				(2,641)			
Decommissioning cost	—	182,145	1 – 10	182,145	—	17,147	—	17,147	164,998
	32,905,377	3,749,717		36,652,440	—	2,351,068	—	20,331,490	16,320,950
		(2,654)				(2,641)			
2002	30,675,831	2,293,339		32,905,377	—	2,482,091	—	17,983,063	14,922,314
	—	(63,793)		—	—	(63,744)	—	—	—

11.1 Cost and accumulated depreciation as at June 30, 2003 include Rs 8,621.206 million ( 2002 : Rs 5,685.73 million ) and Rs 3,871.804 million ( 2002 : Rs 3,351.303 million ) respectively being the Company's share in property, plant and equipment relating to joint ventures operated by others.

## 12 EXPLORATION AND DEVELOPMENT EXPENDITURE

	COST		AMORTIZATION		WRITTEN DOWN VALUE	
	As at July 1, 2002 (Rs '000)	Additions/(deletions) during the year (Rs '000)	As at July 1, 2002 (Rs '000)	During the year (Rs '000)	As at June 30, 2003 (Rs '000)	As at June 30, 2003 (Rs '000)
<b>DRILLING COST</b>						
<b>Producing fields-own</b>						
Toot	1,522,632	(44)	1,522,588	16,398	1,268,273	254,315
Dakhni	1,199,135	2,461	1,201,596	28,191	462,432	739,164
Uch	947,035	-	947,035	19,830	93,875	853,160
Loti	784,137	-	784,137	35,375	585,271	198,866
Sadqal	754,289	-	754,289	178	753,250	1,039
Dhodak	555,942	(783)	555,159	18,170	161,869	393,290
Missakeswal	555,120	-	555,120	38,436	546,887	8,233
Nandpur/Sarai Sidhu	599,867	26,021	625,888	63,225	209,128	416,760
Tando Alam	446,408	-	446,408	20,360	364,883	81,525
Railan	703,440	(244)	703,196	253,420	298,242	404,954
Finkassar	341,198	-	341,198	1,037	292,806	48,392
Panipir	254,650	-	254,650	42,547	116,367	138,283
Bhal Syedan	218,661	-	218,661	207,847	210,388	8,273
Lashari Centre	211,881	-	211,881	105,710	124,298	87,583
Sono	166,906	(973)	165,933	7,492	147,745	18,188
Kunner	190,468	71,814	262,282	43,478	119,118	143,164
Kal	171,244	-	171,244	3,671	156,371	14,873
Sari	60,893	-	60,893	47,659	49,699	11,194
Hundi	18,552	-	18,552	16,732	16,997	1,555
Pasakhi / Pasakhi North	190,002	(130)	189,872	30,396	153,885	35,987
Daru	109,634	-	109,634	50,737	64,463	45,171
Thora / Thora East	86,317	-	86,317	86,209	86,231	86
Misan	78,776	(25)	78,751	72,234	74,914	3,837
Sub total	10,167,187	98,097	10,265,284	453,468	6,357,392	3,907,892
<b>Producing fields-Joint ventures</b>						
Kadanwari	1,973,847	228	1,974,075	53,265	1,218,192	755,883
Miano	1,245,150	184,620	1,429,770	132,642	160,671	1,269,099
Pindori	837,643	373,090	1,210,733	31,051	328,263	882,470
Qadirpur	1,078,295	4,395	1,082,690	40,355	204,557	878,133
Adhi	569,932	643,799	1,213,731	22,506	360,510	853,221
Ratana	252,463	-	252,463	2,173	218,815	33,648
Chak Naurang	216,221	66,502	282,723	1,861	204,654	78,069
Meyun Ismail	203,989	-	203,989	1,346	201,879	2,110
Zaur	193,436	-	193,436	33,344	94,257	99,179
Shah Dino	364,433	117,955	482,388	75,392	150,000	332,388
Buzdar (UTP)	-	15,717	15,717	1,429	1,429	14,288
Paniro	146,728	7,232	153,960	3,716	124,091	29,869
Jabo	92,272	-	92,272	45,383	48,537	43,735
Sarai/Suri	91,870	82,128	173,998	18,624	34,514	139,484
Pir	109,037	109	109,146	36,066	45,869	63,277
Jagir	48,253	-	48,253	688	42,647	5,606
Bhargali	111,246	4,724	115,970	13,851	57,319	58,651
Bhit	38,608	-	38,608	808	36,500	2,108
Sakhi	197,051	87,736	284,787	13,608	1,707	271,179
Keyhole	33,109	4,840	37,949	1,707	1,985	36,242
Kato	18,850	27,650	46,500	606	44,515	44,515
Rind	27,739	(923)	26,816	465	19,988	6,828
Mubani	51,356	5,633	56,989	564	33,537	23,452
Sub total	7,919,347	1,625,223	9,544,570	1,111	3,607,122	5,937,448
<b>Total producing fields</b>	18,086,534	1,723,320	19,809,854	461,335	9,964,514	9,845,340

	COST		AMORTIZATION		WRITTEN DOWN VALUE As at June 30, 2003 (Rs '000)
	As at July 1, 2002 (Rs '000)	Additions/(deletions) during the year (Rs '000)	As at July 1, 2002 (Rs '000)	During the year (Rs '000)	As at June 30, 2003 (Rs '000)
<b>Shut-in-fields-own</b>					
Jandran	295,272	(118,272)	-	-	177,000
Chak 5 Dim South	126,130	-	-	-	126,130
Palli	130,659	-	22,101	-	108,558
Buzdar North	26,701	-	4,717	-	21,984
Bobli	505,397	-	105,362	-	400,035
Jakhro	87,073	32	-	-	87,105
Mithrao	63,291	-	-	-	63,291
Nur	51,622	-	51,622	-	-
Dhamraki	34,022	-	-	-	34,022
Buzdar	22,087	-	22,087	-	-
<b>Shut-in-fields-Joint ventures</b>					
Tando Allah Yar	269,687	-	-	-	269,687
Sinjhoro	117,715	251,667	-	-	369,382
Nim	-	174,219	-	-	174,219
Jalal	27,567	-	27,070	-	497
Chanda	535,338	-	4,166	-	531,172
Badar	6,126	119,901	-	-	126,027
Tal Block	-	269,962	-	-	269,962
<b>Total shut-in fields</b>	<u>2,298,687</u>	<u>697,509</u>	<u>237,125</u>	<u>-</u>	<u>2,759,071</u>
<b>Total drilling cost</b>	<u>20,385,221</u>	<u>2,420,829</u>	<u>9,286,836</u>	<u>914,803</u>	<u>12,604,411</u>
<b>DECOMMISSIONING COST</b>	<u>4,099,026</u>	<u>526,942</u>	<u>566,359</u>	<u>444,773</u>	<u>3,614,835</u>
<b>Total</b>	<u>24,484,247</u>	<u>2,947,771</u>	<u>9,853,195</u>	<u>1,359,576</u>	<u>16,219,246</u>
<b>2002</b>	<u>18,434,955</u>	<u>6,049,293</u>	<u>8,380,787</u>	<u>1,472,408</u>	<u>14,631,053</u>

## 13 PROJECTS IN PROGRESS-AT COST

	2003 (Rs '000)	2002 (Rs '000)
<b>Wells in progress</b>		
<b>Own wells</b>		
Bobi-9	3,532	—
Fimkassar - 4	6,086	—
Garhi-X1	345,323	24,865
Uch Deep-1	—	230,471
Uch Deep-1A	188,711	199,881
<b>Joint Ventures</b>		
Adhi-13	—	293,182
Adhi-14	—	58,351
Bhit -9	—	25,270
Bhit-10	—	4,153
Boski-1	—	12,378
Chak 63 - 3	82,314	—
Chak2-1	—	9,921
Chak3-1	—	2,883
Dangi-1	27,820	—
Dars-1	36,283	—
Dosa-1	221,494	37
Jabo-4	—	3,191
Shahdani-1	163,088	20,211
Kotra-1	2,403	—
Lakharai-1	26,960	—
Manzalai-1	—	131,403
Miano-6	—	292
Pindori-5A	—	65,491
Qadirpur-20	—	9,057
Qadirpur-21	46,622	—
Qadirpur-22	29,924	—
Ratana-2	—	19,467
Resham-1	—	26,879
	<b>1,180,560</b>	<b>1,137,383</b>

**Capital work in progress**

	<b>2003 (Rs '000)</b>	<b>2002 (Rs '000)</b>
<b>Production facilities at fields</b>		
Bhit	—	1,950,341
Bobi	<b>1,020,037</b>	435,289
Uch	<b>213,865</b>	300,745
Qadirpur	<b>1,452,375</b>	70,394
Nandpur	<b>10,914</b>	42,742
Chanda	<b>70,657</b>	30,036
Tando Alam	<b>33,624</b>	26,145
Dakhni	<b>36,274</b>	20,034
Lashari Centre	<b>11,184</b>	11,184
Pasakhi	<b>14,599</b>	7,169
Kunner	<b>12,763</b>	2,115
Missakeswal	<b>8,329</b>	—
Dhodak	<b>3,985</b>	—
Fimkassar	<b>5,505</b>	—
Bhulan Shah	<b>600</b>	—
Toot	<b>495</b>	—
Ghauspur	<b>956</b>	—
	<b>2,896,162</b>	2,896,194
Building for Dhodak field at Multan	<b>30,094</b>	30,094
Sadqal Drilling School	<b>11,796</b>	—
OGDCL House	<b>5,083</b>	4,966
Boundary wall at Kot Adu	<b>223</b>	—
Boundary wall at Kot Sarang	<b>210</b>	—
Base camp for EFP - 3	<b>154</b>	—
	<b>47,560</b>	35,060
	<b>2,943,722</b>	2,931,254
	<b>4,124,282</b>	4,068,637

**14 LONG TERM INVESTMENTS****Wholly owned subsidiary company - Un-quoted**

Pirkoh Gas Company (Private) Limited	<b>418,000</b>	418,000
Percentage holding 100%		
1,254,000 (2002 : 1,254,000) fully paid ordinary shares of Rs 1,000 each (including 836,000; 2002 : 836,000 bonus shares) Value based on net assets at June 30, 2003 : Rs 7,082.742 million (2002 : Rs 6,732.601 million)		

**Associated company - Quoted**

Mari Gas Company Limited	<b>73,500</b>	73,500
Percentage holding 20%		
7,350,000 fully paid ordinary shares of Rs 10 each		
Market value Rs 492.818 million (2002 : Rs 275.993 million)	<b>491,500</b>	491,500

**15 INVESTMENTS HELD TO MATURITY**

	<b>2003</b> <b>(Rs '000)</b>	2002 (Rs '000)
Defence saving certificates	<b>195,298</b>	195,298
Accrued interest	<b>346,650</b>	233,562
	<b>541,948</b>	428,860

The investment in Government securities is against amounts set aside for contingency reserve fund.

**16 LONG TERM RECEIVABLES**

Long term loans to employees (note 16.1)	<b>604,396</b>	549,047
Long term receivable -unsecured (note 16.2)	<b>2,667,000</b>	2,667,000
Less : Allowance for impairment	<b>(559,795)</b>	—
	<b>2,107,205</b>	2,667,000
	<b>2,711,601</b>	3,216,047
Less : Current portion of long term loans (note 19)	<b>(57,095)</b>	(77,683)
Current portion of long term receivable (note 19)	<b>(375,359)</b>	—
	<b>(432,454)</b>	(77,683)
	<b>2,279,147</b>	3,138,364

**16.1** These mainly represent house building and transportation loans recoverable from employees in accordance with the Company's service rules. House building loans are for a period of 15 years and transportation loans are for 5 years. These loans are secured against the underlying assets. Included in these are loans of Rs 510.032 million (2002: Rs 473.480 million) which carry no interest. The balance amount carries an effective interest rate of 10.87 % per annum.

**16.2** Long term receivable represents the amount receivable from WAPDA on account of overdue balances of gas companies transferred to WAPDA as a result of inter-corporate debt adjustment approved by the Government of Pakistan in April, 1999. Pursuant to the Economic Coordination Committee of Cabinet (ECC) decision in November 2001 and waiver of interest by the President of Pakistan in June 2002, the company entered into agreements with three power generating companies namely Jamshoro Power Generation Company, The Central Power Generation Company and Northern Power Generation Company on 1st July 2002. The receivable carries no interest and is repayable in 5 years with one year grace period and is secured against WAPDA guarantee.

In accordance with IAS 39 "Financial Instruments : Recognition and Measurement" an impairment loss has been recognized on this receivable which is the difference between the carrying amount and present value of expected future cash flows discounted at 7.5% which is the imputed rate for interest calculation.

**17 STORES AND STOCKS**

	<b>2003</b> <b>(Rs '000)</b>	2002 (Rs '000)
Stores and spares in hand	<b>6,471,587</b>	6,783,918
Stores and spares in transit	<b>921,325</b>	538,764
	<b>7,392,912</b>	7,322,682
Less: Provision for obsolete, slow moving items and other adjustments	<b>1,390,752</b>	1,040,488
	<b>6,002,160</b>	6,282,194
Stock of crude oil and other products	<b>55,491</b>	98,164
	<b>6,057,651</b>	6,380,358

**17.1** The assignment of 100% physical verification and reconciliation of stores and spares as of March 31, 2002 was assigned to consultants during August 2002. The consultants are in the process of finalizing the report. However, amounts of Rs 650.338 million and Rs 740.414 million on account of inventory differences and obsolete/slow moving items respectively have been provided in the financial statements based on the draft report submitted by the consultants.

<b>18</b>	<b>TRADE DEBTS - Unsecured (Considered good)</b>	<b>2003 (Rs '000)</b>	<b>2002 (Rs '000)</b>
	Trade debts - gross	<b>14,873,911</b>	13,977,546
	Less : Un-recognised billing	<b>(1,850,806)</b>	(867,257)
		<b>13,023,105</b>	13,110,289
	Less : Provision for doubtful amount	<b>(27,172)</b>	(25,559)
		<b>12,995,933</b>	13,084,730

**18.1** Trade debts include balances aggregating Rs 4 billion which have been withheld by Uch Power Limited (UPL) against claims for damages related to minimum supply of gas. The Company has pending resolution of the matter un-recognised billings of Rs 1.8 billion against the amounts withheld whereas the balance relates to liquidated damages which have not been provided by the Company. The managements interpretation is that liquidated damages and reduction in billing are not applicable simultaneously . The Company is contesting the claim on the basis of a force majeure declaration under the contract which has not been accepted by UPL. The management is of the opinion that in view of legal opinions and recent constitution of a high level governmental committee to resolve the dispute, the matter is likely to be decided in Company's favour.

**19** **LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

	<b>2003 (Rs '000)</b>	<b>2002 (Rs '000)</b>
Advances considered good to:		
Suppliers and contractors (note 19.1)	<b>1,075,334</b>	1,464,971
Joint venture partners	<b>154,778</b>	204,894
Current portion of long term loans to employees	<b>57,095</b>	77,683
Employees	<b>69,543</b>	65,891
	<b>1,356,750</b>	1,813,439
Current portion of long term receivables	<b>375,359</b>	—
Interest accrued on long term receivables	<b>158,041</b>	—
Deposits	<b>6,613</b>	6,622
Prepayments	<b>346,828</b>	161,304
Development surcharge	<b>73,463</b>	72,156
Advance income tax	<b>3,567,907</b>	—
Sales tax	<b>19,942</b>	—
Workers' Profit Participation Fund (note 9.1)	<b>109,627</b>	—
Claims receivables	<b>8,115</b>	5,913
Employees' Pension Trust (note 19.2)	<b>95,820</b>	181,880
Employees' Provident Fund	<b>—</b>	7,593
Interest income accrued	<b>1,877</b>	68,265
Other receivables	<b>20,677</b>	4,287
	<b>6,141,019</b>	2,321,459
Less : Provision for impairment of receivables	<b>(597,074)</b>	(17,323)
	<b>5,543,945</b>	2,304,136

- 19.1** Advances include an amount of Rs 492 million given to Clough Engineering Limited (CEL) in respect of Dakhni Train-II Project against bank guarantees. The contract with CEL was suspended, however the company was un-able to encash the guarantees pursuant to a stay order obtained by CEL from the court. The dispute has not yet been formally resolved. The matter is currently subjudice, however the company and CEL are in the process of negotiating out of court settlement. Accordingly a provision of Rs 326.025 million has been made against this advance on management's assessment of the eventual outcome of the settlement.

## 19.2 Employees' pension trust

The amounts recognized in the balance sheet are as follows:

	2003 (Rs '000)	2002 (Rs '000)
Present value of defined benefit obligation	(4,661,329)	(3,525,526)
Fair value of plan assets	4,101,349	3,530,862
Net actuarial gain not recognized	655,800	176,544
Net assets at the end of the year	95,820	181,880
Opening net asset	181,880	129,151
Charge for the year	(215,867)	(118,930)
Contribution to the fund made during the year	129,807	171,659
Net asset at the end of the year	95,820	181,880
<b>Particulars of charge for the year</b>		
Current service cost	216,400	193,377
Interest cost	352,553	302,811
Expected return on plan assets	(353,086)	(321,320)
Recognised transitional liability/(asset)	-	(55,938)
	215,867	118,930

The latest actuarial valuation was carried out as at June 30, 2003. The discount rate for valuation was taken as 7% per annum, salary increases were assumed to average 7% per annum and pension increase was taken as 3% per annum. Actual return on plan assets during the year was Rs 581 million. There was no transitional asset/liability as on June 30, 2003.

## 20 CASH AND BANK BALANCES

	2003 (Rs '000)	2002 (Rs '000)
<b>Cash at bank on</b>		
current accounts	405,065	306,035
deposit accounts	18,975,061	14,560,141
(includes foreign currency deposits of US \$ 30,470,533; 2002 : US \$ 36,301,124 )		
Cash in hand	32,418	25,383
Cash in transit	29,881	16,878
	19,442,425	14,908,437

Deposits of Rs 104.459 million (2002: Rs 29 million ) with banks were under lien to secure bank guarantees issued by the banks.

## 21 SALES LESS GOVERNMENT LEVIES

	Gross sales (Rs '000)	Government levies			Sales less Government levies		Quantity Sold		Unit
		Excise duty (Rs '000)	Development surcharge (Rs '000)	Sales tax (Rs '000)	2003 (Rs '000)	2002 (Rs '000)	2003	2002	
Crude oil	15,141,274	—	—	1,974,875	13,166,399	11,084,701	9,413,156	8,704,764	Barrels
Gas	35,075,001	1,494,737	137,188	4,354,278	29,088,798	26,063,437	274,005,875	245,537,437	MCF
Liquefied Petroleum Gas (LPG)	1,464,752	7,143	—	191,055	1,266,554	1,170,392	90,304	93,136	Metric Tons
Naphtha	1,137,378	—	—	148,354	989,024	863,680	647,386	683,433	Barrels
Solvent oil	114,763	52,497	—	19,127	43,139	165,840	25,414	113,276	Barrels
Kerosene oil	329,241	—	55,753	43,167	230,321	199,193	118,801	125,177	Barrels
High speed diesel oil	194,283	—	34,941	25,449	133,893	107,236	67,442	67,117	Barrels
Sulphur	103,678	—	—	13,527	90,151	84,998	15,889	23,234	Metric Tons
Total	53,560,370	1,554,377	227,882	6,769,832	45,008,279	39,739,477			
2002	47,400,119	1,516,007	194,957	5,949,678	—	39,739,477			

**22 OTHER OPERATING REVENUE**

	2003 (Rs '000)	2002 (Rs '000)
Mud engineering services	10,758	9,242
Engineering services	—	39,616
Cementation services	26,831	15,373
Work-over rig services	24,330	1,388
	<u>61,919</u>	<u>65,619</u>

**23 OPERATING EXPENSES**

Establishment charges	1,509,168	705,890
Medical	89,337	142,635
Travelling	27,555	24,492
Transportation	137,842	113,104
Repairs and maintenance (note 23.1)	7,535	289,053
Rent	51,669	46,833
Telephone and telex	20,330	19,975
Utilities	14,913	10,142
Land and crops compensation	218,519	259,316
Stores and supplies consumed	968,521	201,381
Contract services	163,194	110,587
Joint venture expenses	1,090,912	401,708
Desalting/decanting charges	190,977	251,114
Gas processing charges by subsidiary company	86,091	86,403
Taxes and insurance	249,664	162,132
Postal and courier	624	565
Depreciation	2,217,050	2,358,227
Welfare of locals at fields	167,524	14,060
Provision for inventory reconciliation	350,265	385,060
Workover charges	221,720	203,731
Charges related to minimum supply of gas	—	367,399
Other expenses	743	492
Transfer from general and administration expenses	290,216	265,158
Opening stock of crude oil and other products	98,164	86,894
Closing stock of crude oil and other products	(55,491)	(98,164)
	<u>8,117,042</u>	<u>6,408,187</u>

**23.1** These have been shown net of reversal of provision for UPL booked last year amounting to Rs 173 million.

**24 EXPLORATION EXPENDITURE WRITTEN OFF  
INCLUDING EXPLORATORY DRY HOLES**

	2003 (Rs '000)	2002 (Rs '000)
Cost of dry / abandoned wells	1,257,905	391,648
Prospecting expenditure	1,268,214	804,039
	<u>2,526,119</u>	<u>1,195,687</u>

**25 GENERAL AND ADMINISTRATION EXPENSES**

Establishment charges (note 25.1)	651,694	417,034
Medical	101,880	109,353
Travelling	17,997	18,944
Transportation	34,711	31,534
Repairs and maintenance	12,523	13,487
Rent	13,607	14,421
Telephone and telex	31,504	25,659
Utilities	33,884	30,313
Stores and supplies consumed	16,646	22,526
Training and scholarships	3,624	5,449
Legal services	14,732	3,522
Contract services	12,410	12,140
Auditors' remuneration:		
Statutory audit	1,600	1,600
Out of pocket expenses	200	200
Joint venture expenses	239,742	190,670
Taxes and insurance	11,469	4,041
Postal and courier	1,264	1,003
Donations	325	367
Other expenses	28,424	16,145
Aircraft expenses	6,983	2,948
Provision against advances	326,025	—
Un-allocated expenses of rigs	37,585	148,332
Depreciation	50,242	44,403
	<u>1,649,071</u>	<u>1,114,091</u>
Allocation of expenses :		
To operations	(290,216)	(265,158)
Capitalized	(288,436)	(222,714)
Pirkoh Gas Company (Private) Limited	(75,689)	(54,130)
	<u>(654,341)</u>	<u>(542,002)</u>
	<u>994,730</u>	<u>572,089</u>

**25.1** This includes Rs 1,104,905 (2002: Rs 1,000,881) charged on account of gross remuneration of the directors including the Chief Executive.

**26 FINANCIAL CHARGES**

	2003 (Rs '000)	2002 (Rs '000)
Interest/mark up on loans	9,145	30,128
Net loss on impairment of long term receivables	401,754	—
Interest on payables to joint venture partners	123,507	30,827
Interest on Workers' Profit Participation Fund	9,930	98,118
Exchange loss	95,198	127,538
Others	7,138	10,864
	<u>646,672</u>	<u>297,475</u>

<b>27 OTHER INCOME</b>	<b>2003 (Rs '000)</b>	<b>2002 (Rs '000)</b>
Interest income	<b>909,685</b>	1,434,192
Interest on delayed payments from customers	<b>594,221</b>	367,436
Dividend income :		
From wholly owned subsidiary company	<b>376,200</b>	125,400
From associated company	<b>14,700</b>	27,563
Profit on sale of fixed assets	<b>69</b>	1,448
Sale of scrap	<b>2,698</b>	22,657
Others	<b>89,829</b>	61,601
	<b><u>1,987,402</u></b>	<b><u>2,040,297</u></b>

**28 PROVISION FOR TAXATION**

Current	- for the year (note 28.1)	<b>6,230,126</b>	7,290,000
	- for prior years	<b>(1,791,487)</b>	323,000
		<b><u>4,438,639</u></b>	<b><u>7,613,000</u></b>
Deferred	- for the year	<b>248,596</b>	1,300,000
	- for prior years	<b>1,056,765</b>	—
		<b><u>1,305,361</u></b>	<b><u>1,300,000</u></b>
		<b><u>5,744,000</u></b>	<b><u>8,913,000</u></b>

**28.1 Reconciliation of tax charge for the year :**

Accounting profit	<b><u>26,417,086</u></b>	<b><u>25,687,827</u></b>
Tax rate	<b><u>52.5518</u></b>	<b><u>52.9204</u></b>
Tax on accounting profit at applicable rate	<b><u>13,882,654</u></b>	<b><u>13,594,101</u></b>
Tax effect of amounts / expenses that are inadmissible for tax purpose	<b>5,063,669</b>	6,796,461
Tax effect of amounts / expenses that are admissible for tax purpose	<b>(3,831,600)</b>	(6,221,304)
Tax effect of royalty allowed for tax purpose	<b>(4,970,478)</b>	(4,330,071)
Tax effect of depletion allowance for tax purpose	<b>(4,222,041)</b>	(3,154,544)
Dividend chargeable to tax at reduced rate	<b>19,545</b>	7,648
Income chargeable to tax at corporate rates	<b>288,377</b>	597,709
	<b><u>(7,652,528)</u></b>	<b><u>(6,304,101)</u></b>
Provision as per profit and loss account	<b><u>6,230,126</u></b>	<b><u>7,290,000</u></b>

**28.2 Assessments from assessment year 1992 -93 to 1998-99 are subject to certain issues which are subject to appeal as well as rectification.**

In respect of assessment years 1999-00 to 2002-03 appeals have been filed before Income Tax Appellate Tribunal vis-à-vis CIT(A). However both the department and OGDCL have agreed appointment of an independent arbitrator to resolve the issues on account of depletion allowance and decommissioning cost.

After taking into account the demands raised by the department and taxes paid by OGDCL amount aggregating Rs 843.946 million represents the balance payable relating to the issues which are subject to appeals as well as arbitration for the above assessment years.

In the opinion of the management the issues will ultimately be resolved in favour of the Company.

## 29 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

29.1 Interest rate exposure  
Financial assets and liabilities

	2003				2002			
	Interest / mark-up bearing with maturity		Non-interest/ mark-up bearing (Rs '000)	Total (Rs '000)	Interest / mark-up bearing with maturity		Non-interest/ mark-up bearing (Rs '000)	Total (Rs '000)
	less than one year (Rs '000)	one to five years (Rs '000)			less than one year (Rs '000)	one to five years (Rs '000)		
<b>Financial assets:</b>								
Trade debts	-	-	-	12,995,933	-	-	-	13,084,730
Loans, advances, deposits and other receivables	-	-	-	697,320	-	-	-	228,661
Cash and bank balances	18,975,061	-	-	19,442,425	14,560,141	-	-	14,908,437
Long term receivables	-	-	-	2,279,147	-	-	-	3,138,364
Loans to employees	10,322	50,440	33,601	604,396	9,665	43,042	22,861	549,047
Investments	-	304,610	237,338	541,948	-	162,406	266,454	428,860
	18,985,383	355,050	270,939	19,611,372	14,569,806	205,448	289,315	32,338,099
<b>Financial liabilities</b>								
Long term bans	-	-	-	14,751	-	-	-	14,751
Creditors, accrued and other liabilities	-	-	-	3,471,048	-	-	-	3,885,997
Employees' retirement benefits	-	-	-	1,662,758	-	-	-	1,179,698
Decommissioning cost	-	-	-	4,808,113	-	-	-	4,099,026
	-	-	-	9,956,670	-	-	-	9,179,472
<b>Off balance sheet items</b>								
Capital commitments (other than LCs)	-	-	-	4,122,487	-	-	-	3,107,421
Letters of credit	-	-	-	1,589,449	-	-	-	797,486
Guarantees	-	-	-	104,459	-	-	-	29,418
	-	-	-	5,816,395	-	-	-	3,934,325

## 29.1(a) Effective interest rates

	2003 %	2002 %
Cash and bank balances	1.75 - 6.25	7 - 8.75
Loans to employees	10.87	10.87
Investments	17	17

## 29.2 Credit risk

Financial instruments that potentially subject the Company to credit risk consist primarily of trade debts and bank deposits. 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. Cash deposits are placed with banks where the credit exposure is minimal.

## 29.3 Foreign exchange risk

Financial assets and liabilities include Rs 1,788,542 million (2002 : Rs 2,192,072 million ) and Rs 14,751 million (2002 : Rs 1,098,270 million ) respectively in foreign currencies which are subject to exchange risk.

## 29.4 Fair value of financial assets and liabilities

Financial assets and liabilities are stated at their fair value except for investments in subsidiary and associated companies as stated in note 14.

**30 EARNINGS PER SHARE**

	<b>2003</b> <b>(Rs '000)</b>	<b>2002</b> <b>(Rs '000)</b>
Net profit for the year	<b><u>20,673,086</u></b>	<b><u>16,774,827</u></b>
Average number of shares outstanding-Nos	<b><u>1,075,232,100</u></b>	<b><u>1,075,232,100</u></b>
Earnings per share (Rupees)	<b><u>19.23</u></b>	<b><u>15.60</u></b>

**31 TRANSACTIONS WITH ASSOCIATED PARTIES**

Excluding relationships arising purely out of the Company being a Government owned entity, transactions with associated Companies are as follows :

	<b>2003</b> <b>(Rs '000)</b>	<b>2002</b> <b>(Rs '000)</b>
Dividend Income :		
Subsidiary company	<b>376,200</b>	125,400
Associated company	<b>14,700</b>	27,563
Drilling services to subsidiary	<b>51,162</b>	41,967
Gas processing charges by subsidiary	<b>86,091</b>	86,403
Technical support to subsidiary	<b>75,689</b>	54,130
Payroll expenses	<b>29,124</b>	16,436
Store, supplies and others	<b>42,513</b>	92,123
Rent of dehydration plant	<b>24,668</b>	—

**32 NUMBER OF EMPLOYEES**

Total number of employees at the end of the year were as follows:

	<b>June 30,</b> <b>2003</b>	<b>June 30,</b> <b>2002</b>
Regular	<b>9,282</b>	9,337
Contract *	<b>2,572</b>	2,753
	<b><u>11,854</u></b>	<b><u>12,090</u></b>

\* includes 1,896 (2002: 2,062) work charge employees

### 33 CORRESPONDING FIGURES

Previous year's figures have been re-arranged and reclassified wherever necessary for the purpose of comparison. Major changes made during the year were as follows:


Reclassification from Note	Reclassification from Component	Reclassification to Note	Reclassification to Component	Nature	(Rs '000)
12	Long term investment	15	Investments held to maturity	Required by IAS 39	428,860
15	Trade debts	16	Long term receivables	Required by IAS 1	2,667,000
16	Loans, advances, deposits, prepayments and other receivables	16	Long term receivables	Required by IAS 1	471,364
6	Deferred liabilities	7	Long term provisions	Required by IAS 37	4,099,026
5	Current maturity of long term loans	6	Long term loans	Required by IAS 1	14,751
7	Creditors, accrued and other liabilities	18	Trade debts	Required by IAS 1	867,257

### 34 AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Company on September 29, 2003.

### 35 GENERAL

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

  
Chairman

Director

  
Managing Director

## Pattern of Shareholding

As on June 30, 2003

Number of Shareholders	Size of holding of shares		Total shares held
	From	To	
11	1	500	5,500
1	1,075,226,500	1,075,227,000	1,075,226,600
12			1,075,,232,100

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage
Individuals	11	5,500	.0005
President of Pakistan	1	1,075,226,600	99.9995
	12	1,075,232,100	100.0000

# Performance Over The Past Decade

## OPERATIONAL PERFORMANCE INDICATORS

		1993-94	1994-95
<b>SEISMIC SURVEY</b>	Kms	<b>4,419</b>	<b>4,941</b>
<b>WELLS DRILLED</b>	Numbers		
Exploratory Wells		10	6
Development Wells		5	12
		<b>15</b>	<b>18</b>
<b>DRILLED DEPTHS</b>	Meters		
Exploratory		26,280	13,186
Development		15,246	24,498
		<b>41,526</b>	<b>37,684</b>
<b>OIL AND GAS DISCOVERIES</b>	Numbers	<b>1</b>	<b>2</b>

### QUANTITY SOLD - ANNUAL (AVERAGE PER DAY BASED ON 330 DAYS PER YEAR EXCEPT FOR GAS 360 DAYS PER YEAR)

#### Crude Oil

- Own Fields	<b>Barrels</b>	<b>9,447,878</b>	<b>8,611,732</b>
	<i>Barrels/Day</i>	28,630	26,096
- Operated JVs	<b>Barrels</b>	<b>541,668</b>	<b>265,991</b>
	<i>Barrels/Day</i>	1,641	806
- Non-Operated JVs	<b>Barrels</b>	<b>621,561</b>	<b>798,333</b>
	<i>Barrels/Day</i>	1,884	2,419
<b>Total- Crude Oil</b>	<b>Barrels</b>	<b>10,611,107</b>	<b>9,676,056</b>
	<i>Barrels/Day</i>	32,155	29,321

#### Gas

- Own Fields	<b>MMcf</b>	<b>34,654</b>	<b>43,222</b>
	<i>MMcf/Day</i>	96	120
- Operated JVs	<b>MMcf</b>	-	-
	<i>MMcf/Day</i>	-	-
- Non-Operated JVs	<b>MMcf</b>	<b>5,207</b>	<b>8,606</b>
	<i>MMcf/Day</i>	14	24
<b>Total-Gas</b>	<b>MMcf</b>	<b>39,861</b>	<b>51,828</b>
	<i>MMcf/Day</i>	111	144

#### LPG

- Own Fields	<b>M. Tons</b>	<b>2,653</b>	<b>32,315</b>
	<i>M.Tons/Day</i>	8	98
- Non-Operated JVs	<b>M. Tons</b>	<b>12,724</b>	<b>13,210</b>
	<i>M.Tons/Day</i>	39	40
<b>Total- LPG</b>	<b>M. Tons</b>	<b>15,377</b>	<b>45,525</b>
	<i>M.Tons/Day</i>	47	138

#### Sulphur

- Own Fields	<b>M. Tons</b>	<b>17,851</b>	<b>18,345</b>
	<i>M.Tons/Day</i>	54	56
<b>Total- Sulphur</b>	<b>M. Tons</b>	<b>17,851</b>	<b>18,345</b>
	<i>M.Tons/Day</i>	54	56

#### White Petroleum Products

- Own Fields	<b>Barrels</b>	-	<b>546,091</b>
	<i>Barrels/Day</i>	-	1,655
- Non-Operated JVs	<b>Barrels</b>	-	-
	<i>Barrels/Day</i>	-	-
<b>Total- White Petroleum Products</b>	<b>Barrels</b>	-	<b>546,091</b>
	<i>Barrels/Day</i>	-	1,655



Fiscal Years

1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
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3,623 1,673 1,710 2,730 1,884 1,258 2,395 2,502

8	6	10	5	7	3	7	15
13	8	3	4	2	2	3	2
21	14	13	9	9	5	10	17

21,980	12,510	22,750	16,751	27,420	11,211	16,065	46,445
21,705	19,462	6,713	5,089	3,662	8,843	9,296	1,993
43,685	31,972	29,463	21,840	31,082	20,054	25,361	48,438
2	0	3	0	1	0	2	6

8,338,330	6,642,074	6,417,578	6,591,607	6,472,301	6,460,055	6,038,732	6,528,117
25,268	20,127	19,447	19,975	19,613	19,576	18,299	19,782
333,940	314,393	298,449	251,657	258,639	229,385	285,656	173,580
1,012	953	904	763	784	695	866	526
920,246	1,252,306	1,207,462	1,230,541	2,176,130	1,845,170	2,380,376	2,711,459
2,789	3,795	3,659	3,729	6,594	5,591	7,213	8,217
9,592,516	8,208,773	7,923,489	8,073,805	8,907,070	8,534,610	8,704,764	9,413,156
29,068	24,875	24,011	24,466	26,991	25,862	26,378	28,525

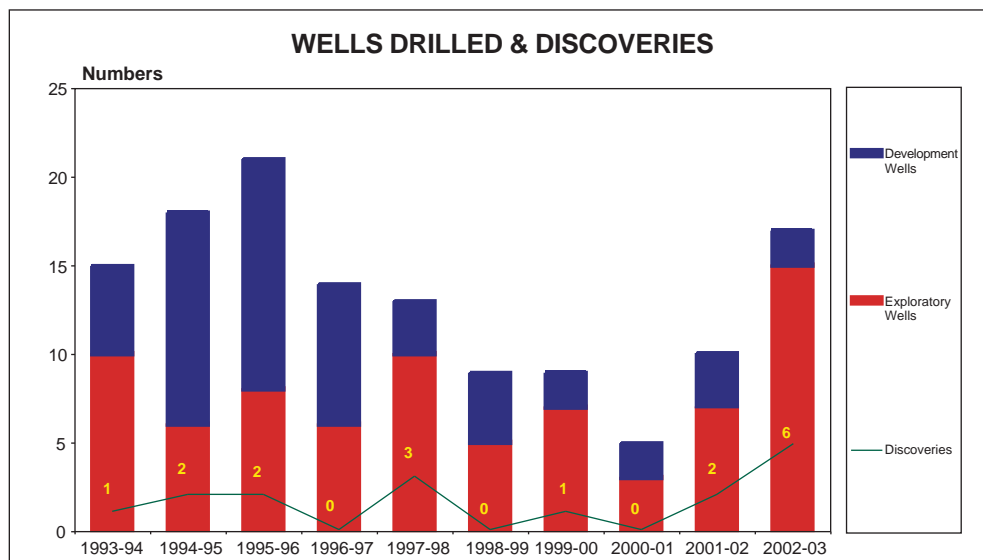
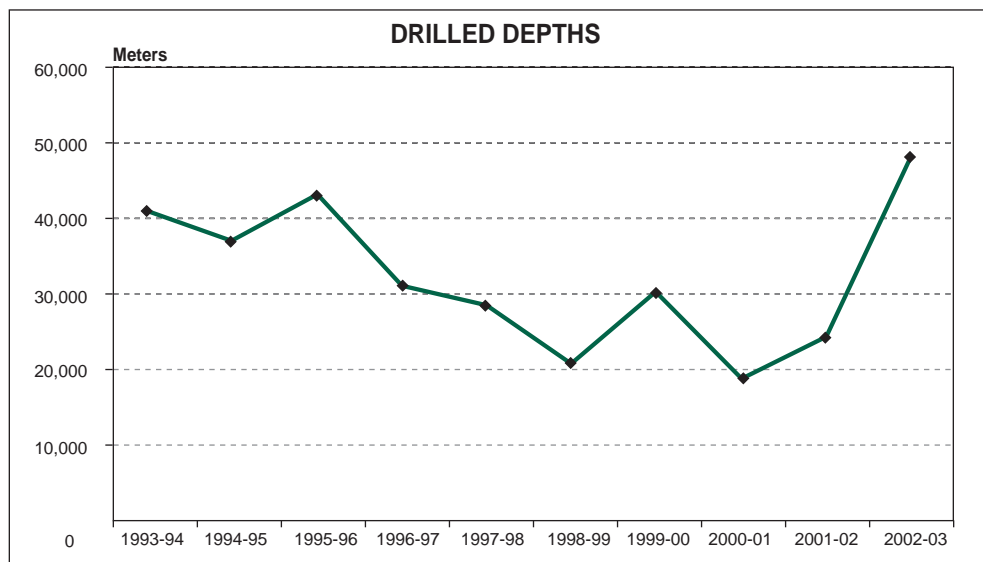
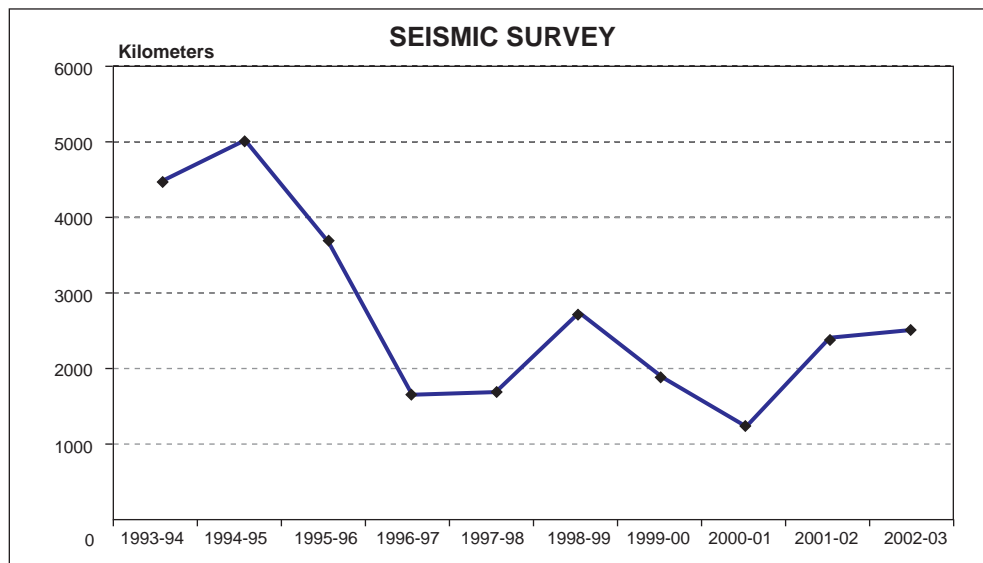
50,587	43,312	40,776	39,360	58,626	96,375	108,699	111,065
141	120	113	109	163	268	302	309
34,548	57,585	60,755	56,720	71,134	88,628	96,312	104,433
96	160	169	158	198	246	268	290
23,159	24,459	22,832	19,887	31,774	32,924	40,526	58,508
64	68	63	55	88	91	113	163
108,294	125,356	124,363	115,967	161,534	217,927	245,537	274,006
301	348	345	322	449	605	682	761

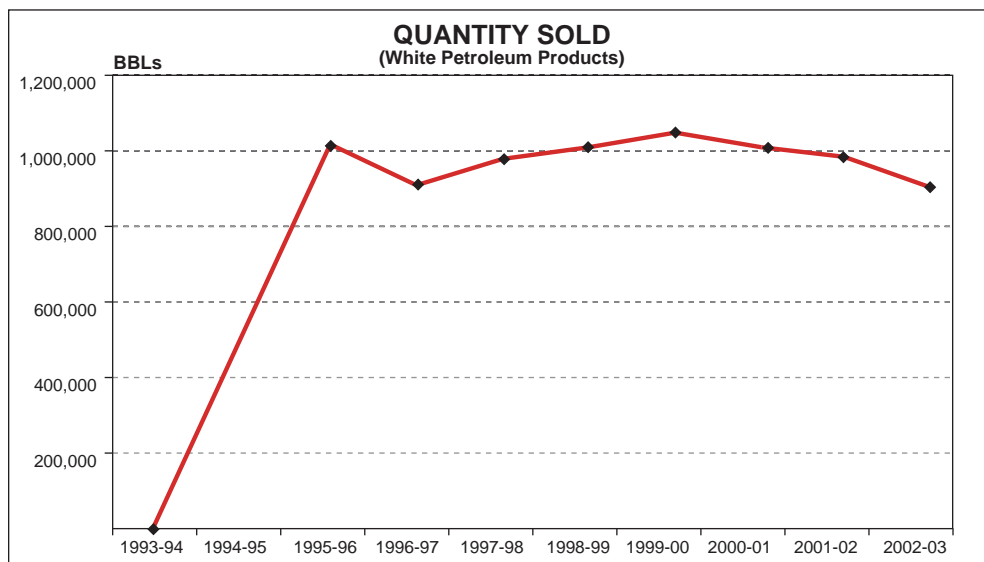
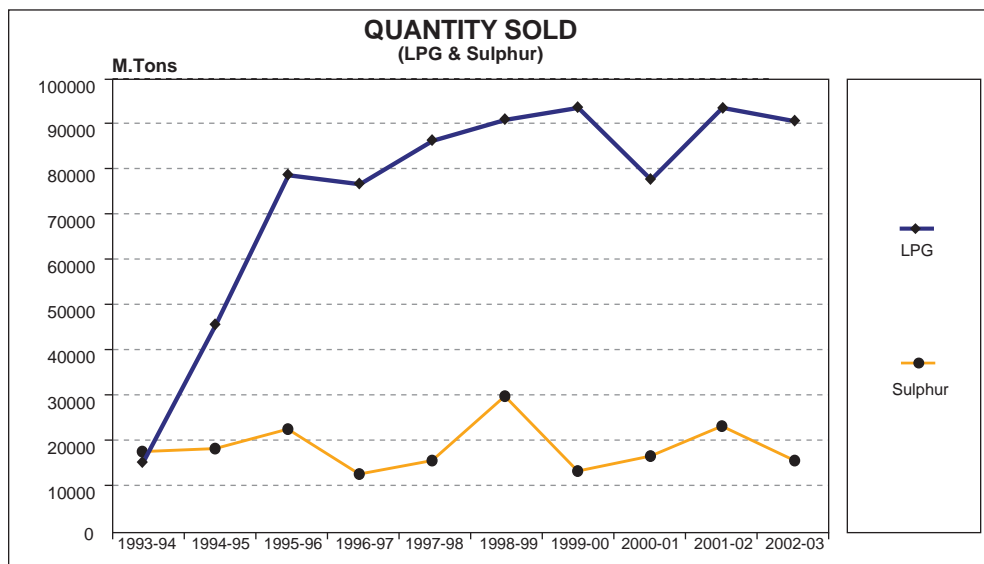
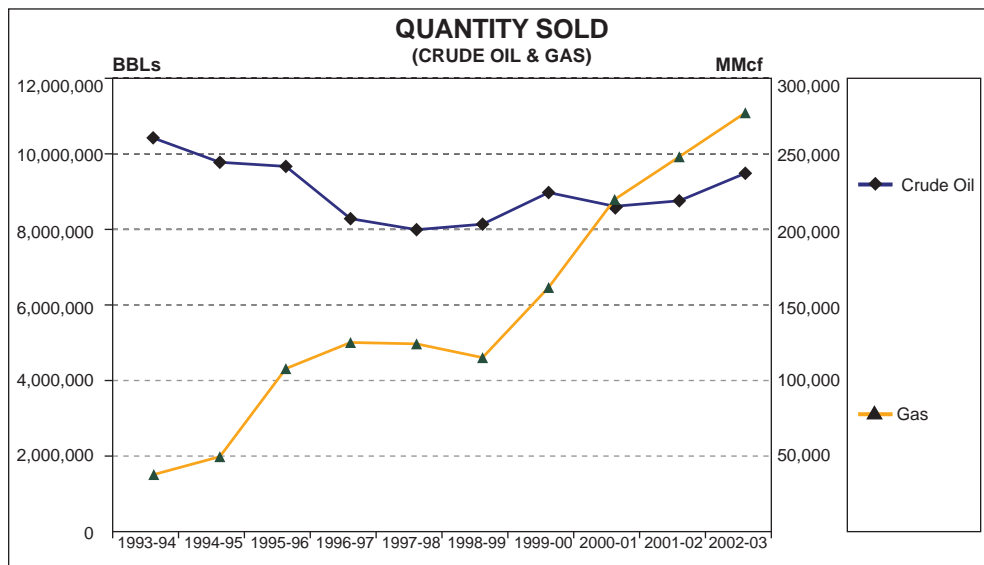
65,728	63,799	69,607	72,929	69,978	56,193	70,044	65,138
199	193	211	221	212	170	212	198
12,621	12,543	16,173	17,496	23,026	21,209	23,092	25,166
38	38	49	53	70	64	70	76
78,349	76,342	85,780	90,425	93,004	77,402	93,136	90,304
237	231	260	274	282	235	282	274

22,672	12,811	15,640	29,880	13,445	16,670	23,234	15,889
69	39	47	91	41	51	70	48
22,672	12,811	15,640	29,880	13,445	16,670	23,234	15,889
69	39	47	91	41	51	70	48

1,005,812	897,362	908,766	923,421	925,577	870,826	875,727	833,629
3,048	2,719	2,754	2,798	2,805	2,639	2,654	2,526
-	-	60,458	76,876	112,097	126,972	113,276	25,414
-	-	183	233	340	385	343	77
1,005,812	897,362	969,224	1,000,297	1,037,674	997,798	989,003	859,043
3,048	2,719	2,937	3,031	3,144	3,024	2,997	2,603







# Performance Over The Past Decade

## PROFIT AND LOSS ACCOUNT PERFORMANCE INDICATORS

	1993-94	1994-95
<b>GROSS SALES REVENUE</b>		
Rs in Million		
Crude Oil	4,974	5,097
Gas	1,268	1,967
LPG	46	190
Sulphur	69	88
White Petroleum Products	-	721
	<b>6,357</b>	<b>8,063</b>
<b>GOVERNMENT LEVIES</b>		
Rs in Million		
Excise Duty	317	478
Sales Tax	-	-
Development Surcharge	-	447
	<b>317</b>	<b>925</b>
<b>SOURCES OF INCOME</b>		
Rs in Million		
Net Sales Revenue	6,040	7,138
Other Operating Revenue	73	71
Other Income	387	259
	<b>6,500</b>	<b>7,468</b>
<b>UTILIZATION OF INCOME</b>		
Rs in Million		
Operating Expenses	853	1,394
Royalty	773	880
Transportation charges	201	207
Amortization of exploration and development expenditure	563	570
Exploration expenditure written off including exploratory dry hole	1,153	890
General and Administration expenses	722	888
Financial Charges	521	566
Workers' Profit Participation Fund	60	104
Prior years' adjustments	1,150	(13)
	<b>5,996</b>	<b>5,486</b>
<b>PROFIT BEFORE TAX</b>	Rs in Million	<b>504</b>
<b>CORPORATE TAX</b>	Rs in Million	<b>114</b>
<b>PROFIT AFTER TAX</b>	Rs in Million	<b>390</b>
<b>TRANSFER TO CONTINGENCY RESERVE FUND</b>	Rs in Million	<b>23</b>
	<b>367</b>	<b>1,845</b>
<b>DIVIDEND DECLARED</b>	Rs in Million	-
<b>RETAINED PROFIT</b>	Rs in Million	<b>367</b>

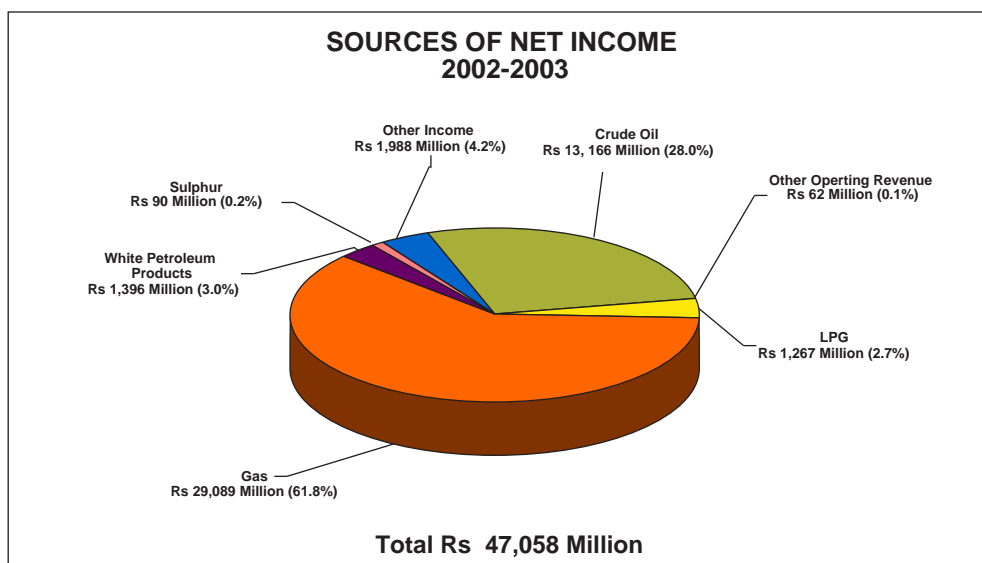
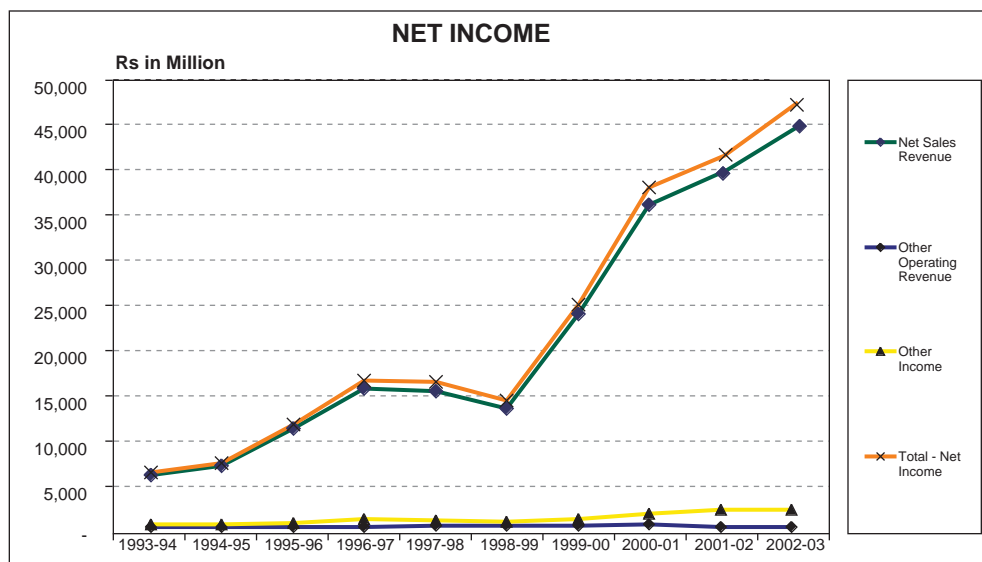
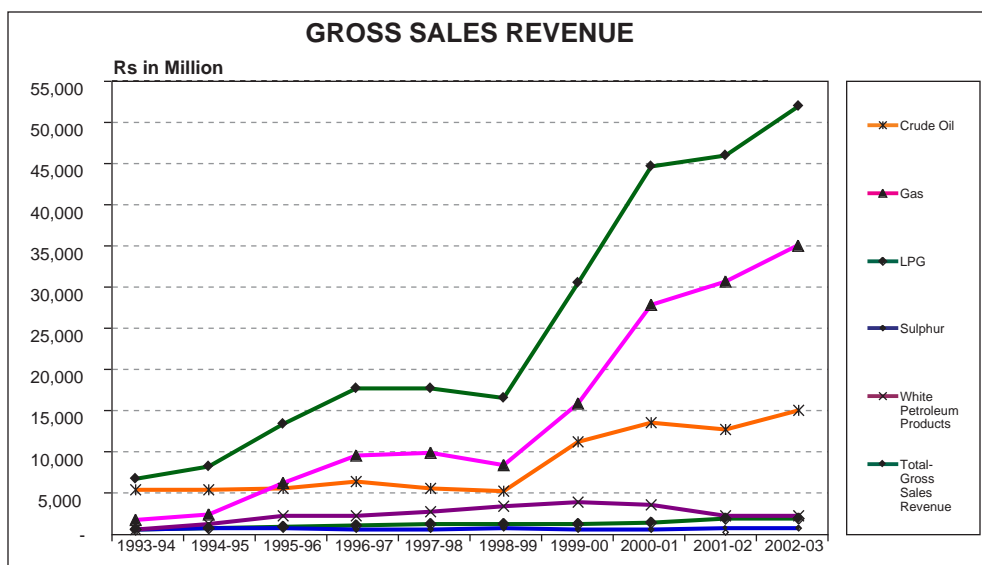
Fiscal Years

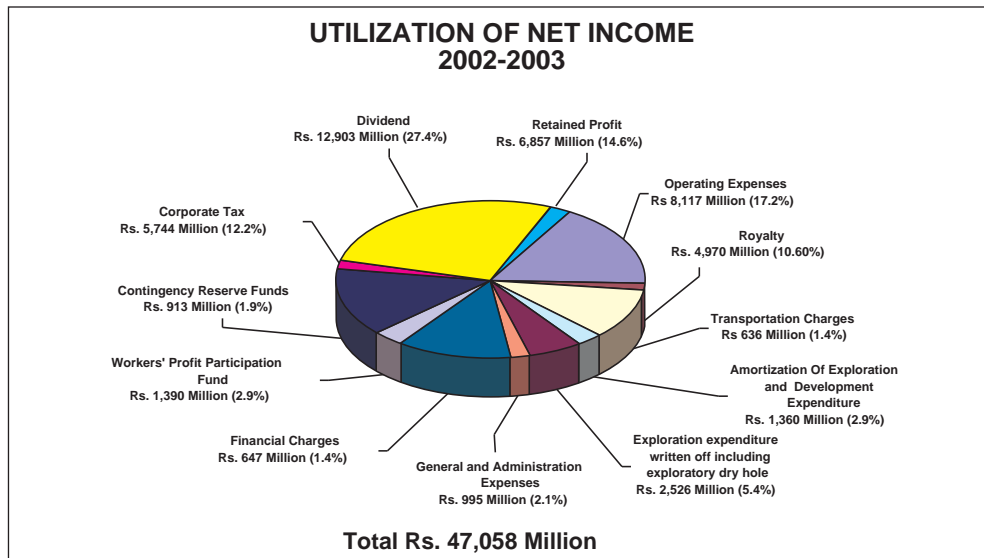
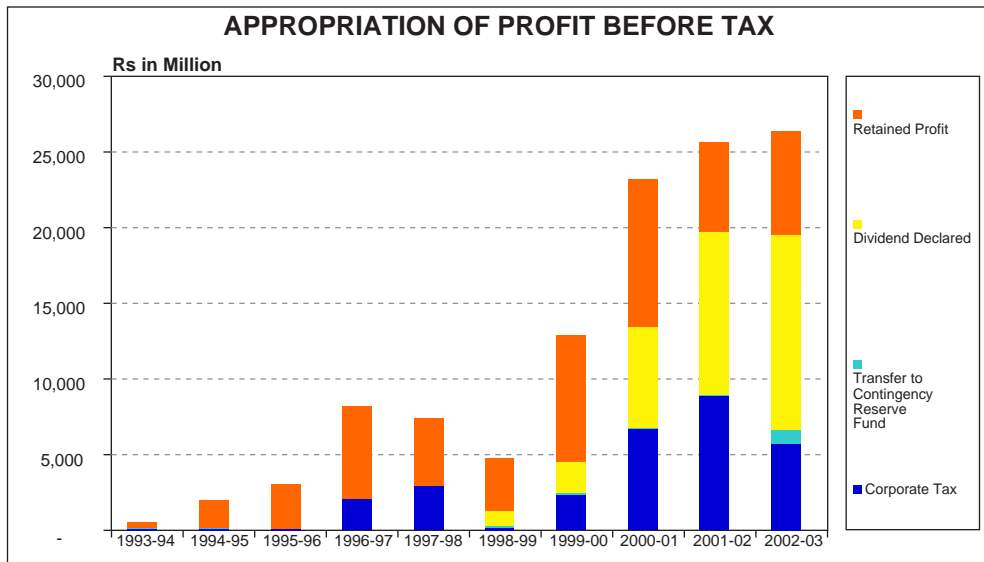
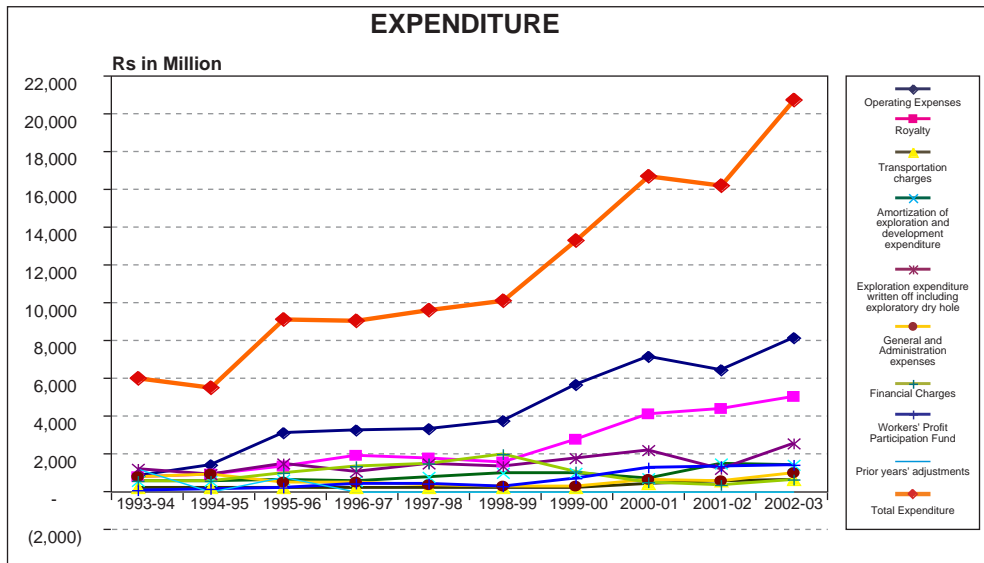
1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
5,180	6,149	5,220	4,845	11,048	13,497	12,714	15,141
5,980	9,331	9,745	8,096	15,924	28,501	31,419	35,075
380	482	612	704	736	787	1,355	1,465
104	74	74	116	78	77	98	104
1,652	1,783	2,254	2,882	3,460	3,199	1,814	1,775
<b>13,296</b>	<b>17,819</b>	<b>17,905</b>	<b>16,643</b>	<b>31,246</b>	<b>46,061</b>	<b>47,400</b>	<b>53,560</b>

576	679	690	668	1,040	1,455	1,516	1,554
-	-	-	-	3,650	5,706	5,950	6,770
1,125	894	1,197	1,977	1,419	939	195	228
<b>1,701</b>	<b>1,573</b>	<b>1,887</b>	<b>2,645</b>	<b>6,109</b>	<b>8,100</b>	<b>7,661</b>	<b>8,552</b>

11,595	16,246	16,018	13,998	25,137	37,961	39,739	45,008
44	78	206	234	162	335	66	62
474	916	810	604	910	1,596	2,040	1,988
<b>12,113</b>	<b>17,240</b>	<b>17,034</b>	<b>14,836</b>	<b>26,209</b>	<b>39,892</b>	<b>41,845</b>	<b>47,058</b>

3,112	3,242	3,289	3,705	5,615	7,091	6,408	8,117
1,295	1,858	1,734	1,496	2,731	4,057	4,330	4,970
209	174	200	208	221	386	530	636
622	522	738	938	968	652	1,472	1,360
1,440	1,001	1,433	1,288	1,730	2,136	1,196	2,526
465	454	322	225	254	618	572	995
968	1,328	1,491	1,957	1,059	503	297	647
161	433	396	251	682	1,222	1,352	1,390
779	-	2	-	-	-	-	-
<b>9,051</b>	<b>9,012</b>	<b>9,605</b>	<b>10,068</b>	<b>13,260</b>	<b>16,665</b>	<b>16,157</b>	<b>20,641</b>
<b>3,062</b>	<b>8,228</b>	<b>7,429</b>	<b>4,768</b>	<b>12,949</b>	<b>23,227</b>	<b>25,688</b>	<b>26,417</b>
<b>52</b>	<b>2,084</b>	<b>2,945</b>	<b>216</b>	<b>2,393</b>	<b>6,729</b>	<b>8,913</b>	<b>5,744</b>
<b>3,010</b>	<b>6,144</b>	<b>4,484</b>	<b>4,552</b>	<b>10,556</b>	<b>16,498</b>	<b>16,775</b>	<b>20,673</b>
25	28	32	39	46	52	62	913
<b>2,985</b>	<b>6,116</b>	<b>4,452</b>	<b>4,513</b>	<b>10,510</b>	<b>16,446</b>	<b>16,713</b>	<b>19,760</b>
-	-	-	1,075	2,150	6,666	10,752	12,903
<b>2,985</b>	<b>6,116</b>	<b>4,452</b>	<b>3,438</b>	<b>8,360</b>	<b>9,780</b>	<b>5,961</b>	<b>6,857</b>





# Performance Over The Past Decade

## BALANCE SHEET PERFORMANCE INDICATORS

		1993-94	1994-95
<b>SHARE CAPITAL AND RESERVES</b>	Rs in Million		
Government Investment		10,748	10,750
Issued, subscribed and paid up capital		-	-
Reserve for Issue of Bonus Share		-	-
Pre-incorporation profit		-	-
Unappropriated profit		3,454	5,299
		<b>14,202</b>	<b>16,049</b>
<b>CONTINGENCY RESERVE FUND</b>	Rs in Million	<b>137</b>	<b>166</b>
<b>LONG TERM PROVISIONS</b>	Rs in Million	-	-
<b>DEFERRED LIABILITIES</b>		-	-
<b>LONG TERM LOANS</b>	Rs in Million	<b>3,432</b>	<b>5,249</b>
<b>CURRENT LIABILITIES AND PROVISIONS</b>	Rs in Million		
Current maturity of long term loans		315	457
Short term finance		-	450
Provision for taxation		645	721
Creditors, accrued and other liabilities		2,765	3,639
Dividend payable		-	-
		<b>3,725</b>	<b>5,267</b>
<b>Total - Equity and Liabilities</b>		<b>21,496</b>	<b>26,731</b>
<b>FIXED CAPITAL EXPENDITURE</b>	Rs in Million		
Property, plant and equipment		1,513	5,801
Exploration and development expenditure		4,561	5,485
Projects in progress at cost		3,942	2,963
Stores held for capital expenditure		-	-
		<b>10,016</b>	<b>14,249</b>
<b>LONG TERM INVESTMENTS</b>	Rs in Million	<b>1,568</b>	<b>1,049</b>
<b>INVESTMENTS HELD TO MATURITY</b>	Rs in Million		
<b>LONG TERM PREPAYMENTS</b>	Rs in Million	<b>19</b>	<b>31</b>
<b>LONG TERM RECEIVABLES</b>	Rs in Million	-	-
<b>CURRENT ASSETS</b>	Rs in Million		
Stores and stocks		5,169	5,532
Trade debts		2,360	3,063
Loans, advances, deposits, prepayments and other receivables		821	1,115
Cash and bank balances		1,543	1,692
		<b>9,893</b>	<b>11,402</b>
<b>Total - Assets</b>		<b>21,496</b>	<b>26,731</b>

**Fiscal Years**

1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
---------	---------	---------	---------	---------	---------	---------	---------

10,750	10,752	-	-	-	-	-	-
-	-	10,752	10,752	10,752	10,752	10,752	10,752
-	-	-	-	-	-	-	32,257
-	-	-	-	-	-	14,726	-
8,285	14,401	18,951	22,388	30,747	40,527	31,761	21,088
<b>19,035</b>	<b>25,153</b>	<b>29,703</b>	<b>33,140</b>	<b>41,499</b>	<b>51,279</b>	<b>57,239</b>	<b>64,097</b>

**191      219      251      290      337      389      451      1,364**

**-      -      -      -      -      -      4,099      4,808**

**-      1,200      2,468      2,730      3,630      4,885      6,395      8,183**

**8,871      9,565      8,518      7,515      5,899      239      15      15**

579	1,934	3,783	3,873	1,537	370	240	-
450	425	425	635	924	-	-	-
391	852	1,669	-	-	1,266	3,965	-
4,311	7,172	8,458	5,231	4,317	5,355	2,937	3,552
-	-	-	1,075	1,075	3,979	-	2,903
<b>5,731</b>	<b>10,383</b>	<b>14,335</b>	<b>10,814</b>	<b>7,853</b>	<b>10,970</b>	<b>7,142</b>	<b>6,455</b>

**33,828      46,520      55,275      54,489      59,218      67,762      75,341      84,922**

7,420	6,769	6,129	8,217	15,492	15,111	14,922	16,321
6,651	7,999	8,535	8,868	9,328	10,054	14,631	16,219
1,502	9,545	13,141	11,430	3,342	2,604	4,069	4,124
-	-	794	1,027	904	987	950	871
<b>15,573</b>	<b>24,313</b>	<b>28,599</b>	<b>29,542</b>	<b>29,066</b>	<b>28,756</b>	<b>34,572</b>	<b>37,535</b>

**810      821      775      793      826      858      492      492**

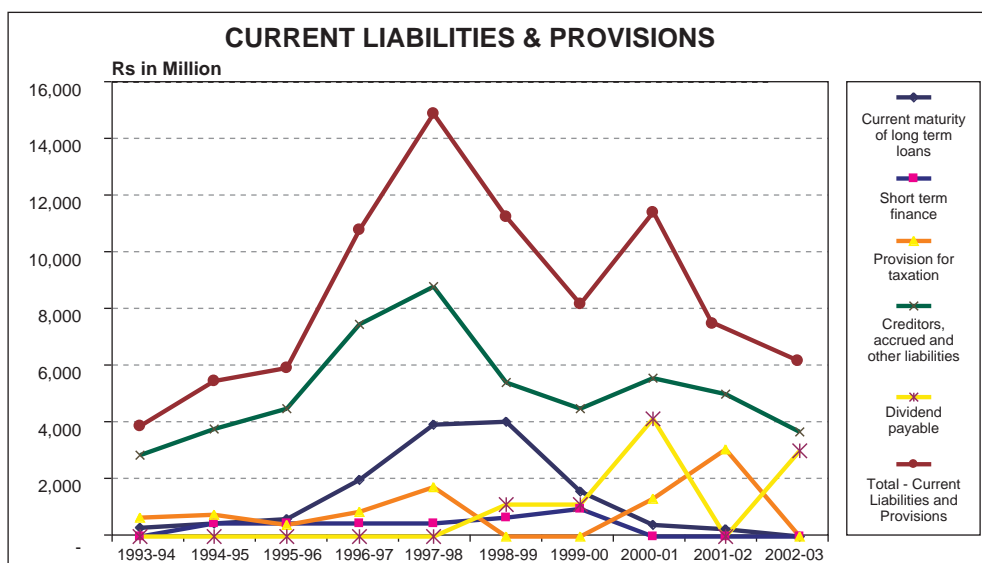
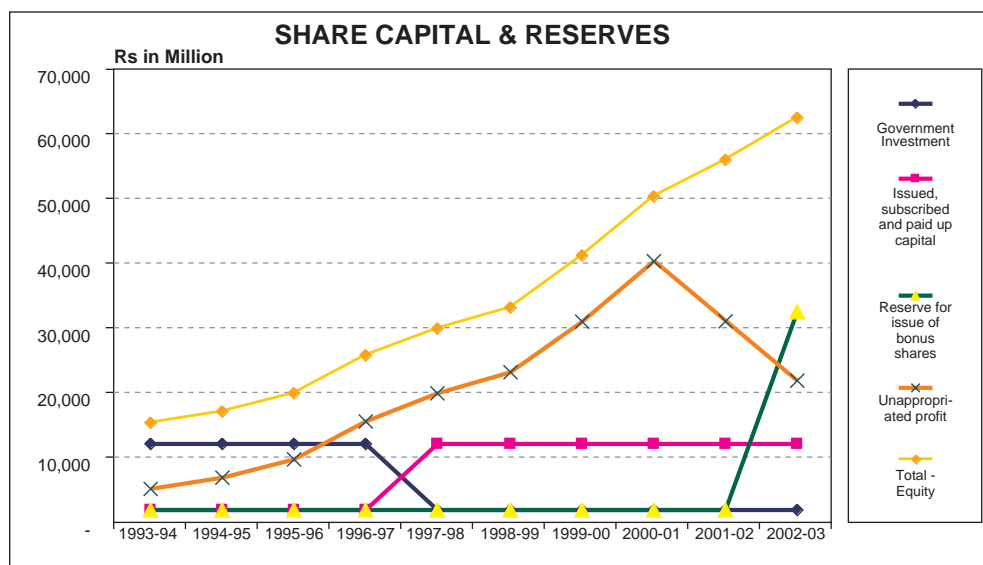
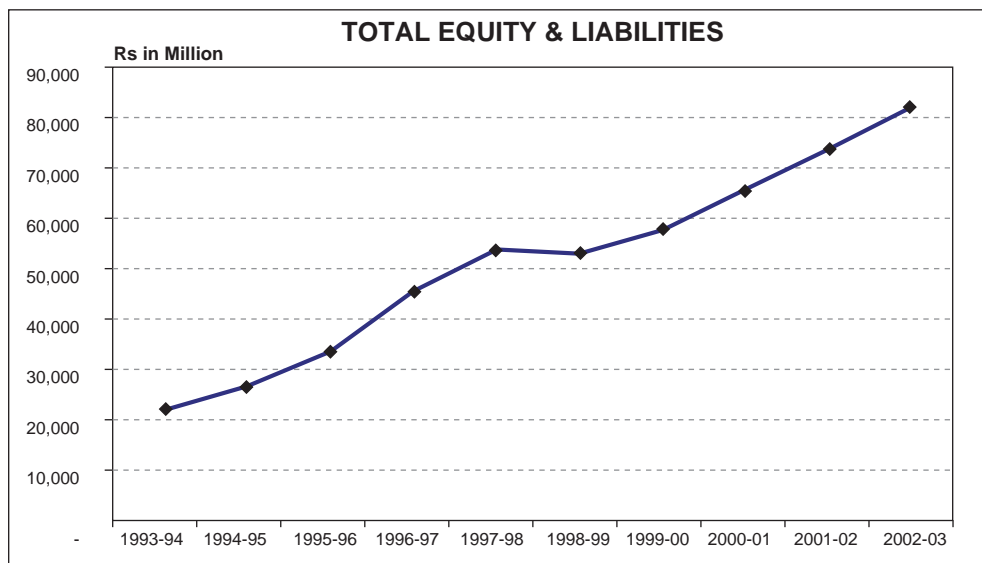
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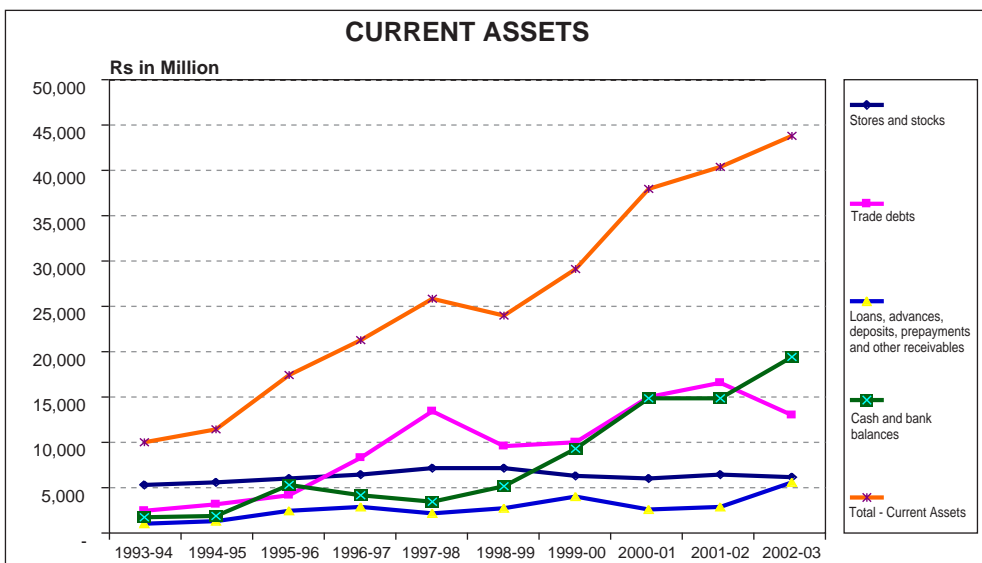
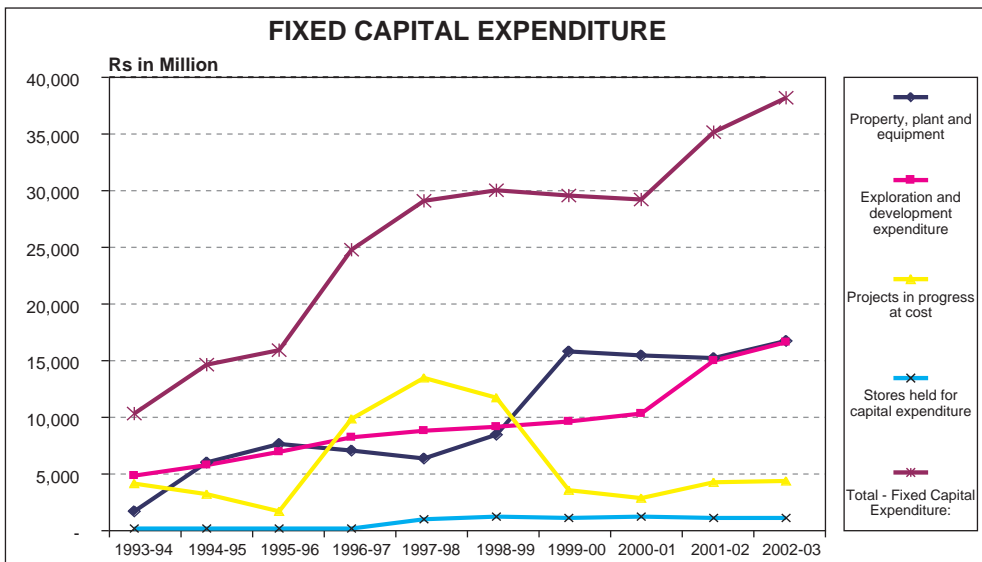
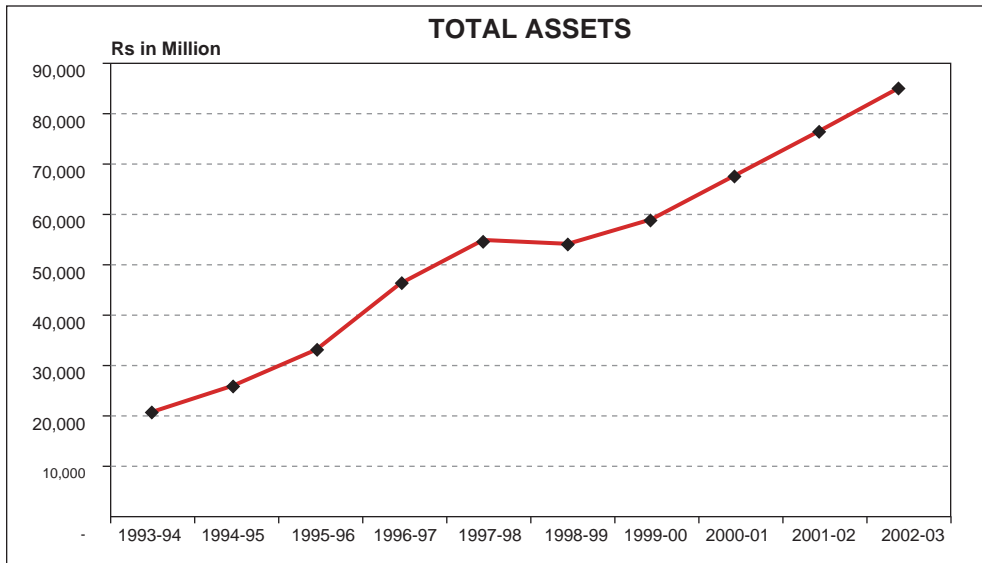
**-      -      -      -      -      -      3,138      2,279**

5,967	6,278	7,021	7,033	6,195	5,899	6,380	6,058
3,987	8,280	13,465	9,482	9,990	14,926	13,085	12,996
2,269	2,716	2,031	2,621	3,939	2,509	2,304	5,544
5,196	4,090	3,371	4,997	9,167	14,787	14,908	19,442
<b>17,419</b>	<b>21,364</b>	<b>25,888</b>	<b>24,133</b>	<b>29,291</b>	<b>38,121</b>	<b>36,677</b>	<b>44,040</b>

**33,828      46,520      55,275      54,489      59,218      67,762      75,341      84,922**







# Performance Over The Past Decade

## FINANCIAL PERFORMANCE INDICATORS

### RATIOS

		1993-94	1994-95
Current Ratio	Times	2.7	2.2
Acid Test / Quick ratio (Agreed with IBRD - 1.0)	Times	1.3	1.1
Debt Service Coverage Ratio (Agreed with IBRD - 1.5)	Times	3.8	5.5
Receivable Turn Over Ratio	Times	3.1	2.6
Debt / Equity Ratio	Times	0.24	0.33
Return on Average Capital Employed (Agreed with IBRD - 15%)	%	12%	12%
Profit After Tax (PAT) Margin	%	6%	26%
Return on Equity	%	3%	12%
Dividend Declared Percentage	%	-	-
Earning Per Share	Rs	-	-
Break-up Value per Share	Rs	-	-

### PAYMENTS TO NATIONAL EXCHEQUER

Rs in Million

Excise Duty	317	478
Sales Tax	-	-
Development Surcharge	-	447
Sub-Total Government Levies on Sales	317	925
Royalty (@ 12.5% on Crude Oil & Gas)	771	880
Import Duty	117	44
Debt Servicing	700	661
Corporate Tax	33	108
Dividend	-	-
	1,938	2,618

### WORKING CAPITAL

Rs in Million

Current Assets	9,893	11,402
(Current Liabilities)	(3,725)	(5,267)
Net Working Capital	6,168	6,135

### FOREIGN EXCHANGE SAVINGS

US \$ in Million

(excluding Non-Operated JVs)

306 423

### RUPEE TO US DOLLAR PARITY RATE

Rs per US \$ (Avg)

30.40 30.90

Rs per US \$ @ 30th June

30.79 31.19

### REALIZED PRICE

Crude Oil	Gross	Rs/Barrel	469	527
	Net of Government Levies	Rs/Barrel	448	504
Gas	Gross	Rs/Mcf	32	38
	Net of Government Levies	Rs/Mcf	30	34
LPG	Gross	Rs/M.Ton	3,005	4,170
	Net of Government Levies	Rs/M.Ton	3,005	4,115
Sulphur	Gross	Rs/M.Ton	3,851	4,817
	Net of Government Levies	Rs/M.Ton	3,324	4,381
White Petroleum Products	Gross	Rs/Barrel	-	1,320
	Net of Government Levies	Rs/Barrel	-	432

Fiscal Years

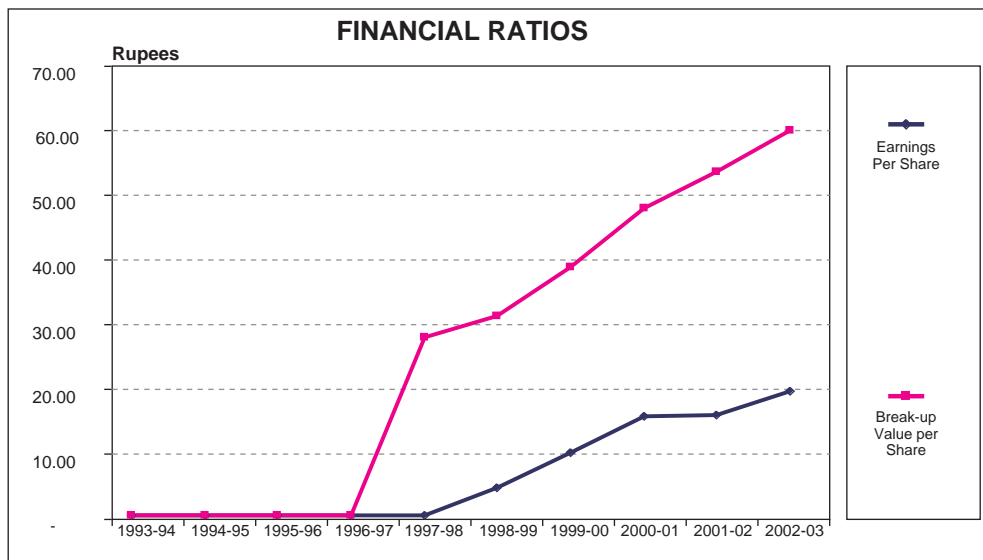
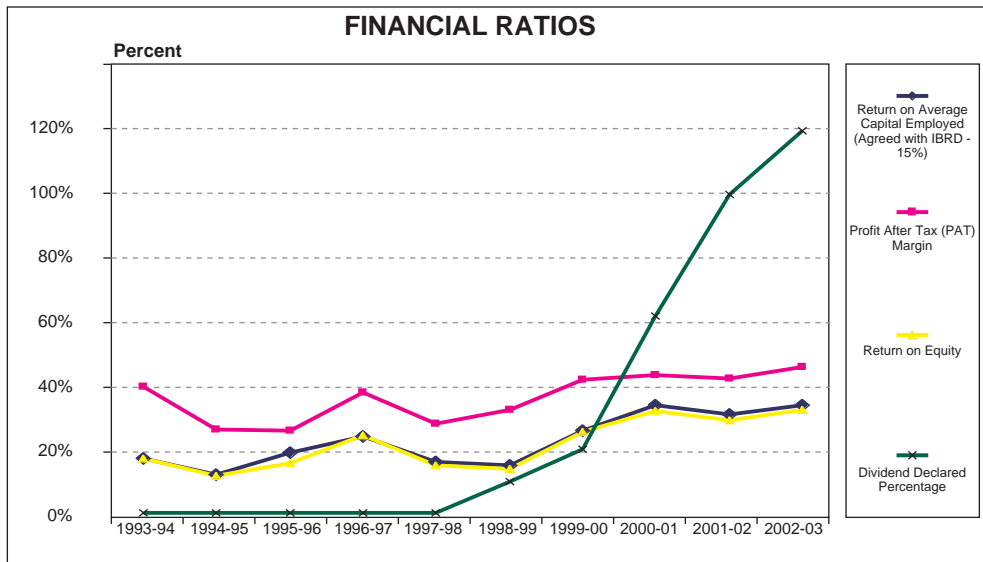
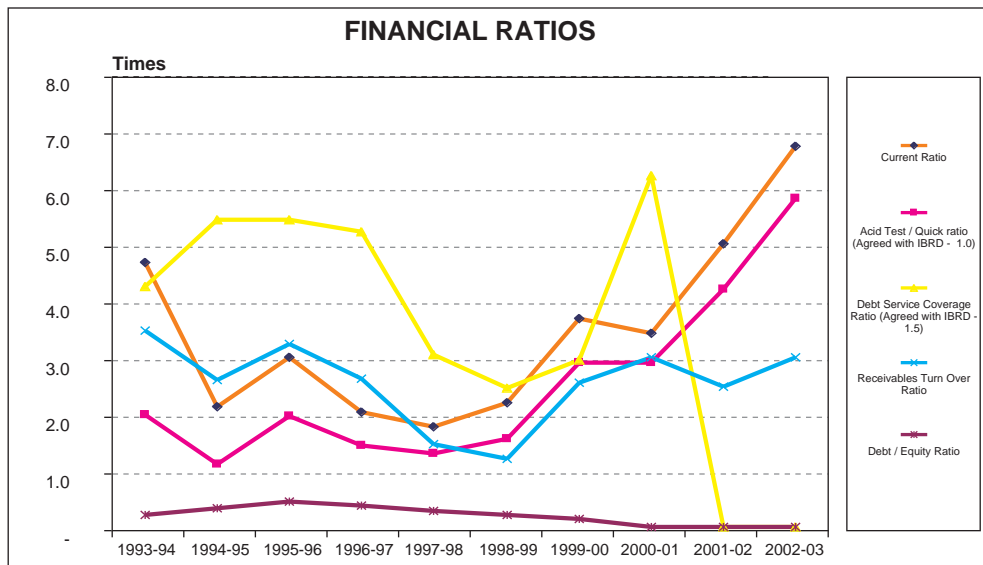
1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
3.0	2.1	1.8	2.2	3.7	3.5	5.1	6.8
2.0	1.5	1.3	1.6	2.9	2.9	4.2	5.9
5.5	5.3	3.1	2.5	3.0	6.3	-	-
3.3	2.6	1.5	1.2	2.6	3.0	2.8	3.5
0.47	0.38	0.29	0.23	0.14	0.005	-	-
19%	24%	16%	15%	26%	34%	31%	34%
26%	38%	28%	33%	42%	43%	42%	46%
16%	24%	15%	14%	25%	32%	29%	32%
-	-	-	10%	20%	62%	100%	120%
-	-	-	4.20	9.77	15.30	15.60	19.23
-	-	27.62	30.82	38.60	47.69	53.23	59.61

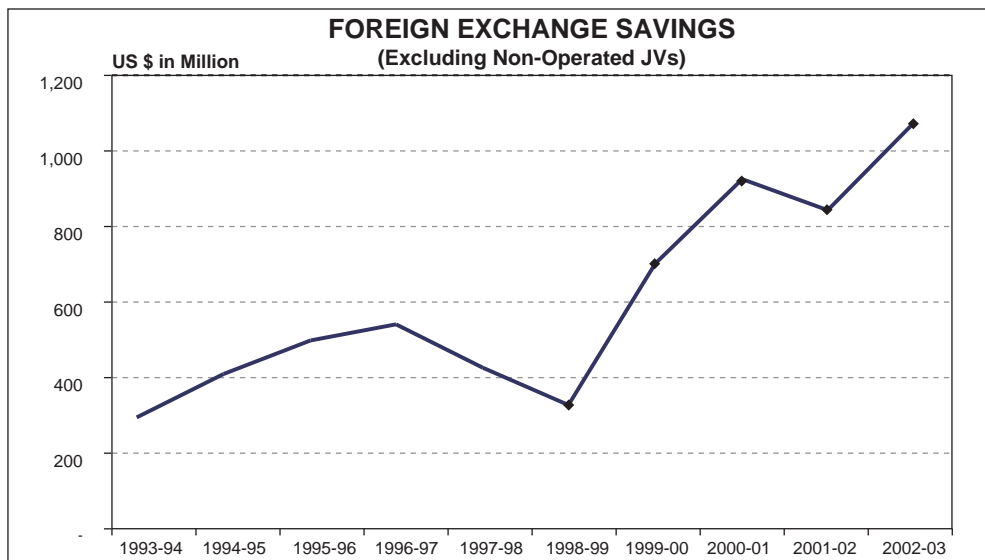
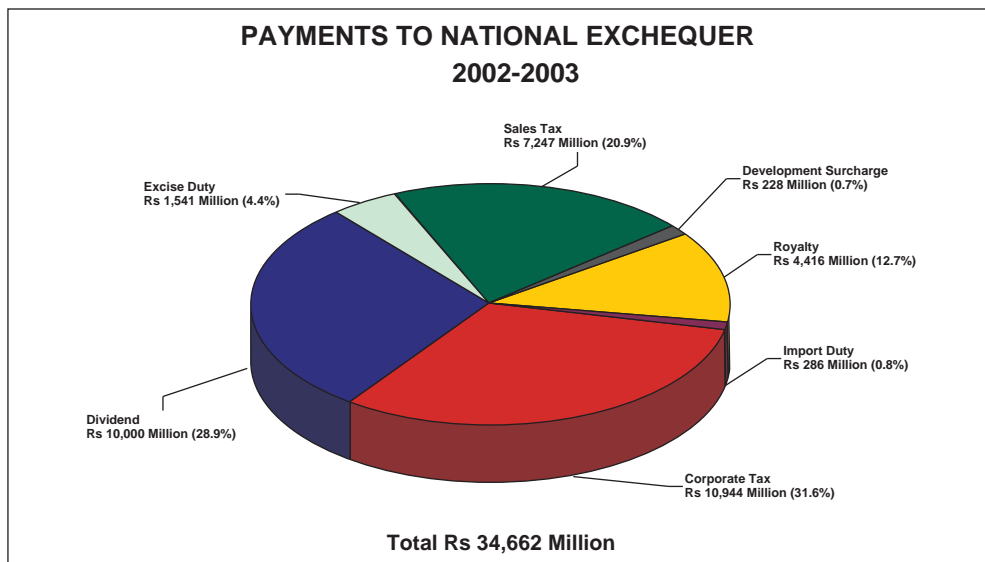
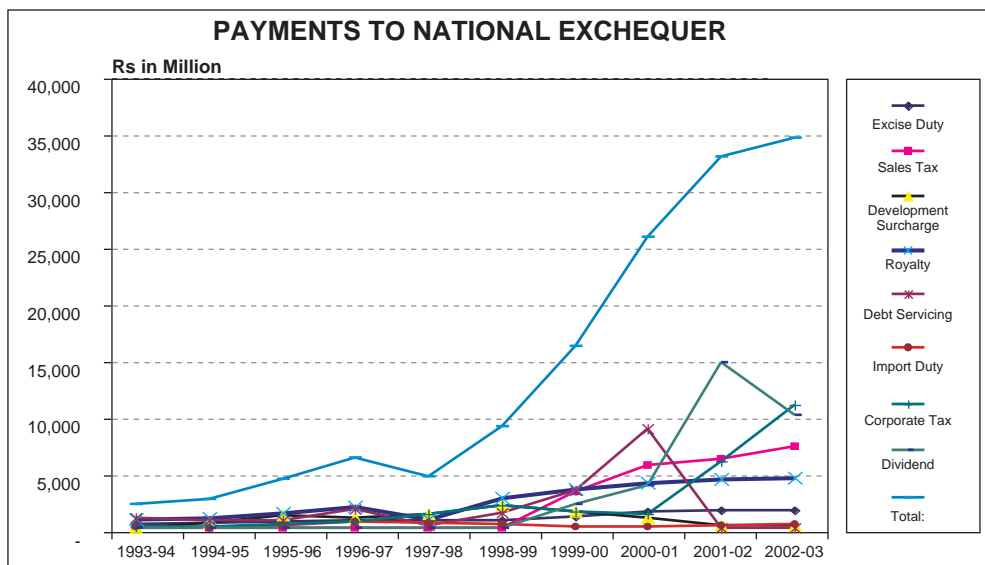
579	672	690	668	991	1,463	1,510	1,541
-	-	-	16	3,209	5,522	6,098	7,247
1,124	894	1,196	1,977	1,416	939	195	228
<b>1,703</b>	<b>1,566</b>	<b>1,886</b>	<b>2,661</b>	<b>5,616</b>	<b>7,924</b>	<b>7,803</b>	<b>9,016</b>
1,296	1,894	806	2,634	3,501	3,991	4,312	4,416
213	555	481	341	108	71	207	286
706	1,668	233	1,345	3,356	8,840	-	-
382	519	1,198	2,031	1,460	1,219	5,936	10,944
-	-	-	-	2,151	3,764	14,731	10,000
<b>4,300</b>	<b>6,202</b>	<b>4,604</b>	<b>9,012</b>	<b>16,192</b>	<b>25,809</b>	<b>32,989</b>	<b>34,662</b>

17,419	21,364	25,888	24,133	29,291	38,121	36,677	44,040
(5,731)	(10,383)	(14,335)	(10,814)	(7,853)	(10,970)	(7,142)	(6,455)
<b>11,688</b>	<b>10,981</b>	<b>11,553</b>	<b>13,319</b>	<b>21,438</b>	<b>27,151</b>	<b>29,535</b>	<b>37,585</b>
<b>513</b>	<b>557</b>	<b>439</b>	<b>341</b>	<b>719</b>	<b>946</b>	<b>862</b>	<b>1,100</b>

34.50	40.00	44.30	46.60	52.00	58.50	61.50	58.55
35.31	40.70	46.45	51.90	52.30	64.30	60.22	57.88

540	749	659	600	1,240	1,581	1,461	1,608
540	749	659	600	1,093	1,375	1,273	1,399
55	74	78	70	99	131	128	128
51	70	74	65	81	109	106	106
<b>4,844</b>	<b>6,308</b>	<b>7,135</b>	<b>7,777</b>	<b>7,919</b>	<b>10,166</b>	<b>14,549</b>	<b>16,220</b>
4,779	6,244	7,072	7,715	7,840	9,661	12,566	14,025
<b>4,571</b>	<b>5,750</b>	<b>4,723</b>	<b>3,887</b>	<b>5,790</b>	<b>4,629</b>	<b>4,225</b>	<b>6,525</b>
3,980	4,937	4,198	3,887	5,034	4,007	3,658	5,674
<b>1,642</b>	<b>1,986</b>	<b>2,326</b>	<b>2,881</b>	<b>3,334</b>	<b>3,206</b>	<b>1,834</b>	<b>2,066</b>
436	899	990	800	1,490	1,748	1,351	1,626





# EXPLORATION LICENCES

As Of June 30, 2003

## A . OGDCL - 100% OWNED CONCESSIONS

S.No.	Name of Concessions	Area (Sq. Kms)	District /Province	Zone	Date of Grant
1	Al-Rehman Block # 3170-1	2,063.93	S. Waziristan Agency, D.I.Khan, Musa Khel Bazar & Zhob NWFP & Balochistan.	II	11/05/2002
2	Fateh Jang Block # 3372-14	2,136.46	Islamabad, Rawalpindi & Attock, Capital & Punjab.	I	11/05/2002
3	Jandran	408.00	Loralai & Kohlu Agency, Balochistan.	II	13-11-1999
4	Garhi (Discovery) Block # 3372-4	29.06	Attock, Punjab	I	24-12-2001

## B . OGDCL-OPERATED JOINT VENTURE CONCESSIONS

S.No.	Name of Concessions	Area (Sq. Kms)	District /Province	Company	Partnership (% Share)		Date of Grant
					Pre-Discovery	Post-Discovery	
1	Zin Block # 2868-1	5,559.74	Mari & Dera Bugti Agencies and Distt. Nasirabad & Kachhi, Balochistan.	OGDCL GHPL	95.00% 5.00%	82.50% 17.50%	23/06/1996
2	Tando Allah Yar Block # 2568-8	509.83	Hyderabad, Tharparker Sindh.	OGDCL GHPL	95.00% 5.00%	77.50% 22.50%	07/01/2002
3	Bitrisim Block # 2568-4	2,076.76	Nawabshah, Khairpur & Sanghar, Sindh.	OGDCL GHPL	95.00% 5.00%	77.50% 22.50%	27/09/1997
4	Rakhni Bloc # 2969-2	1,890.00	Musa Khel, Barkhan, D.G. Khan Balochistan & Punjab.	OGDCL GHPL	95.00% 5.00%	82.50% 17.50%	10/07/2002
5	Sohawa Block # 3273-1	507.85	Rawalpindi, Jhelum & Chakwal Punjab.	OGDCL GHPL	95.00% 5.00%	82.50% 17.50%	27/03/2002
6	Kharar Block # 3070-5	1,106.74	D.G. Khan, Barkhan Punjab & Balochistan.	OGDCL GHPL	95.00% 5.00%	82.50% 17.50%	27/03/1999
7	Nim Block # 2568-9	295.03	Tharparker & Hyderabad Sindh.	OGDCL GHPL	95.00% 5.00%	77.50% 22.50%	29/12/1999
8	Khewari Block # 2568-3	1,625.36	Nawabshah & Khairpur Sindh.	OGDCL GHPL	95.00% 5.00%	77.50% 22.50%	29/12/1999
9	Sinjhoru Block # 2568-5	1,880.00	Khairpur & Sanghar, Sindh.	OGDCL OPI GHPL	76.00% 19.00% 5.00%	62.50% 15.00% 22.50%	30-12-2002
10	Gurgulot Block # 3371-5	385.84	Kohat, Attock NWFP & Punjab.	OGDCL POL GHPL	75.00% 20.00% 5.00%	65.66% 19.34% 15.00%	28/06/2000
11	Kotra Block # 2867-2	836.83	Kachhi & khuzdar Balochistan.	OGDCL POL GHPL	66.50% 28.50% 5.00%	58.50% 26.50% 15.00%	16/12/2000
12	Nashpa Block # 3370-10	979.69	Attock, Mianwali, Kohat, Karak and N.Waziristan Agency, Punjab & NWFP.	OGDCL GHPL	95.00% 5.00%	82.50% 17.50%	16/04/2002
13	Khajuri Block # 3069-3	1,366.04	Musa Khel Bazar, Loralai & Zhob Balochistan.	OGDCL GHPL	95.00% 5.00%	82.50% 17.50%	16/04/2002

## C . OGDCL-NON-OPERATED JOINT VENTURE CONCESSIONS

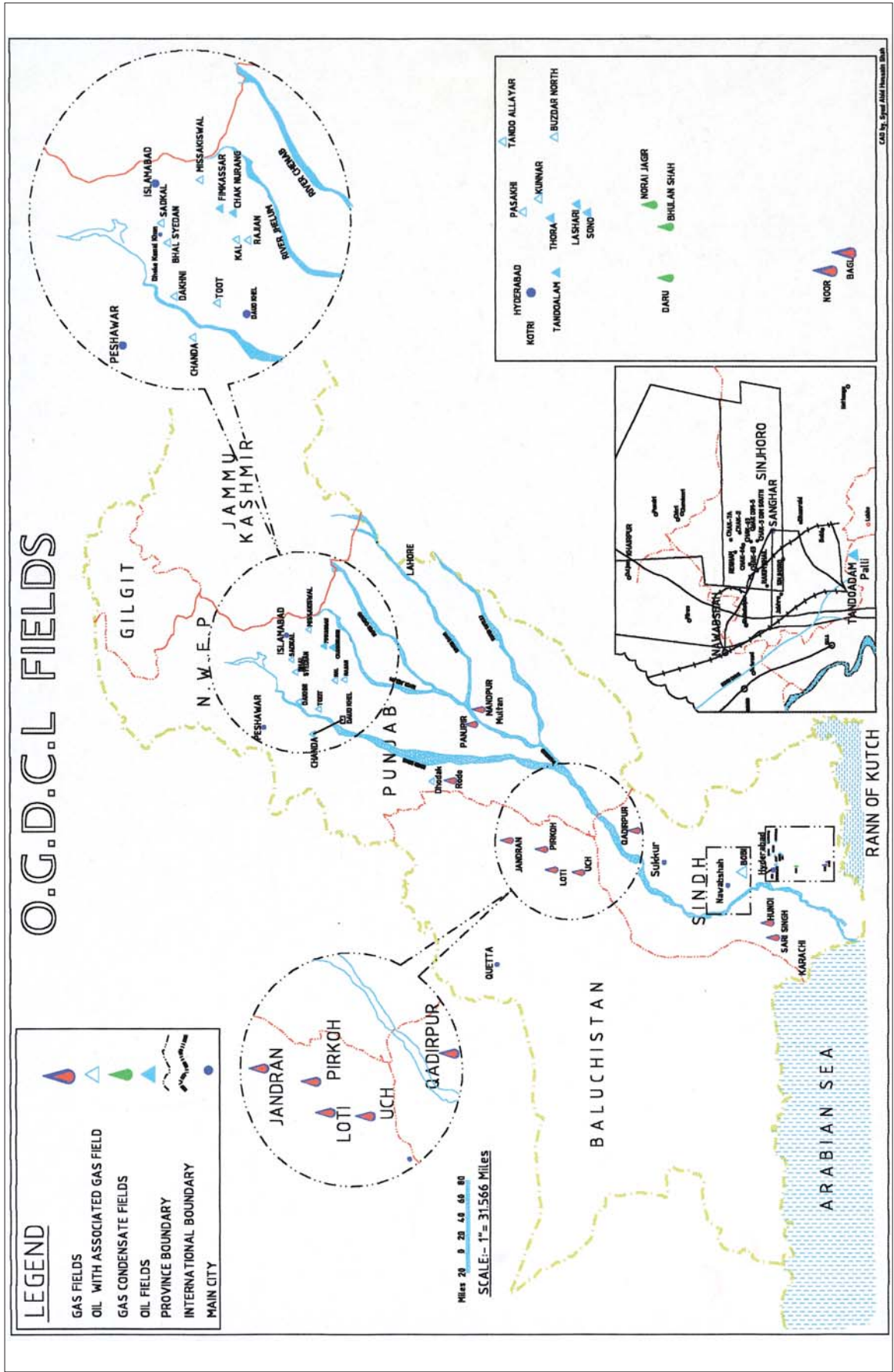
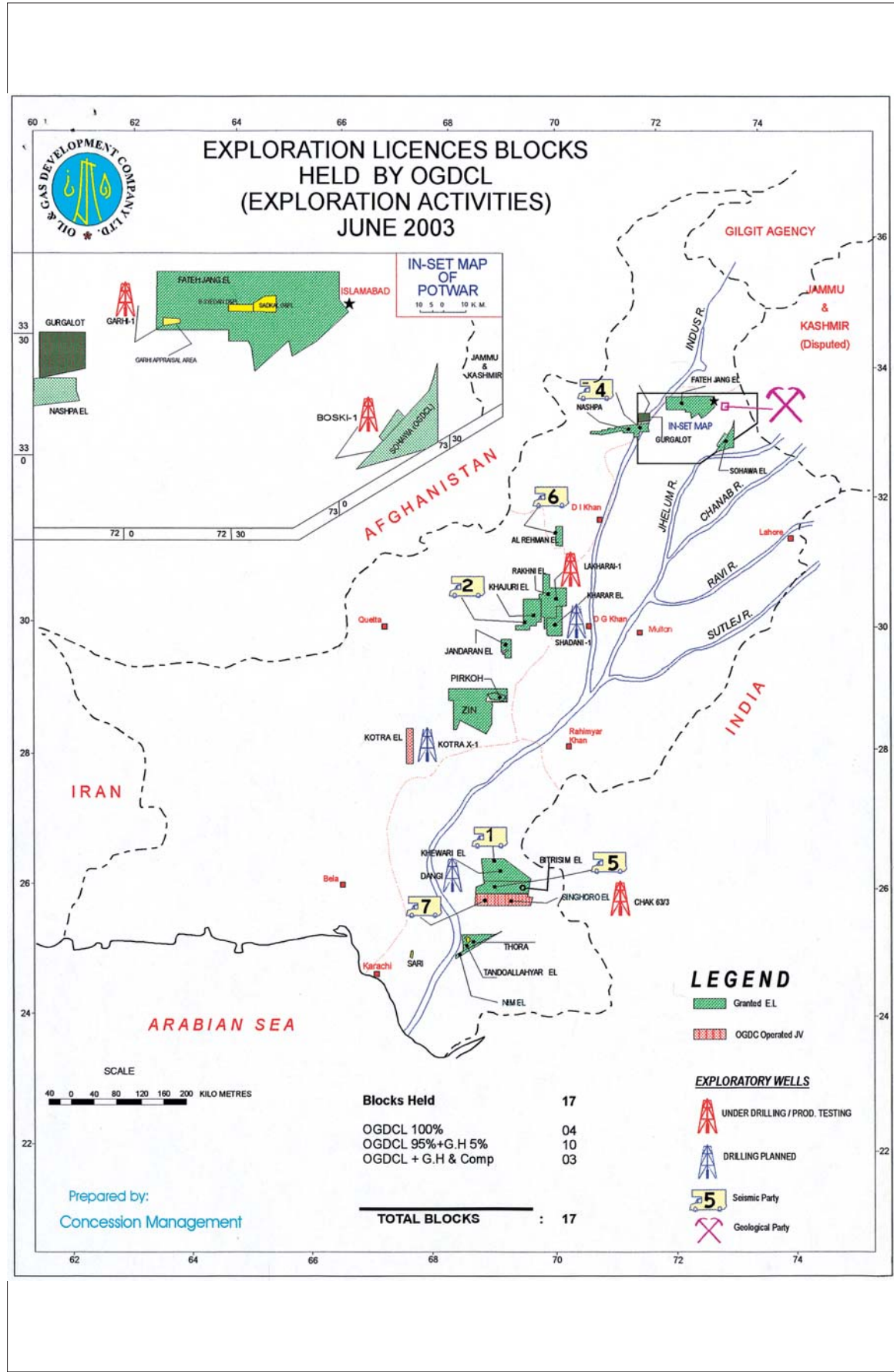
S.No.	Name of Concessions	Area (Sq. Kms)	District /Province	Operator	Company	Partnership % Share		Date of Grant
						Pre-Discovery	Post-Discovery	
1	Khushalgarh Block # 3372-10	703.28	Attock & Kohat Punjab and NWFP	POL	POL OGDCL GHPL	47.50% 47.50% 5.00%	41.25% 41.25% 17.50%	11/06/1999
2	Block # 28	5,856.71	Sibi & Loralai Balochistan	TULLOW	TULLOW OGDCL	95.00% 5.00%	50.00% 50.00%	14/01/1991
3	Badin-III Block # 2468-2	3,026.08	Hyderabad & Tharparker Sindh	BP	BP OPPI OGDCL GHPL	38.00% 38.00% 19.00% 5.00%	30.00% 30.00% 15.00% 25.00%	24/06/1998
4	Kirthar	1,956.05	Dadu, Lasbela & Khuzdar Sindh and Balochistan	ENI Pakistan	ENI Pakistan KPBV PKP OGDCL	47.50% 33.25% 14.25% 5.00%	40.00% 28.00% 12.00% 20.00%	30-11-1994
5	Tal Block # 3370-3	4,643.48	Kohat, Karak and Bannu North Waziristan & Adam Khel Agencies, NWFP	MOL	MOL OGDCL PPL GHPL POL	10.00% 30.00% 30.00% 5.00% 25.00%	8.42% 27.763% 27.760% 15.00% 21.05%	11-12-1999
6	New Block-B Block # 2769-II	770.29	Sukhur, Khairpur & Rahimyar Khan, Sindh & Punjab	TULLOW	TULLOW OGDCL POL AOC	48.18% 30.00% 14.55% 7.27%	48.18% 30.00% 14.55% 7.27%	03-03-2003
7.	Offshore Block G&H	15000.00	Indus Offshore	TOTAL FINAELF	TOTAL FINAELF PETRONAS OMV OGDCL MARI GAS	40% 30% 15% 10% 5%	40% 30% 15% 10% 5%	12-10-1999

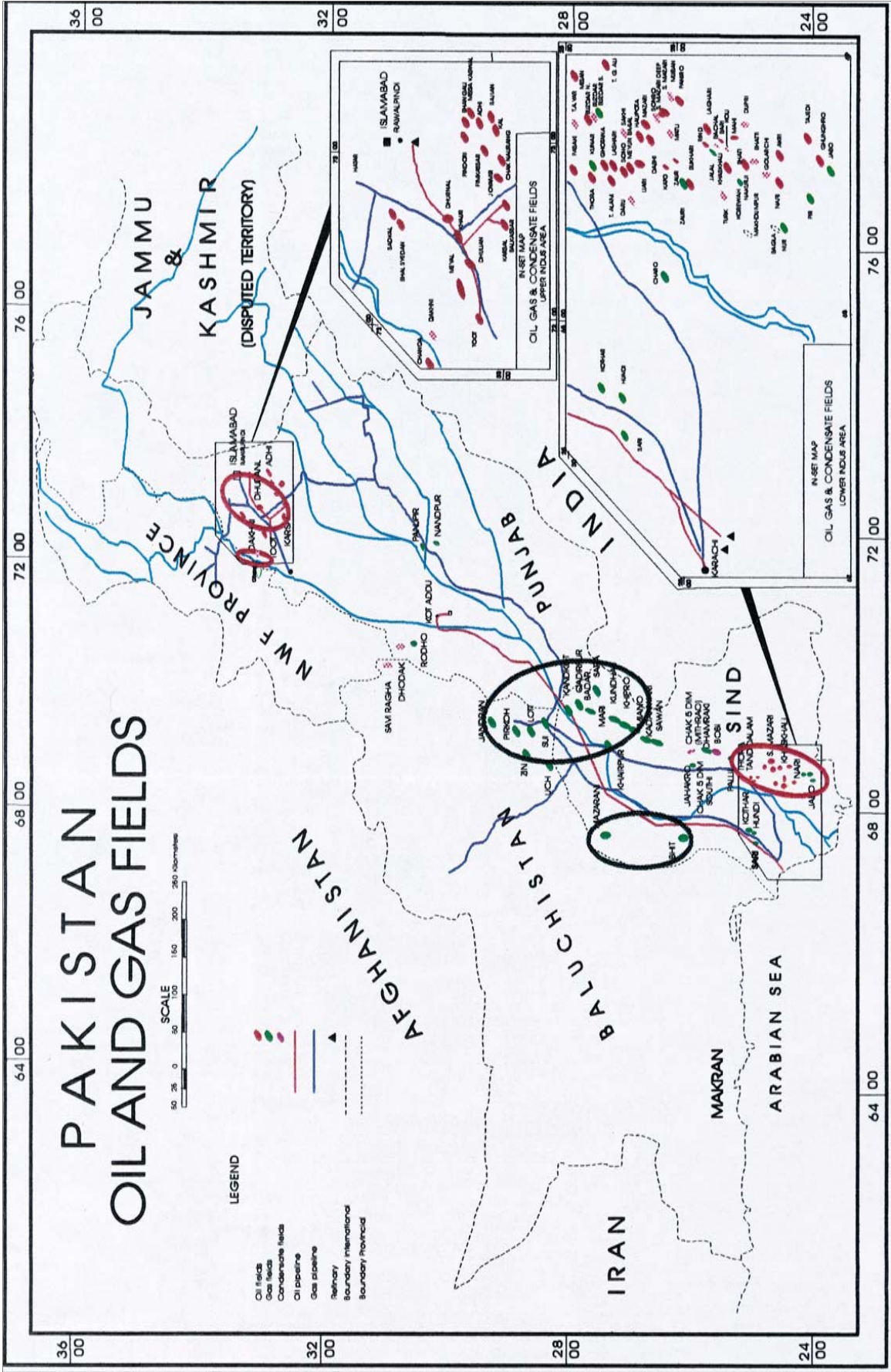
# MINING / DEVELOPMENT & PRODUCTION LEASES

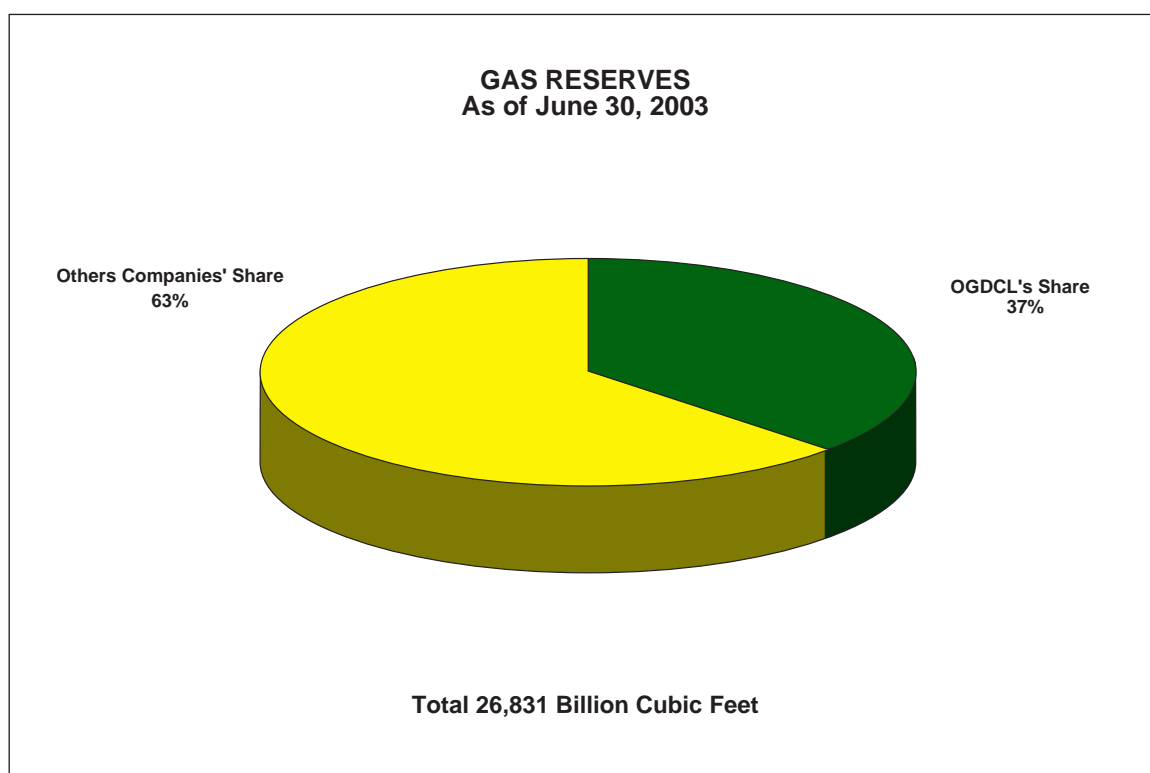
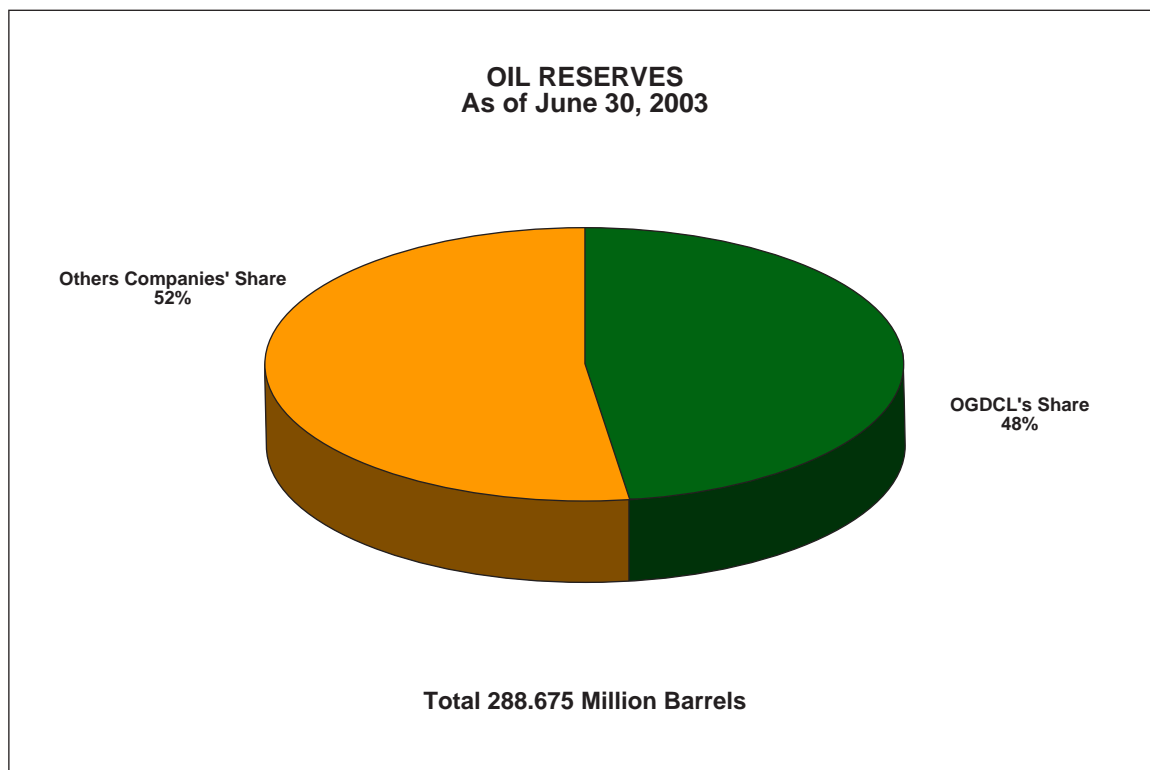
As Of June 30, 2003

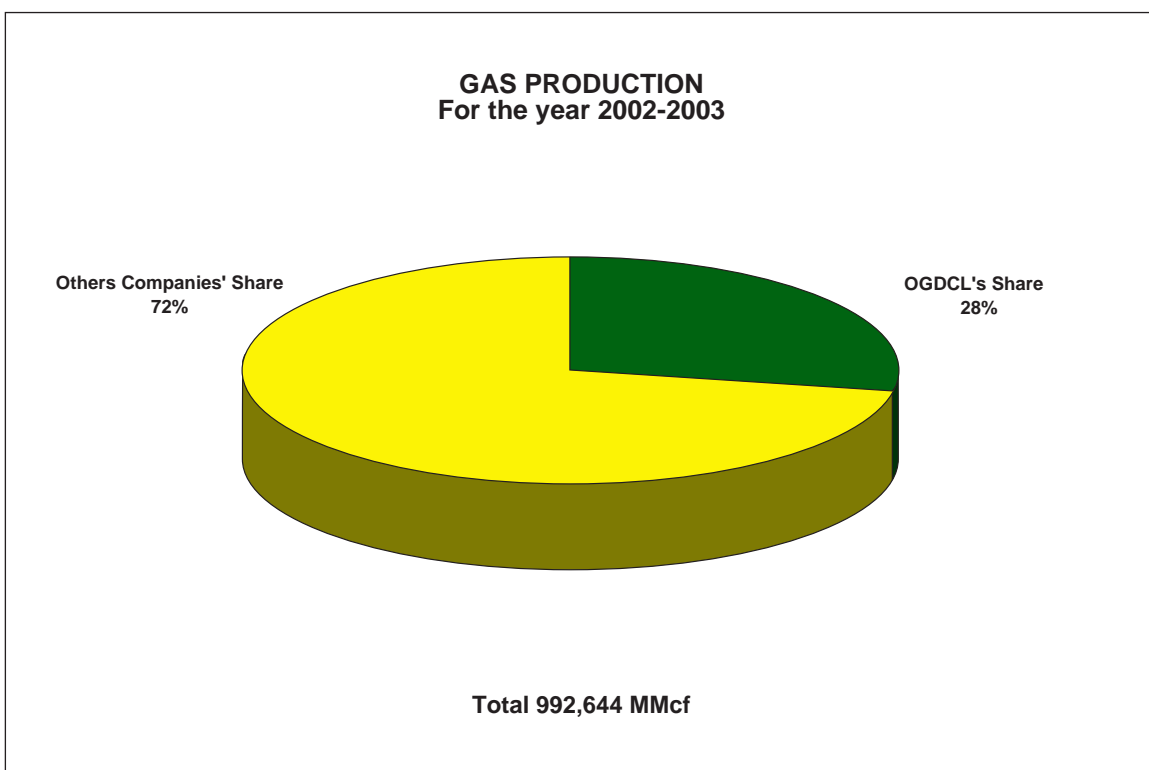
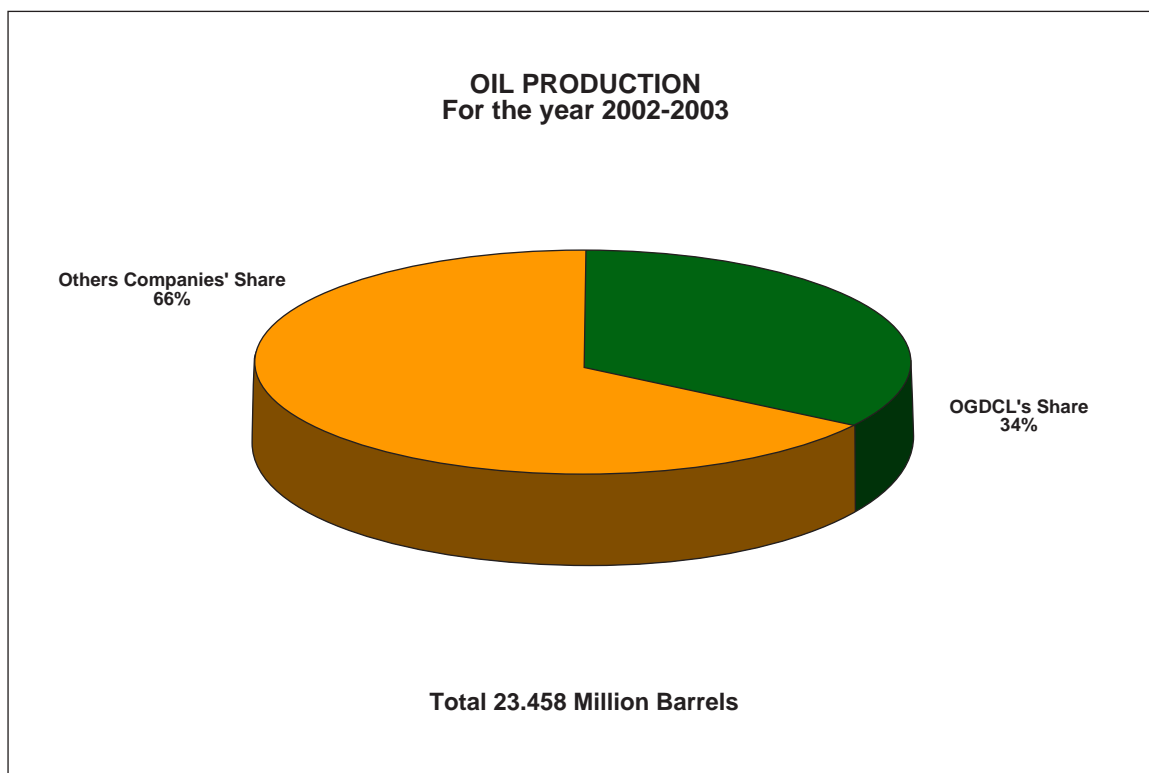
A. OGDCL - 100% OWNED MINING / D&P LEASES										B. OGDCL - OPERATED JOINT VENTURE MINING / D&P LEASES									
S. No.	Name of Lease	Area (Sq. Kms)	Date of Grant	S. No.	Name of Lease	Area (Sq. Kms)	Date of Grant	S. No.	Name of Lease	Area (Sq. Kms)	Date of Grant	Operator	Company	Partnership (% share)	Post Commerciality				
1	Pasahli & North	27.95	27-01-1990	17	Tando Alam	38.60	30-07-1985	1	Chak Naurang	72.70	14-11-1988	OGDCL	OGDCL		85.00%				
2	Misay Wessala	23.43	01-04-1994	18	Daro	10.26	07-04-1990						POL		15.00%				
3	Dhodak	41.92	01-02-1995	19	Bhal Syedan	16.41	30-06-2002												
4	Dhodak	257.83	23-04-1984	20	Sakhal	26.77	24-01-1994	2	Qadirpur	389.16	16-10-1990	OGDCL	OGDCL		75.00%				
5	Thakri	27.88	19-12-1992	21	Nur	30.64	27-02-1995						PKP		7.00%				
6	Frinkassar	45.05	12-03-1986	22	Bagla	29.70	27-02-1995						KUPREC		8.50%				
7	Nandpur	13.89	14-07-1986	23	Ran	38.09	24-02-1996												
8	Pikoh Additional	141.69	08-08-2002	24	Chak-5 Dim	15.92	18-03-1996												
9	Pikoh	204.20	24-11-1986	25	Kail	6.58	13-08-1996												
10	Loti	26.64	30-07-1998	26	Buzdar	16.43	31-12-1999	3	Chanda	32.32	01-06-2002	OGDCL	OGDCL		72.00%				
11	Sari	15.50	21-09-1972	27	Jakiro	35.05	17-11-2001						ZAVR		10.50%				
12	Hundi	34.21	23-01-1990	28									GHRL		17.50%				
13	Kumar			29															
14				30															
15				31															
16				32															

C. OGDCL - NON - OPERATED JOINT VENTURE MINING / D&P LEASES															
S. No.	Name of Lease	Area (Sq. Kms)	Date of Grant	Operator	Company	Partnership (% share)	Post Commerciality	S. No.	Name of Lease	Area (Sq. Kms)	Date of Grant	Operator	Company	Partnership (% share)	Post Commerciality
1	Kadanwari	457.82	02-12-1992	ENI PAKISTAN	ENI PAKISTAN PKDL KUPREC OGDCL	18.42% 15.79% 15.79% 50.00%		15	Pir	43.84	07-07-1992	BP	BP OPPI OGDCL	25.50% 25.50% 48.00%	
2	Bhit	250.08	21-09-2000	ENI PAKISTAN	ENI PAKISTAN KUPREC OGDCL	40.00% 28.00% 12.00%		16	M. Ismail & Deep	8.00	15-01-1995	BP	BP OPPI OGDCL	25.50% 25.50% 48.00%	
3	Miano	814.02	01-08-1996	OMV	OMV KUPREC ENI AEP OGDCL	17.68% 15.16% 15.16% 52.00%		17	Zaur	15.71	20-11-1994	BP	BP OPPI OGDCL	25.50% 25.50% 48.00%	
4	Ratana	214.50	17-04-1994	OPI	OPI OGDCL POL AOC	65.91% 25.00% 4.545% 4.545%		18	Kato	20.40	07-07-1992	BP	BP OPPI OGDCL	25.50% 25.50% 48.00%	
5	Bhangali	45.30	28-06-1990	OPI	OGDCL OPI POL AOC	50.00% 40.00% 7.00% 3.00%		19	Jabo	16.13	07-07-1992	BP	BP OPPI OGDCL	25.50% 25.50% 48.00%	
6	Dhurnal	64.10	01-04-1985	OPI	OPI OGDCL POL AOC	70.00% 20.00% 5.00% 5.00%		20	Panito	10.00	07-07-1992	BP	BP OPPI OGDCL	25.50% 25.50% 48.00%	
7	Pikdori	86.58	12-04-1995	POL	OGDCL POL AOC	50.00% 35.00% 15.00%		21	Jagir	1.36	02-01-1998	BP	BP OPPI OGDCL OXY	38.00% 25.50% 24.00% 12.50%	
8	Badar	123.00	13-03-2002	PEL	PEL ERG NOVUS OGDCL	26.32% 15.00% 7.89% 50.00%		22	Junathi South	5.00	11-08-2001	BP	BP OPPI OGDCL GHPL	30.00% 25.50% 15.00% 25.00%	
9	Adhi	199.68	13-11-1984	PPL	POL OGDCL	11.00% 39.00%		23	Keyhole G-1	4.20	30-11-1998	BP	BP OPPI OGDCL OXY	38.00% 25.50% 25.00% 12.50%	
10	Sara	82.72	07-07-1996	TULLOW	TULLOW OGDCL AOC	50.00% 40.00% 10.00%		24	Buzdar South & Deep	25.13	31-12-1999	BP	BP OPPI OGDCL	25.50% 25.50% 48.00%	
11	Suri	23.82	30-06-2000	TULLOW	TULLOW AOC OGDCL	38.18% 7.27% 40.00%		25	Raji	21.70	21-01-1998	BP	BP OPPI OGDCL OXY	38.00% 25.50% 24.00% 12.50%	
12	Sara West	168.41	08-06-2001	TULLOW	TULLOW AOC OGDCL	38.18% 7.27% 40.00%		26	Mubani	1.91	21-01-1999	BP	BP OPPI OGDCL	38.00% 25.50% 24.00%	
13	Jalal	34.25	31-08-1995	BP	BP OPPI OGDCL	60.00% 40.00% 40.00%		27	Sakhi Deep	4.71	01-06-1998	BP	BP OPPI OGDCL OXY	38.00% 25.50% 24.00% 12.50%	
14	Rind	18.00	07-07-1992	BP	BP OPPI OGDCL	25.50% 25.50% 48.00%		28	Jhabari South	4.13	27-03-2003	BP	BP OPPI OGDCL GHPL	30.00% 30.00% 15.00% 25.00%	

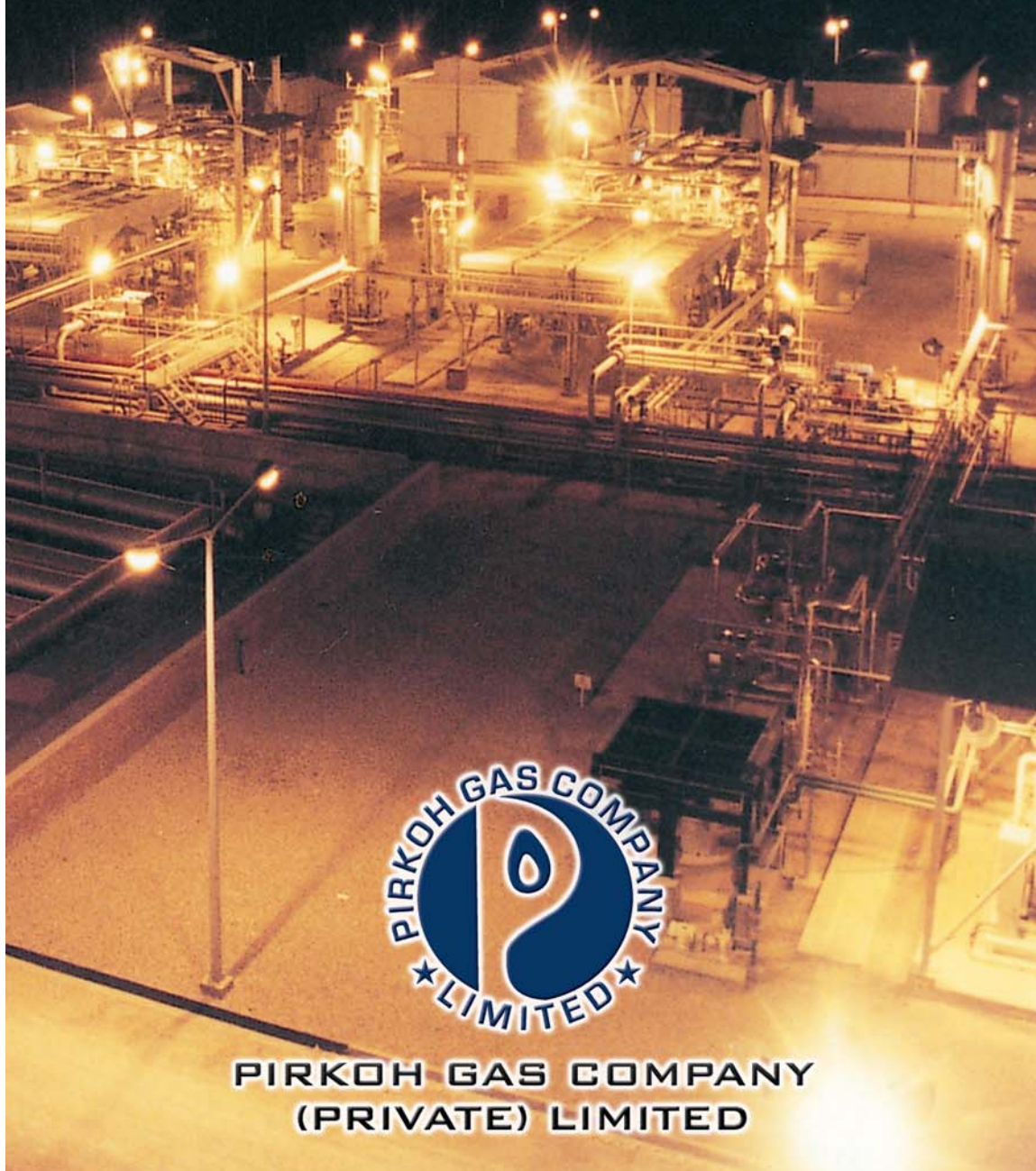








# **ANNUAL REPORT 2003**



**PIRKOH GAS COMPANY  
(PRIVATE) LIMITED**



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Mr. Najam K. Hyder	Chairman/Chief Executive
Mr. Muhammad Iqbal Awan	Director
Mr. Sabar Hussain	Director
Mr. Mohammad Naeem Malik	Director
Mr. Khalid Atiq Ghazi	Director
Mr. M. Zafarullah Chaudhry	Director
Mr. Muhammad Riaz Khan	Director

### COMPANY SECRETARY

Mr. Basharat A. Mirza

### AUDITORS

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

### LEGAL ADVISORS

M/s Khokhar Law Chambers

### TAX ADVISORS

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

### BANKERS

National Bank of Pakistan

Habib Bank Limited

### REGISTERED OFFICE

Building 6-C, Masood Mansion,

Al Markaz F-8, Islamabad

Tel: (PABX) (051) 9260075, 9260423 & 9261035 (3 lines)

Fax: (051) 9260421

## DIRECTORS' REPORT

The Directors of Pirkoh Gas Company (Private) Limited feel pleasure in presenting their Report together with Company's Audited Accounts and Auditor's Report thereon for the year ended June 30, 2003.

### 1. FINANCIAL PERFORMANCE

	Rupees in million
Profit before taxation	669
Less: Provision for taxation-net	<u>(131)</u>
Profit after taxation	538
Un-appropriated profit brought forward	<u>5,479</u>
	6,017
Appropriations:	
Dividend @ 15% (2002:15%)	<u>(188)</u>
Un-appropriated profit carried forward	<u><u>5,829</u></u>

Basic earnings per share of Rs 1,000/- each was Rs 429 (2001-02:Rs.698).

### 2. DIVIDEND

In view of the interim dividend of 15% (2001-02 : NIL) of the par value of shares declared/ paid by the Company for the year 2002-03, no final dividend is being proposed.

### 3. BUSINESS REVIEW

Due to natural depletion of the field, the production and consequently the sales and the profitability of the Company have declined during the period under review. Besides, there were water hold-ups in some of the wells as confirmed by results of pressure survey tests carried out by M/s Halliburton. The sale of natural gas averaged 67 MMscfd.

An in-house reservoir study undertaken is at finalization stage and, based on the recoverable reserves estimates and recommendations, a work programme will be implemented to try and enhance gas production through workovers, well stimulation and Nitrogen kick-off jobs.

It is also planned during the year to try and identify, through modern seismic data interpretation techniques, new potential gas production zones in deeper horizons, and, if indications are encouraging to undertake exploratory drilling.

Meanwhile, to improve utilization of the surplus capacity presently available at Company's compression plant installed at Pirkoh arrangements have been made to utilize SSGCL's gas line from Pirkoh to Loti in order to divert low pressure gas from OGDCL's Loti gas field to Pirkoh Compression Plant and compress it along with Pirkoh gas to build up the pressure up to the required range of 750-780 Psig to ensure gas supply at SNGPL's intake point.

### 4. DIRECTORS

The new Board was elected in the AGM held on December 26, 2001 for a 3-year term.



During the period under review the following Directors resigned from the Board of Directors:-

1. Major General Parvez Akmal, Chairman/Chief Executive.
2. Mr. Khalid Naseem.
3. Mr. Shamim Ahmed Bhatti.
4. Mr. Afzal Chaudhri.

These vacancies were filled by:-

1. Mr. Najam K. Hyder, Chairman/Chief Executive.
2. Mr. M. Naeem Malik.
3. Mr. Muhammad Riaz Khan.
4. Mr. Zafarullah Chaudhry.

We wish to record the Boards appreciation for the valuable contribution and services rendered by all the outgoing Directors during their tenure. We also extend warm welcome to the incoming Directors.

**5. AUDITORS**

The Company's statutory auditors for the year ended June 30, 2003 M/s Khalid Majid Rahman Sarfraz Rahim Iqbal Rafiq, Chartered Accountants stand retired and being eligible have offered themselves for re-appointment for the year 2003-04.

**6. PATTERN OF SHAREHOLDING**

The pattern of shareholding as on June 30, 2003 is annexed.

For and on behalf of the Board of Directors



(NAJAM K. HYDER)  
CHAIRMAN / CHIEF EXECUTIVE

Islamabad: September 29, 2003.

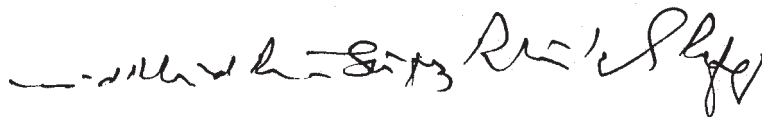
## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Pirkoh Gas Company (Private) Limited as at June 30, 2003 and the related profit and loss account, cash flow statement and statement of changes in equity together with 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 purpose of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account, together with the notes thereon have been drawn up in conformity with the Companies Ordinance 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2003 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance 1980.



October 3, 2003  
Islamabad

KHALID MAJID RAHMAN SARFARAZ  
RAHIM IQBAL RAFIQ  
Chartered Accountants



# BALANCE

## As At

	Note	2003 (Rs.'000)	2002 (Rs.'000)
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital			
1,500,000 ordinary shares of Rs. 1,000 each		<u>1,500,000</u>	<u>1,500,000</u>
Issued, subscribed and paid up share capital			
1,254,000 ordinary shares of Rs. 1,000 each	4	1,254,000	1,254,000
Unappropriated profit		<u>5,828,742</u>	<u>5,478,601</u>
		<u>7,082,742</u>	<u>6,732,601</u>
<b>LONG TERM PROVISION</b>	5	844,060	844,060
<b>DEFERRED LIABILITIES</b>	6	204,855	329,298
<b>DEFERRED REVENUE</b>	7	—	175,000
<b>CURRENT LIABILITIES</b>			
Creditors, accrued and other liabilities	8	88,311	148,098
Proposed dividend		—	188,100
		88,311	336,198
<b>CONTINGENCIES AND COMMITMENTS</b>	9		
		<u>8,219,968</u>	<u>8,417,157</u>

The annexed notes form an integral part of these accounts.



**DIRECTOR**

# SHEET

## June 30, 2003

	Note	2003 (Rs.'000)	2002 (Rs.'000)
<b>FIXED CAPITAL EXPENDITURE</b>			
Property, plant and equipment	10	1,103,475	1,338,690
Project in progress		—	1,793
Exploration and development expenditure	11	1,648,620	1,689,870
		<u>2,752,095</u>	<u>3,030,353</u>
<b>LONG TERM RECEIVABLES</b>			
	12	1,816,867	2,135,000
<b>CURRENT ASSETS</b>			
Stores and spares	13	276,963	547,453
Trade debts (unsecured, considered good)		302,566	305,841
Due from holding company		66,602	138,772
Advances, deposits, prepayments and other receivables	14	372,010	389,017
Cash and bank balances	15	2,632,865	1,870,721
		<u>3,651,006</u>	<u>3,251,804</u>
		<u><u>8,219,968</u></u>	<u><u>8,417,157</u></u>

  
**CHIEF EXECUTIVE**



## PROFIT AND LOSS ACCOUNT

For The Year Ended June 30, 2003

	Note	2003 (Rs.'000)	2002 (Rs.'000)
Net sales	16	1,620,480	2,195,534
Production expenses	17	(899,085)	(791,572)
Royalty expense		(202,560)	(274,404)
		<u>(1,101,645)</u>	<u>(1,065,976)</u>
Operating profit		518,835	1,129,558
General and administrative expenses	18	(91,301)	(65,218)
		<u>427,534</u>	<u>1,064,340</u>
Other income	19	376,525	207,679
		<u>804,059</u>	<u>1,272,019</u>
Financial charges	20	(99,471)	(988)
Workers' profit participation fund		(35,229)	(63,552)
		<u>(134,700)</u>	<u>(64,540)</u>
Profit before taxation		669,359	1,207,479
Taxation	21	(131,118)	(332,209)
Profit after taxation		538,241	875,270
Unappropriated profit brought forward		5,478,601	4,791,431
Profit available for appropriation		6,016,842	5,666,701
Appropriation			
Interim dividend paid @ 15% (2002: Nil)		(188,100)	—
Proposed dividend Nil (2002: 15%)		—	(188,100)
		<u>(188,100)</u>	<u>(188,100)</u>
Unappropriated profit carried forward		<u>5,828,742</u>	<u>5,478,601</u>
Basic earnings per share	23	<u>Rs. 429.22</u>	<u>Rs. 697.98</u>

The annexed notes form an integral part of these accounts.

  
CHIEF EXECUTIVE

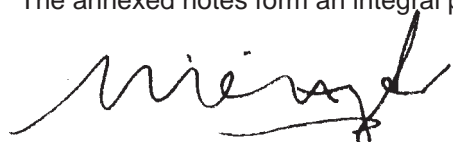
  
DIRECTOR

# CASH FLOW STATEMENT

## For The Year Ended June 30, 2003

	2003 (Rs.'000)	2002 (Rs.'000)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	669,359	1,207,479
Adjustments for:		
Royalty	202,560	274,404
Amortization	41,250	101,930
Depreciation	237,788	239,975
Interest income	(92,397)	(100,909)
Interest income on receivables	(175,000)	-
Net loss on impairment of receivables	96,558	-
Financial charges	660	297
(Gain)/loss on sale of fixed assets	-	(3,012)
	<u>311,419</u>	<u>512,685</u>
Cash flow before working capital changes	<u>980,778</u>	<u>1,720,164</u>
Working capital changes:		
Decrease in stores and spares	270,490	276,744
Decrease in trade debts and receivables	224,850	34,785
(Increase)/decrease in balance due from holding company	72,170	(104,983)
(Increase) in advances, deposits, prepayments and other receivables	(222,312)	(5,874)
Increase/(decrease) in deferred interest revenue	-	175,000
Increase/(decrease) in creditors, accrued and other liabilities	(60,072)	63,247
	<u>285,126</u>	<u>438,919</u>
Cash generated from operations	<u>1,265,904</u>	<u>2,159,083</u>
Payments for:		
Royalty	(202,275)	(284,287)
Financial charges	(660)	(297)
Income tax	(8,453)	(571,635)
	<u>(211,388)</u>	<u>(856,219)</u>
Net cash inflow from operating activities	<u>1,054,516</u>	<u>1,302,864</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(2,573)	(544)
Proceeds from sale of fixed assets	-	3,020
Capital work in progress	1,793	(1,793)
Interest received	84,608	96,064
Net Cash inflow from investing activities	<u>83,828</u>	<u>96,747</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	(376,200)	(125,400)
Net cash (outflow) from financing activities	<u>(376,200)</u>	<u>(125,400)</u>
Net increase in cash and cash equivalents	<u>762,144</u>	<u>1,274,211</u>
Cash and cash equivalents at the beginning of the year	<u>1,870,721</u>	<u>596,510</u>
Cash and cash equivalents at the end of the year	<u><u>2,632,865</u></u>	<u><u>1,870,721</u></u>

The annexed notes form an integral part of these accounts.

  
CHIEF EXECUTIVE

  
DIRECTOR

# STATEMENT OF CHANGES IN EQUITY

## For The Year Ended June 30, 2003

	Paid up share capital (Rs.'000)	Unappropriated profit (Rs.'000)	Total (Rs.'000)
Balance as at June 30, 2001	1,254,000	4,791,431	6,045,431
Profit for the year		875,270	875,270
Dividend		(188,100)	(188,100)
Balance as at June 30, 2002	1,254,000	5,478,601	6,732,601
Profit for the year		538,241	538,241
Interim dividend		(188,100)	(188,100)
Balance as at June 30, 2003	1,254,000	5,828,742	7,082,742

The annexed notes form an integral part of these accounts.



CHIEF EXECUTIVE



DIRECTOR

# NOTES TO THE ACCOUNTS

## For The Year Ended June 30, 2003

### 1. LEGAL STATUS AND OPERATIONS

Pirkoh Gas Company (Private) Limited (PGCL) is a private limited company incorporated in 1982 under the Companies Act, 1913 (now Companies Ordinance, 1984). The Company is engaged in exploration and development of natural gas resources, including production and sale of natural gas and related activities.

The Company is wholly owned subsidiary of Oil and Gas Development Company Limited (OGDCL).

### 2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Accounting convention

These accounts have been prepared under the historical cost convention.

#### 3.2 Taxation

##### Current

Provision for current taxation is based on taxable income at applicable tax rates , adjusted for payments to the Government comprising royalty and levies.

##### Deferred

The Company accounts for deferred taxation by using the liability method on all significant timing differences. Deferred tax liability has been calculated at the estimated effective rate of 30% (2002: 30%) after taking into account availability of depletion allowance and set off available in respect of royalty payment to the Government.

#### 3.3 Property, Plant and Equipment

These assets are stated at cost less accumulated depreciation.

Depreciation on fixed assets is charged using straight-line method over their estimated useful lives, at the rates given in note 10 of the accounts. Full month's depreciation is charged on the assets acquired during the month while no depreciation is charged in the month of disposal.

Maintenance and normal repairs are charged to income as and when incurred. Major improvements are capitalized. Gain and losses on disposal of assets are credited or charged to income in the year of disposal.

#### 3.4 Projects in Progress

Projects in progress are stated at cost and are transferred to the intended assets when available for intended use.

### 3.5 Exploration and development expenditure and amortization

Exploration and development activities are accounted for under the "successful efforts" method, whereby cost of property acquisition, drilling and development costs of successful wells are capitalized and amortized on "unit of production" method. Unsuccessful exploratory wells are expensed out when declared to be non-productive. All exploration costs other than those related to exploratory drilling are charged to profit against revenue for the year.

### 3.6 Stores and spares

Stores and spares are valued at the lower of cost or net realizable value, less allowance for obsolete and slow moving items. Cost is determined at moving average and comprises all costs 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 the business less costs necessarily to be incurred in order to make the sale.

Materials in transit are stated at cost comprising invoice value and other charges, if any, incurred thereon.

### 3.7 Revenue recognition

Revenue from sale is recognized on delivery of gas and on rendering of services to customers. Effect of adjustments, if any, arising from revision in sales prices is reflected as and when the prices are finalized with the customers and / or approved by the Government. Interest on delayed payments from customers is recorded on receipts basis.

### 3.8 Employee costs

All the employees of the company, except for casual employees, are on secondment from OGDCL. Salaries and employees benefit costs are charged to PGCL, whereas the related deferred liabilities of employee benefits are recognized in OGDCL.

### 3.9 Foreign Currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling on the date of the transactions except for invoices remaining unpaid at the balance sheet date, which are converted at the rate prevailing on the balance sheet date. All assets and liabilities in the foreign currencies are translated into rupees at the rate ruling on the balance sheet date, except those in respect of which exchange risk cover is obtained.

### 3.10 Provisions

A provision is recognized when the Company has present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Decommissioning cost relating to producing /shut in wells is capitalized to the cost of field and amortized on the unit of production method.

### 3.11 Financial instruments

Financial assets mainly comprise long term receivables, trade debts, due from holding company, other receivables and cash and bank balances. These are stated at their nominal values as reduced by the appropriate allowances for impairment.

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant liabilities are creditors, accrued and other liabilities. These are stated at their nominal values.

### 3.12 Offsetting of financial assets and liabilities

Financial assets and liabilities are reflected at the net amount in the balance sheet, in case 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.

	2003 (Rs.'000)	2002 (Rs.'000)
<b>4. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL</b>		
240,000 ordinary shares of Rs. 1,000 each, fully paid in cash	240,000	240,000
178,000 ordinary shares of Rs. 1,000 each, for consideration other than cash	178,000	178,000
836,000 ordinary shares of Rs. 1,000 each, issued as bonus shares	836,000	836,000
	<u>1,254,000</u>	<u>1,254,000</u>

The holding company, OGDCL holds 1,253,991 ordinary shares (2002; 1,253,991) and 9 (2002; 9) shares are held in the name of nominee directors of the aforesaid company.

### 5 LONG TERM PROVISION

Decommissioning cost	5.1	<u>844,060</u>	<u>844,060</u>
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5.1 Decommissioning expenditure is expected to be incurred after the expected useful life of the field.

### 6 DEFERRED LIABILITIES

Provision for deferred tax	<u>204,855</u>	<u>329,298</u>
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### 7 DEFERRED REVENUE

This amount represents interest on delayed payments, receivable from Sui Northern Gas Pipelines Limited (SNGPL), which has been transferred along with the principal amount to Water and Power Development Authority (WAPDA), as a result of intercorporate debt adjustment. As explained in note 12 of these accounts, since the first instalment has been received in July, 2003, the deferred revenue has been recognized as income.

### 8 CREDITORS, ACCRUED AND OTHER LIABILITIES

Accrued liabilities	19,136	42,983
Excise duty payable	22,996	8,095
Sales tax payable	51,287	18,262
Royalty payable	14,491	14,206
Workers' profit participation fund	(19,778)	63,548
Deposits	179	1,004
	<u>88,311</u>	<u>148,098</u>

### 9 CONTINGENCIES AND COMMITMENTS

While framing the assessment for the year 2001-02 the tax authorities created a demand of Rs.82,509,322 by adding back the excess perquisites and depletion allowance claimed by the Company. The Company has agitated the contention of the tax authorities for this additional demand and has filed appeal before Income Tax Appellate Tribunal. Pending the outcome of this appeal no provision has been made in these accounts for the demand, since there is a reasonably fair chance that the appeal will be decided in favour of the Company.

## 10. PROPERTY PLANT AND EQUIPMENT

PARTICULARS	COST			RATE		DEPRECIATION			Rs. 000'
	As at July 01, 2002	Additions	(Deletions)	As at June 30, 2003	%	As at July 01, 2002	Charge for the year	Adjustments	
Building at well sites	89,128	-	-	89,128	8	21,635	7,128	-	60,365
Approach roads	10,623	-	-	10,623	8	6,789	802	-	3,032
Drilling equipment	1,159	-	-	1,159	10	1,152	-	-	7
Gas gathering facilities	155,064	-	-	155,064	10	155,063	-	-	1
Water pipelines	38,155	-	-	38,155	10	17,395	2,768	-	17,992
Plant & machinery									
- Cementing unit and equipment	18,685	-	-	18,685	10	18,674	-	-	11
- Storage and pumping equipment	26,924	-	(967)	25,957	10	26,375	81	(966)	467
- Other plant and equipment	1,857,223	19,586	-	1,876,809	10	792,418	174,705	19,557	890,129
	1,902,832	19,586	(967)	1,921,451		837,467	174,786	18,591	890,607
Communication and other equipment	115,394	-	(28)	115,366	15	53,208	16,638	(27)	45,547
Laboratory and workshop equipment	16,469	-	-	16,469	15	10,007	1,722	-	4,740
Electrical and mechanical equipment	210,231	-	-	210,231	15	101,657	29,074	-	79,500
Hoisting and lifting equipment	22,530	-	-	22,530	20	22,518	-	-	12
Furniture and office equipment	7,800	210	-	8,010	15	7,163	107	-	740
Computers	3,730	41	(25)	3,746	30	3,101	598	(25)	72
Vehicles	42,581	2,298	(3,143)	41,736	20	39,851	4,165	(3,140)	860
Year ended June 30, 2003	2,615,696	22,135	(4,163)	2,633,668		1,277,006	237,788	15,399	1,103,475
Year ended June 30, 2002	2,633,498	3,104	(20,906)	2,615,696		1,056,176	239,975	(19,145)	1,338,690

10.1 Two dehydration plants costing Rs. 19,559,838 are in use of Qadirpur Joint Venture, operated by Oil and Gas Development Company Limited, against monthly rent of US \$ 10,000.

**11 EXPLORATION AND DEVELOPMENT EXPENDITURE**

	2003 (Rs.'000)	2002 (Rs.'000)
Cost at the beginning of the year ( Exploration and development cost)	3,580,312	2,736,252
Addition during the year ( Decommissioning cost )	—	844,060
	<b>3,580,312</b>	3,580,312
Amortization :		
Accumulated amortization at the beginning of the year-		
Exploration and development cost	(1,867,540)	(1,788,512)
Decommissioning cost	(22,902)	—
	<b>(1,890,442)</b>	(1,788,512)
Charge for the year-		
Exploration and development cost	(21,205)	(79,028)
Decommissioning cost	(20,045)	(22,902)
	<b>(41,250)</b>	(101,930)
Accumulated amortization at the end of the year-	<b>(1,931,692)</b>	(1,890,442)
Cost at the end of the year:		
Exploration and development cost	1,691,567	868,712
Decommissioning cost	(42,947)	821,158
	<b>1,648,620</b>	1,689,870

**12 LONG TERM RECEIVABLES**

Total receivables (Unsecured, Considered good)	2,135,000	2,135,000
Less: Provision for impairment of receivables	(134,542)	—
	<b>2,000,458</b>	2,135,000
Less: Current portion of long term receivables	(183,591)	—
	<b>1,816,867</b>	2,135,000

Total receivables comprise Rs. 1,494,000,000 receivable from Karachi Electric Supply Corporation Limited (KESC) and Rs. 641,000,000 from Water and Power Development Authority (WAPDA), as a result of intercorporate debt adjustment approved by the Government of Pakistan in February, 1999, pursuant to the Economic Coordination Committee of Cabinet ( ECC) decision in February, 1999.

Amount from KESC is receivable in 32 equal quarterly instalments of Rs. 46,687,500 commencing from February, 2004, while WAPDA will repay the amount in 10 equal semi annual instalments of Rs. 64,100,000 starting from July, 2003.

In accordance with International Accounting Standard (IAS) 39 an impairment loss has been recognized on the amount receivable from WAPDA , which is the difference between the carrying amount and present value of expected future cash flows, discounted at 7.5 % which is the imputed rate for interest calculation.

**13 STORES AND SPARES**

	2003 (Rs.'000)	2002 (Rs.'000)
In hand	657,855	728,850
In transit	—	1,920
	<b>657,855</b>	730,770
Less: Provision for obsolete, damaged, slow moving items and other adjustments	13.1 (380,892)	(183,317)
	<b>276,963</b>	547,453
<b>13.1</b> Provision at the beginning of the year	183,317	11,317
Provision charged to profit and loss account	197,575	172,000
Provision at the end of the year	<b>380,892</b>	183,317

During the year, assignment of 100% physical verification of stores and spares as of March 31, 2002 was assigned to the consultants. Based on the draft report of the consultants additional provision of Rs. 197,574,922 has been made in the accounts.

**14. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

	2003 (Rs.'000)	2002 (Rs.'000)
Advances ( Considered good) to:		
- suppliers and contractors	2,092	4,687
- employees	64	115
Prepayments	6,334	2,951
Current portion of long term receivables	183,591	—
Accrued interest on long term receivables	37,984	—
Accrued interest on bank deposits	12,634	4,845
Other receivables	742	742
Advance tax	128,569	375,677
	<u>372,010</u>	<u>389,017</u>

**15. Cash and bank balances**

Cash at bank		
- PLS accounts	2,617,995	1,856,904
- Foreign currency account	8,631	8,663
- Current accounts	4,544	4,288
	2,631,170	1,869,855
Cash in hand	1,695	866
	<u>2,632,865</u>	<u>1,870,721</u>

**16. SALES**

Gross sales	1,998,390	2,699,615
Less: Excise duty	(117,250)	(151,957)
Sales tax	(260,660)	(352,124)
	(377,910)	(504,081)
Net sales	<u>1,620,480</u>	<u>2,195,534</u>
Volume of gas sold (MMCF)	24,224	31,394

**17. PRODUCTION EXPENSES**

Salaries and employee benefits	197,449	164,113
Stores consumed	62,950	26,594
Repairs and maintenance	5,390	13,002
Transportation	11,404	6,809
Workover services	46,598	26,043
Security services	6,806	5,993
Vehicles running cost	1,469	6,018
Land rentals	8,116	6,860
Utilities	1,328	1,138
Postal and courier, telephone and telex	3,526	2,755
Government levies	47,945	10
Contract services	28,466	18,286
Depreciation	237,788	239,975
Amortization	41,250	101,930
Provision for obsolete, damaged, slow moving items and other adjustments	197,575	172,000
Others	17.1 1,025	46
	<u>899,085</u>	<u>791,572</u>

**17.1** Included in this amount is Rs.1,000,000 donated to District Coordination Council, Dera Bugti. None of the directors of the Company had any interest therein.

	2003 (Rs.'000)	2002 (Rs.'000)
<b>18. GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Salaries and employee benefits	12,265	8,222
Technical support	75,689	54,130
Rent	1,259	1,433
Travelling	205	192
Audit fee	185	178
Repairs and maintenance	11	—
Professional services	1,072	114
Postal and courier, telephone and telex	379	373
Printing and stationery	42	116
Insurance	66	66
Entertainment	49	309
Others	79	78
Utilities	—	7
	<u>91,301</u>	<u>65,218</u>
<b>19. OTHER INCOME</b>		
Return on:		
- bank accounts	92,397	100,309
- investments	—	600
	92,397	100,909
Compression services to OGDCL	86,091	86,403
Rental income 19.1	24,668	—
Gain/( loss) on sale of fixed assets	—	3,012
Gain/( loss) on sale of inventory/ scrap	(1,237)	2,955
Exchange gain/ ( loss)	(399)	14,355
Interest income on receivables	175,000	—
Miscellaneous income	5	45
	<u>376,525</u>	<u>207,679</u>

**19.1** This represents rental income of two dehydration plants of which Rs.17,731,537 relates to the prior period (December, 1999 to June, 2002).

		2003 (Rs.'000)	2002 (Rs.'000)
<b>20. FINANCIAL CHARGES</b>			
Net loss on impairment of long term receivables	20.1	96,558	—
Mark up on workers' profit participation fund		2,253	691
Bank charges		660	297
		<u>99,471</u>	<u>988</u>
<b>20.1 Net loss on impairment of long term receivables</b>			
Provision for impairment of receivables (Note 12)		134,542	—
Accrued interest on long term receivables (Note 14)		(37,984)	—
		<u>96,558</u>	<u>—</u>
<b>21. Provision for taxation</b>			
Current- for the year		255,561	448,373
Deferred		(124,443)	(116,164)
		<u>131,118</u>	<u>332,209</u>
<b>Tax charge reconciliation</b>			
Accounting profit for the year		<u>669,359</u>	<u>1,207,479</u>
Tax at applicable rate		334,680	482,992
Tax effect of amounts not deductible for tax purposes		333,218	457,101
Tax effect of amounts admissible for tax purposes		(240,832)	(493,391)
Tax effect of depletion allowance		(149,880)	(158,260)
Tax effect of royalty		(202,560)	—
Tax effect of corporate rate		56,491	43,766
		<u>131,118</u>	<u>332,209</u>

## 22. FINANCIAL INSTRUMENTS

### 22.1 Interest rate risk

Company's exposure to interest rate on its financial assets and financial liabilities as of June 30, 2003 are summarized as follows:

	Rs.'000			Rs.'000	
	Interest bearing			Non-interest bearing	Total
	Maturity up to one year	Maturity after one year	Sub total		
<b>Financial assets</b>					
Long term receivables	—	—	—	1,816,867	1,816,867
Trade debts	302,566	—	302,566	—	302,566
Due from holding company	—	—	—	66,602	66,602
Advances, deposits, prepayments & other receivables	—	—	—	234,209	234,209
Cash and bank balances	2,626,626	—	2,626,626	6,239	2,632,865
	<u>2,929,192</u>	<u>—</u>	<u>2,929,192</u>	<u>2,123,917</u>	<u>5,053,109</u>
June 30,2002	<u>2,171,408</u>	<u>—</u>	<u>2,171,408</u>	<u>2,284,513</u>	<u>4,455,921</u>
<b>Financial liabilities</b>					
Creditors, accrued and other liabilities	—	—	—	19,136	19,136
	<u>—</u>	<u>—</u>	<u>—</u>	<u>19,136</u>	<u>19,136</u>
June 30,2002	<u>—</u>	<u>—</u>	<u>—</u>	<u>232,087</u>	<u>232,087</u>

#### Effective interest rates:

Trade debts	Bank rate + 2.5%
Bank balances	From 1.75 % to 6.25 %

### 22.2 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if the counter parties failed to perform as contracted. Credit risk is indicated by the carrying amount of its receivables. Long term receivables and trade debts are essentially due from gas marketing and power generation companies and the Company does not expect these companies to fail to meet their obligations. Cash deposits are placed with banks where the credit exposure is minimal.

### 22.3 Fair value of financial instruments

The carrying value of all the financial instruments reflected in the financial statements approximates their fair value.

	2003 (Rs.'000)	2002 (Rs.'000)
<b>23. Basic earnings per share</b>		
Profit after taxation	<u>538,241</u>	<u>875,270</u>
Weighted average number of ordinary shares at the end of the year (in thousands)	<u>1,254</u>	<u>1,254</u>
Basic earnings per share	<u>Rs. 429.22</u>	<u>Rs. 697.98</u>

**24. NUMBER OF EMPLOYEES**

Number of regular employees as at June 30, 665 648

**25. CORRESPONDING FIGURES**

Corresponding figures have been rearranged and regrouped wherever deemed necessary to be consistent with current year's presentation.

Reclassification from Note	Component	Reclassification to Note	Component	Nature	Rs.'000
6	Deferred Liabilities	5	Long term provision	Required by IAS 37	844,060
	Trade debts	12	Long term receivables	Required by IAS 1	2,135,000

**26. AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Company on September 29, 2003.

**27. GENERAL**

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

  
CHIEF EXECUTIVE

  
DIRECTOR

## PATTERN OF SHAREHOLDING

As On June 30, 2003

Number of Shareholders	Size of holding of shares		Total shares held
	From	To	
3	1	100	9
1	1,250,000	1,255,000	1,253,991
4			1,254,000

Categories of Shareholders	Number of Shareholders	Number of Shareholders	Percentage
Individuals	3	9	.0007
Joint Stock Company	1	1,253,991	99.9993
	4	1,254,000	100.0000

# Performance Over The Past Decade

## PROFIT AND LOSS ACCOUNT PERFORMANCE INDICATORS

		1993-94	1994-95
<b>GROSS SALES REVENUE</b>	Rs in Million		
Gas		1,842	2,165
<b>GOVERNMENT LEVIES</b>	Rs in Million		
Excise Duty		192	338
Sales Tax		-	-
		<b>192</b>	<b>338</b>
<b>SOURCES OF INCOME</b>	Rs in Million		
Net Sales Revenue		1,650	1,827
Other Income		98	237
		<b>1,748</b>	<b>2,064</b>
<b>EXPENDITURE</b>	Rs in Million		
Production Expenses		242	281
Royalty		206	228
Amortization of Exploration and Development Expenditure		224	210
Exploration Expenditure Written off including exploratory Dry Hole		56	1
General and Administration Expenses		37	49
Financial Charges		454	434
Workers' Profit Participation Fund		24	41
Prior years' adjustments		19	-
		<b>1,262</b>	<b>1,244</b>
<b>PROFIT BEFORE TAX</b>	Rs in Million	<b>486</b>	<b>820</b>
<b>CORPORATE TAX</b>	Rs in Million	<b>109</b>	<b>260</b>
<b>PROFIT AFTER TAX</b>	Rs in Million	<b>377</b>	<b>560</b>
<b>DIVIDEND DECLARED</b>	Rs in Million	<b>-</b>	<b>105</b>
<b>RETAINED PROFIT</b>	Rs in Million	<b>377</b>	<b>455</b>

## Fiscal Years

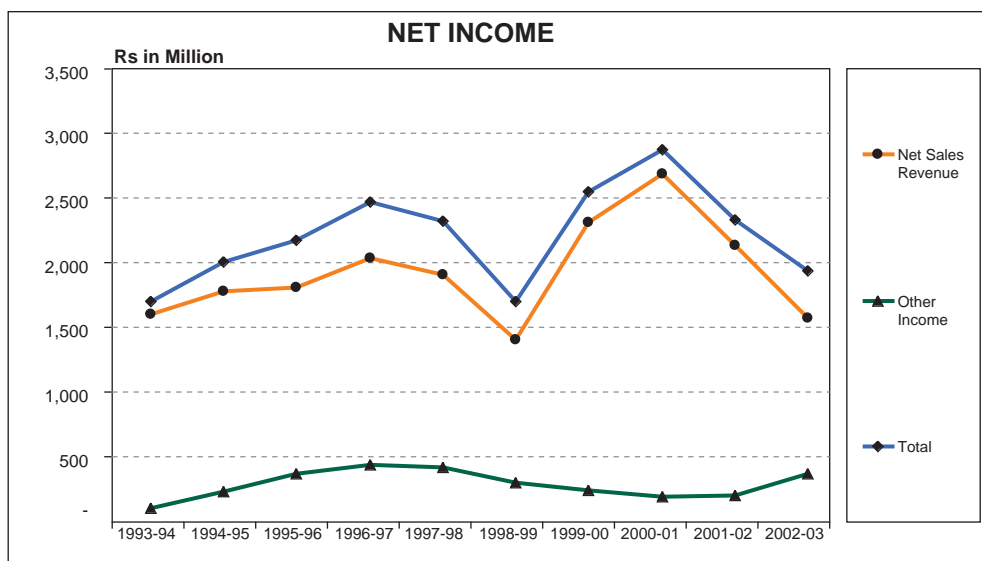
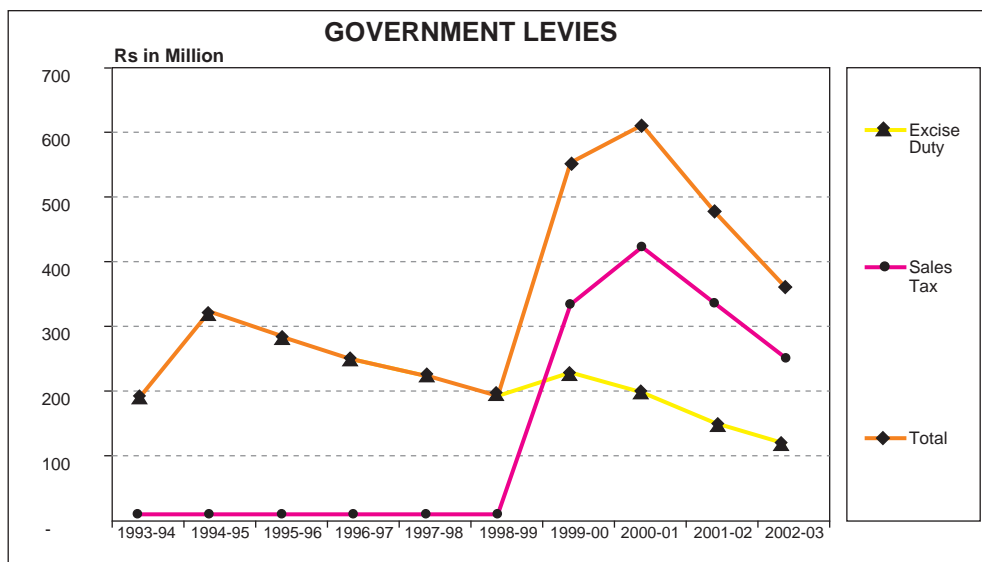
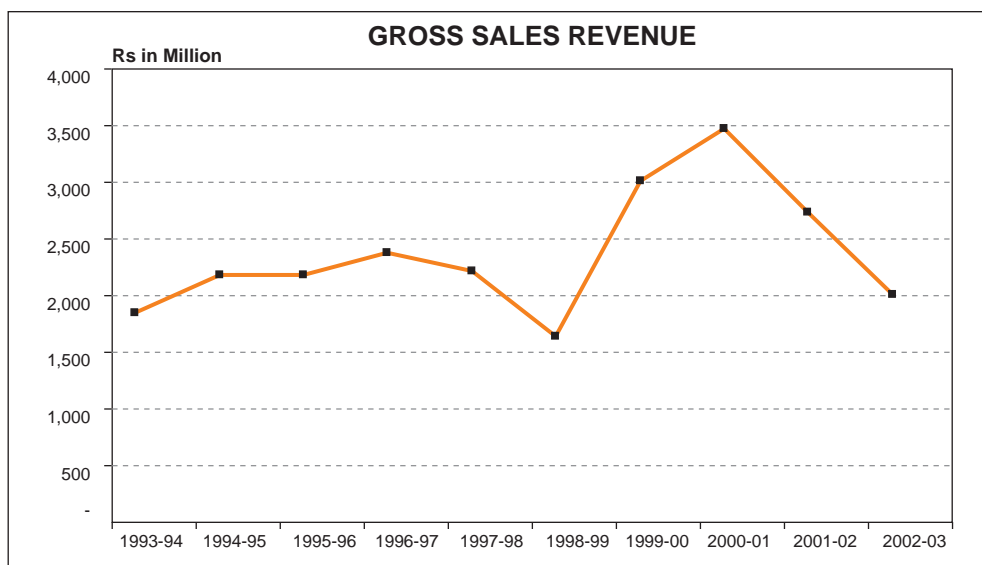
1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
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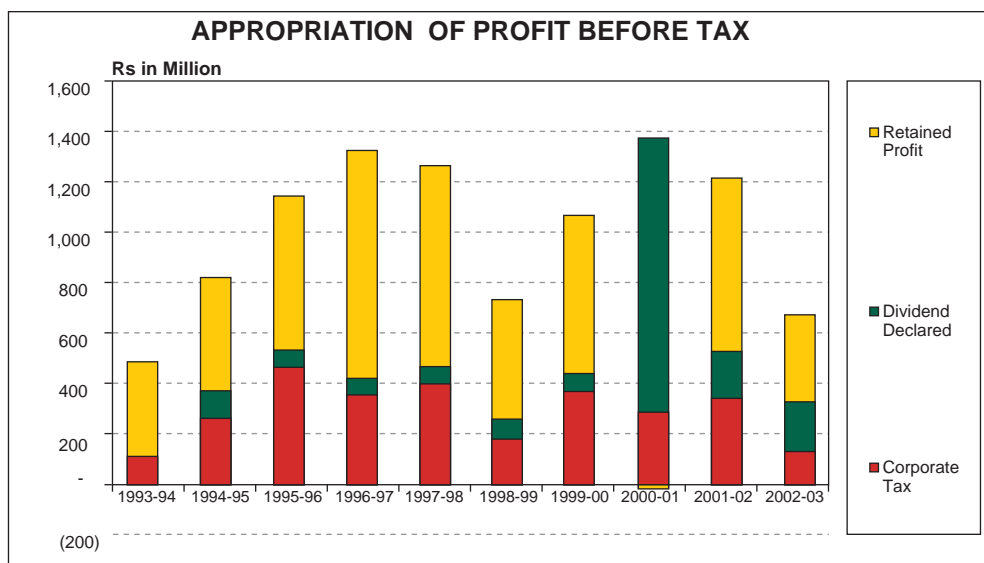
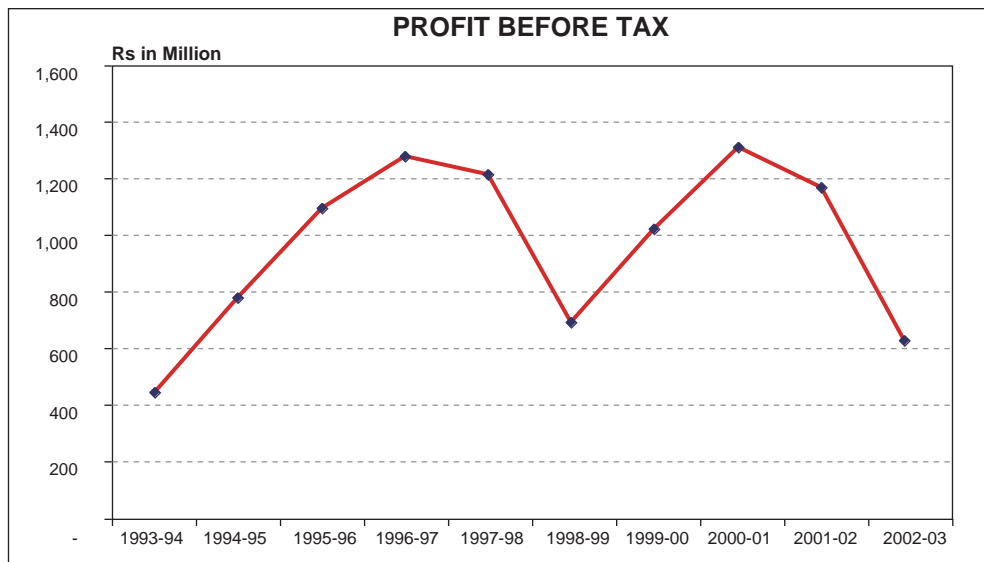
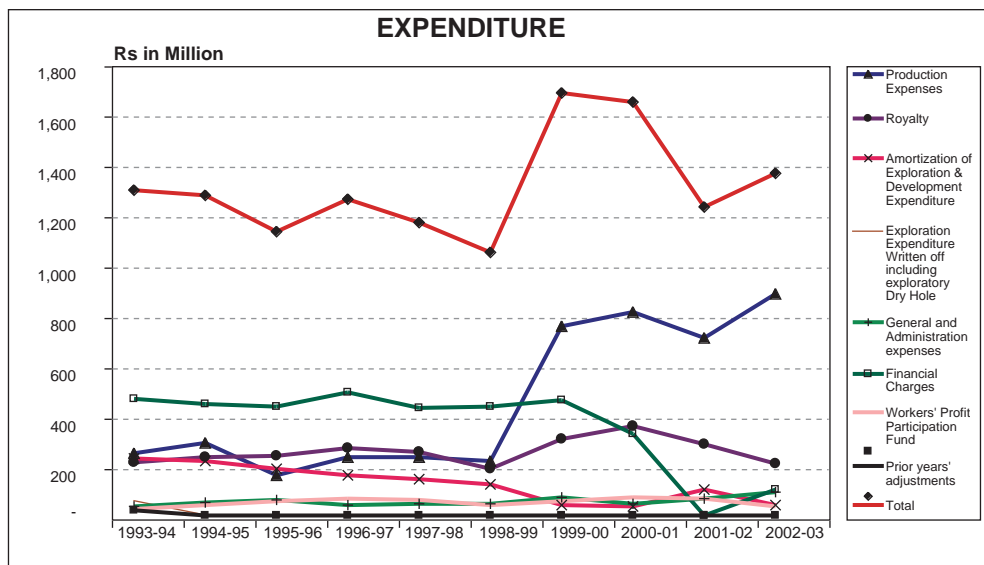
**2,163      2,351      2,196      1,641      2,965      3,413      2,700      1,998**

298	258	230	198	237	204	152	117
-	-	-	-	350	445	352	261
<b>298</b>	<b>258</b>	<b>230</b>	<b>198</b>	<b>587</b>	<b>649</b>	<b>504</b>	<b>378</b>

1,865	2,093	1,966	1,443	2,378	2,764	2,196	1,620
374	451	423	307	247	192	208	377
<b>2,239</b>	<b>2,544</b>	<b>2,389</b>	<b>1,750</b>	<b>2,625</b>	<b>2,956</b>	<b>2,404</b>	<b>1,997</b>

154	227	226	211	653	792	690	858
233	262	246	180	297	346	275	203
179	155	138	119	40	34	102	41
-	-	-	-	-	-	-	-
60	40	46	47	70	45	65	91
421	478	417	423	446	317	1	99
57	66	63	38	56	71	64	35
-	-	-	-	-	-	-	-
<b>1,104</b>	<b>1,228</b>	<b>1,136</b>	<b>1,018</b>	<b>1,562</b>	<b>1,605</b>	<b>1,197</b>	<b>1,327</b>
<b>1,135</b>	<b>1,316</b>	<b>1,253</b>	<b>732</b>	<b>1,063</b>	<b>1,351</b>	<b>1,207</b>	<b>670</b>
<b>462</b>	<b>349</b>	<b>393</b>	<b>181</b>	<b>359</b>	<b>278</b>	<b>332</b>	<b>131</b>
<b>673</b>	<b>967</b>	<b>860</b>	<b>551</b>	<b>704</b>	<b>1,073</b>	<b>875</b>	<b>539</b>
<b>63</b>	<b>63</b>	<b>63</b>	<b>70</b>	<b>69</b>	<b>1,087</b>	<b>188</b>	<b>188</b>
<b>610</b>	<b>904</b>	<b>798</b>	<b>482</b>	<b>634</b>	<b>(14)</b>	<b>687</b>	<b>351</b>





# Performance Over The Past Decade

## BALANCE SHEET PERFORMANCE INDICATORS

		1993-94	1994-95
<b>SHARE CAPITAL AND RESERVES</b>	Rs in Million		
Issued, subscribed and paid up capital		418	418
Unappropriated profit		923	1,378
		<b>1,341</b>	<b>1,796</b>
<b>LONG TERM LOANS</b>	Rs in Million	<b>3,016</b>	<b>2,832</b>
<b>LONG TERM PROVISION</b>		-	-
<b>DEFERRED LIABILITIES</b>	Rs in Million	<b>274</b>	<b>315</b>
<b>DEFERRED REVENUE</b>	Rs in Million	-	-
<b>CURRENT LIABILITIES</b>	Rs in Million		
Current maturity of long term loans		179	198
Due to Holding Company		97	-
Provision for taxation		8	198
Creditors, accrued and other liabilities		408	462
Dividend payable		-	105
		<b>692</b>	<b>963</b>
<b>Total - Equity and Liabilities</b>		<b>5,323</b>	<b>5,906</b>
<b>FIXED CAPITAL EXPENDITURE</b>	Rs in Million		
Property, plant and equipment		55	108
Exploration and development expenditure		1,858	1,665
Projects in progress at cost		22	5
		<b>1,935</b>	<b>1,778</b>
<b>LOAN TO HOLDING COMPANY</b>	Rs in Million	-	-
<b>LONG TERM RECEIVABLES</b>		-	-
<b>CURRENT ASSETS</b>	Rs in Million		
Stores and spares		1,752	1,383
Trade debts		539	519
Due from Holding Company		-	115
Advances, deposits, prepayments and other receivables		37	70
Cash and bank balances		1,060	2,041
		<b>3,388</b>	<b>4,128</b>
<b>Total - Assets</b>		<b>5,323</b>	<b>5,906</b>

## Fiscal Years

1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
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418	418	418	418	418	1,254	1,254	1,254
1,988	2,892	3,690	4,171	4,806	4,791	5,479	5,829
<b>2,406</b>	<b>3,310</b>	<b>4,108</b>	<b>4,589</b>	<b>5,224</b>	<b>6,045</b>	<b>6,733</b>	<b>7,083</b>
<b>2,601</b>	<b>2,326</b>	<b>2,187</b>	<b>2,608</b>	<b>2,629</b>	-	-	-

- - - - - - 844 844

**415 370 330 296 476 446 329 205**

- - - - - - 175 -

229	269	546	1,536	319	-	-	-
-	45	89	-	-	-	-	-
333	342	-	-	-	-	-	-
507	674	1,351	527	257	95	148	88
63	63	63	70	69	125	188	-
<b>1,132</b>	<b>1,393</b>	<b>2,049</b>	<b>2,133</b>	<b>645</b>	<b>220</b>	<b>336</b>	<b>88</b>

**6,554 7,399 8,674 9,626 8,974 6,711 8,417 8,220**

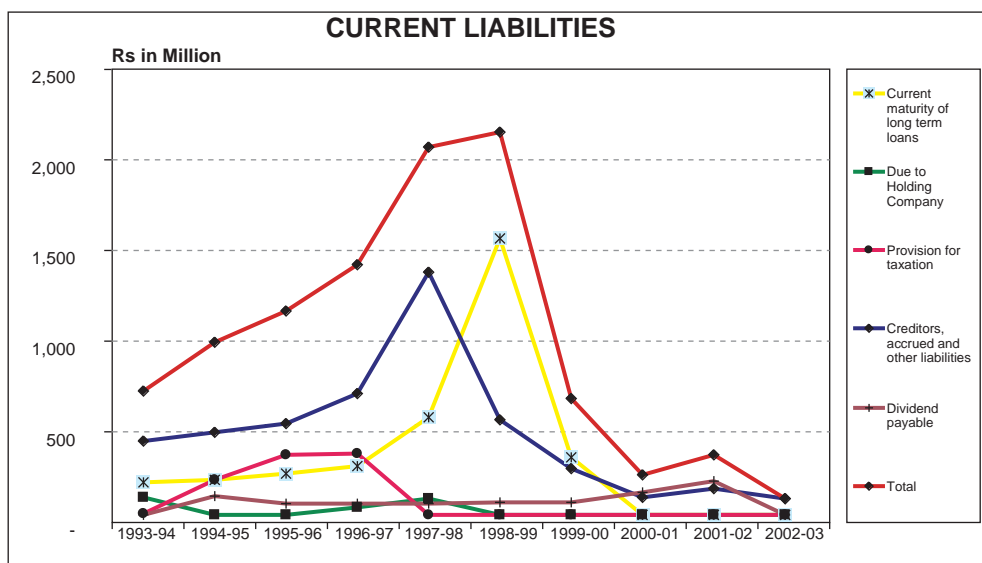
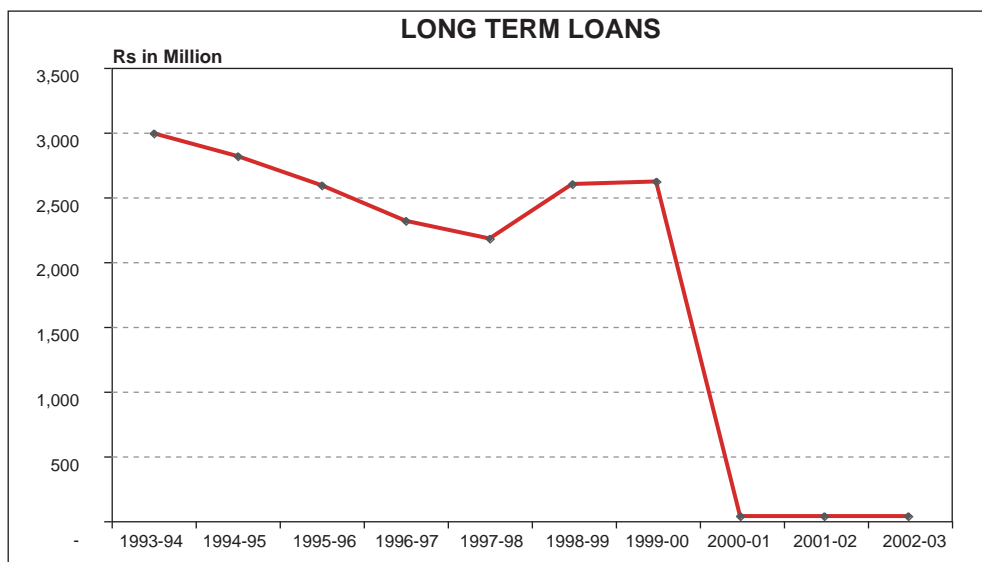
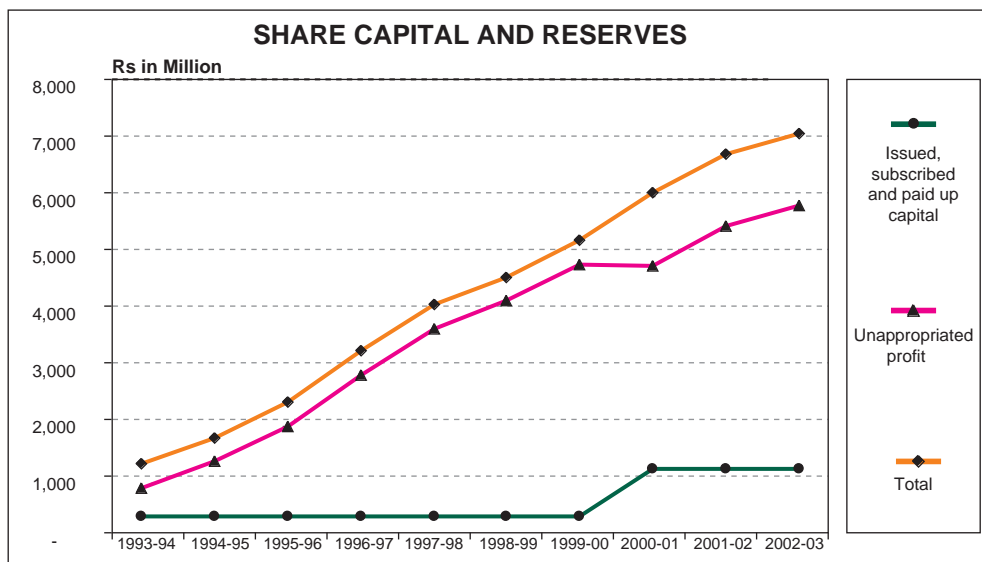
172	145	124	122	1,876	1,577	1,339	1,103
1,435	1,280	1,142	1,022	983	948	1,690	1,649
2	-	281	1,659	24	-	2	-
<b>1,609</b>	<b>1,425</b>	<b>1,547</b>	<b>2,803</b>	<b>2,883</b>	<b>2,525</b>	<b>3,031</b>	<b>2,752</b>

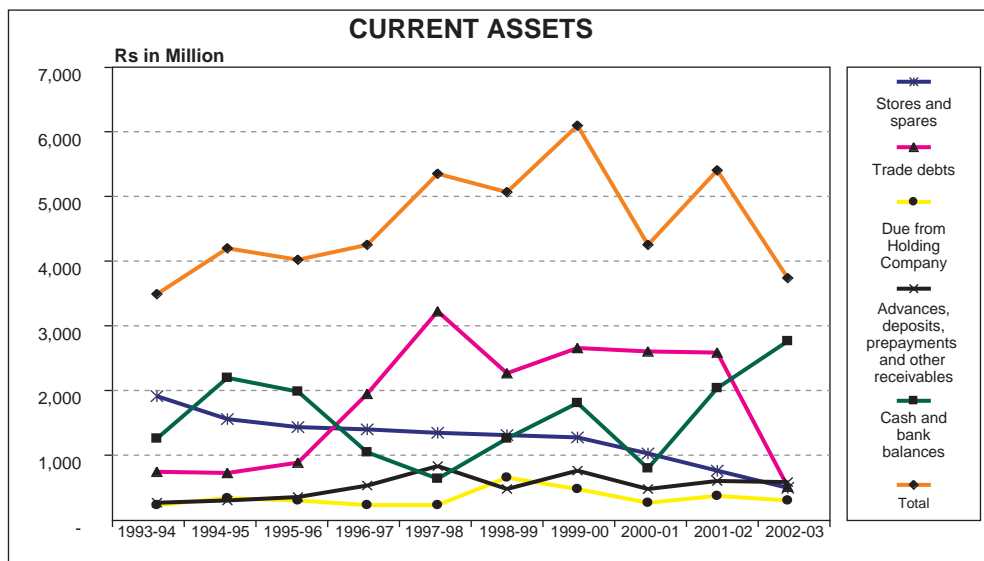
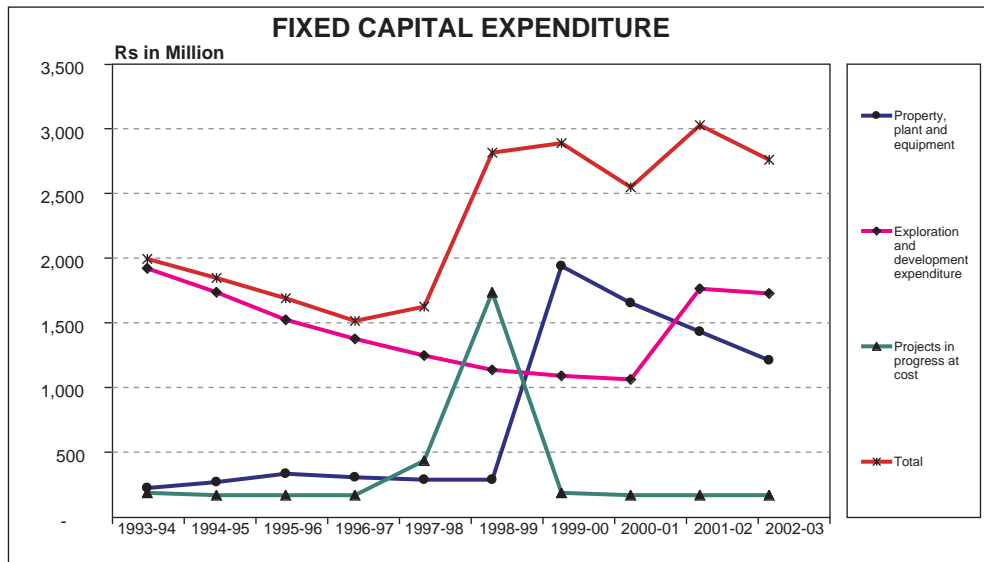
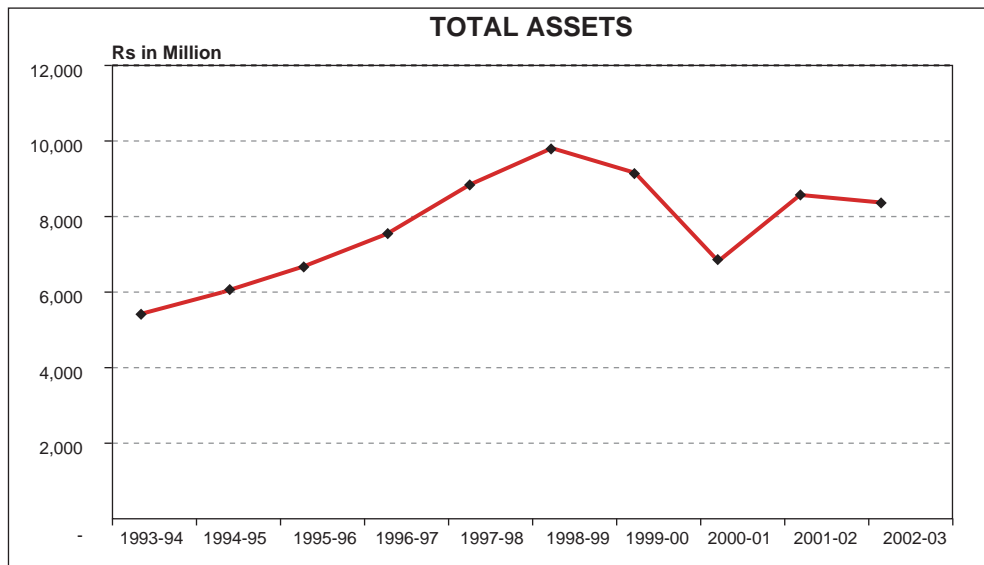
**1,000 1,800 1,800 1,800 - - - -**

- - - - - - 2,135 1,817

1,246	1,223	1,166	1,132	1,096	824	547	277
678	1,790	3,104	2,116	2,531	2,475	306	302
75	-	-	443	261	34	138	67
124	315	634	259	555	256	389	372
1,822	846	423	1,073	1,648	597	1,871	2,633
<b>3,945</b>	<b>4,174</b>	<b>5,327</b>	<b>5,023</b>	<b>6,091</b>	<b>4,186</b>	<b>3,251</b>	<b>3,651</b>

**6,554 7,399 8,674 9,626 8,974 6,711 8,417 8,220**





# Performance Over The Past Decade

## OPERATIONAL PERFORMANCE INDICATORS

1993-94	1994-95
---------	---------

### QUANTITY SOLD-ANNUAL (Average Per Day Based On 360 Days Per Year)

<b>GAS</b>	<b>MMcf</b>	<b>74,685</b>	<b>69,822</b>
	<i>MMcf/Day</i>	<i>207</i>	<i>194</i>

### REALIZED PRICE

<b>GAS</b>	<b>GROSS</b>	<b>Rs/Mcf</b>	<b>24.66</b>	<b>31.01</b>
	<i>Net of Government Levies</i>	<i>Rs/Mcf</i>	<i>22.09</i>	<i>26.16</i>

## FINANCIAL PERFORMANCE INDICATORS

### RATIOS:

Current Ratio	Times	<b>4.9</b>	<b>4.3</b>
Acid Test / Quick ratio	Times	<b>2.4</b>	<b>2.9</b>
Debt Service Coverage Ratio	Times	<b>1.8</b>	<b>2.1</b>
Receivable Turn Over Ratio	Times	<b>3.9</b>	<b>3.5</b>
Debt / Equity Ratio	Times	<b>2.25</b>	<b>1.58</b>
Return on Average Capital Employed	%	<b>20%</b>	<b>22%</b>
Profit After Tax (PAT) Margin	%	<b>23%</b>	<b>31%</b>
Return on Equity	%	<b>28%</b>	<b>31%</b>
Dividend Declared Percentage	%	<b>-</b>	<b>25%</b>
Earning Per Share	Rs	<b>902.72</b>	<b>1,339.41</b>
Break-up Value per Share	Rs	<b>3,208.28</b>	<b>4,296.91</b>

### PAYMENTS TO NATIONAL EXCHEQUER

Rs in Million

Excise Duty	184	338
Sales Tax	-	-
Sub-Total Government Levies on Sales	<b>184</b>	<b>338</b>
Royalty	206	228
Debt Servicing	615	617
Corporate Tax	109	219
	<b>1,114</b>	<b>1,402</b>

### WORKING CAPITAL

Rs in Million

Current Assets	3,388	4,127
(Current Liabilities)	(692)	(963)
Net Working Capital	<b>2,696</b>	<b>3,164</b>

## Fiscal Years

1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
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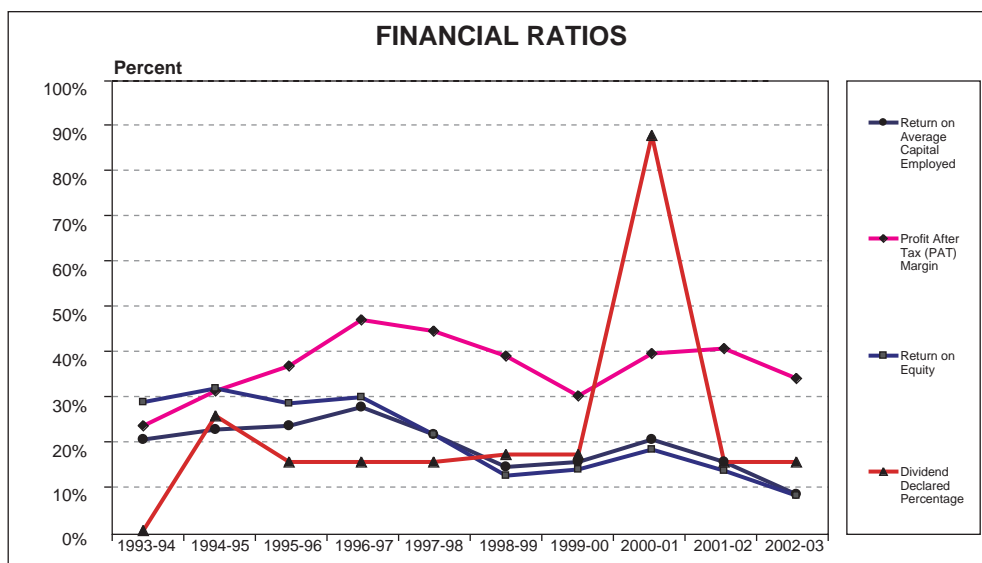
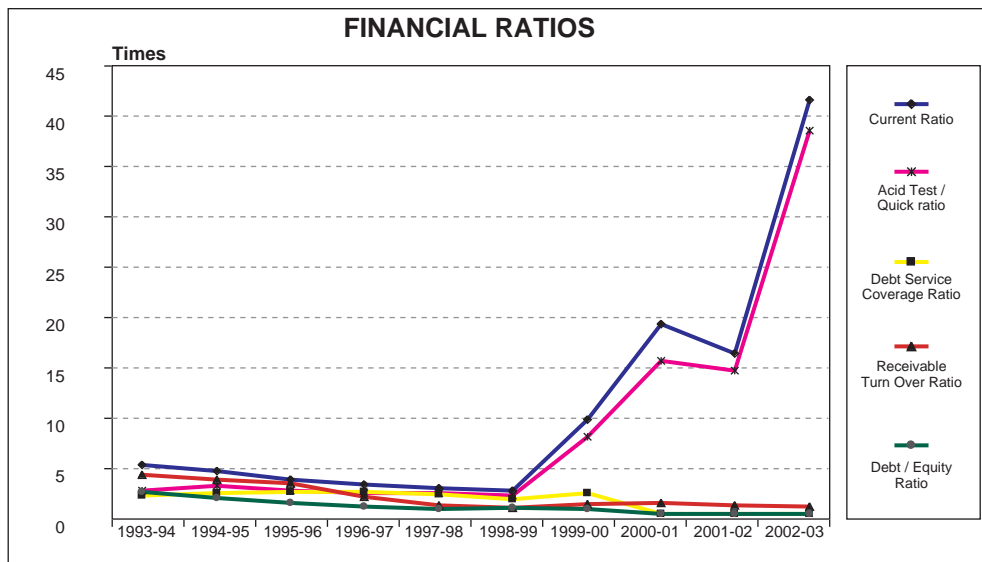
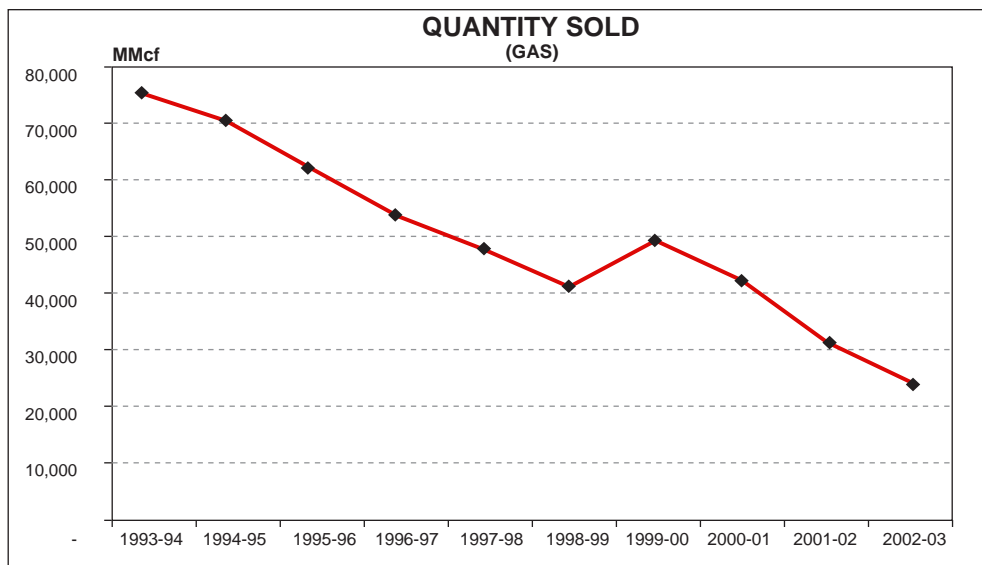
61,464	53,256	47,490	40,961	48,956	42,069	31,394	24,224
171	148	132	114	136	117	87	67

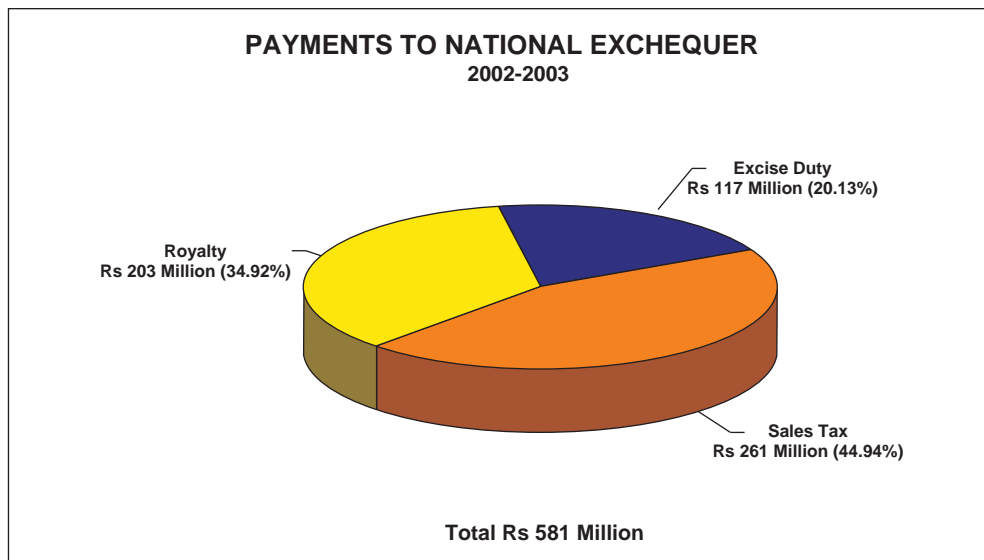
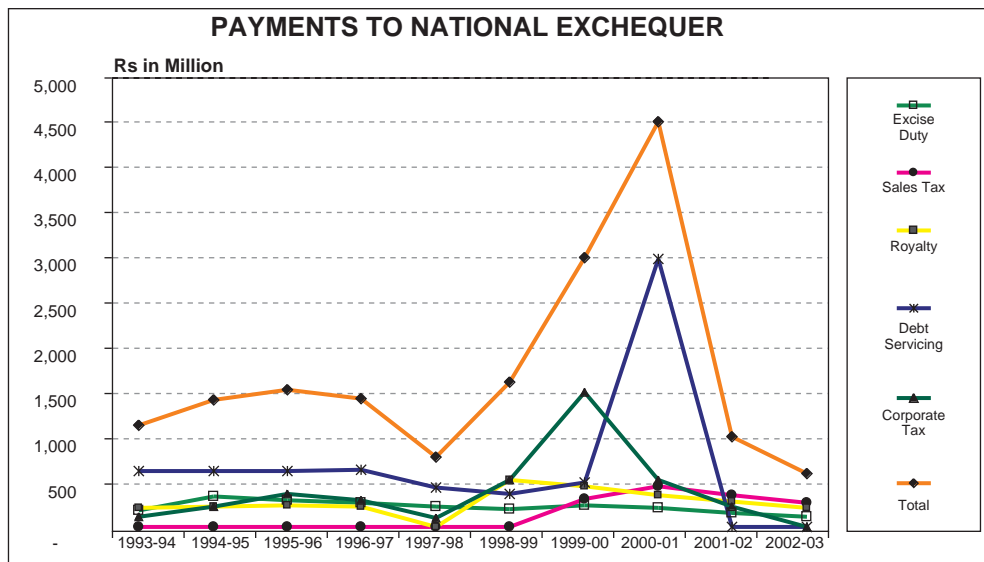
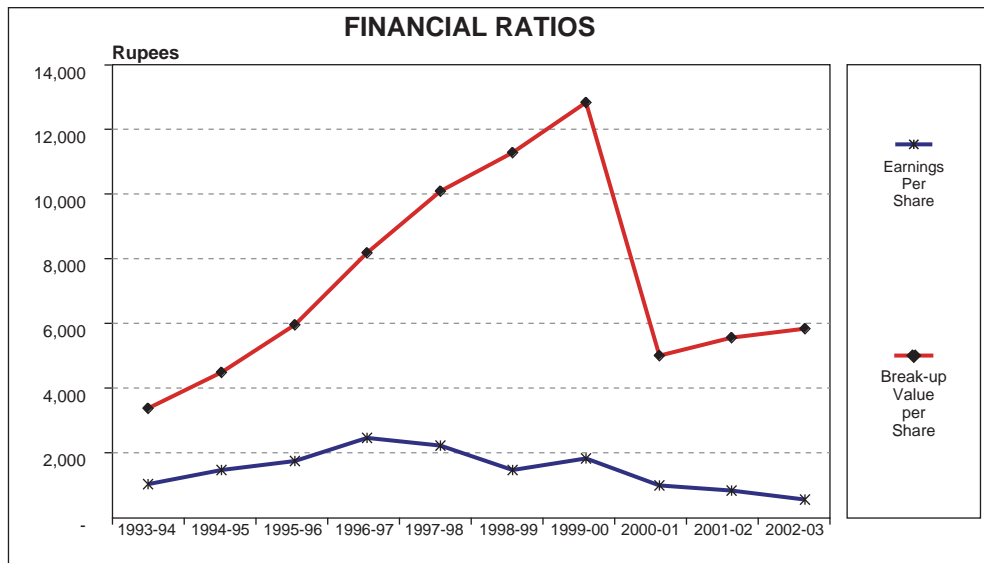
35.19	44.15	46.25	40.05	60.56	81.13	85.99	82.50
30.34	39.30	41.41	35.21	48.58	65.71	69.93	66.90

3.5	3.0	2.6	2.4	9.4	19.0	9.67	41.3
2.4	2.1	2.0	1.8	7.7	15.3	8.04	38.2
2.2	2.2	2.0	1.5	2.1	-	-	-
3.1	1.7	0.8	0.6	1.0	1.1	0.9	0.7
1.08	0.70	0.53	0.57	0.50	-	-	-
23%	27%	21%	14%	15%	20%	15%	7.8%
36%	46%	44%	38%	30%	39%	40%	33%
28%	29%	21%	12%	12%	18%	13%	7.6%
15%	15%	15%	17%	17%	87%	15%	15%
1,608.62	2,313.51	2,057.72	1,317.17	1,694.12	855.35	697.98	429.22
5,755.32	7,919.70	9,827.54	10,977.40	12,496.76	4,820.92	5,368.90	5,648.12

298	265	230	198	233	204	152	117
-	-	-	-	314	445	352	261
298	265	230	198	547	649	504	378
233	226	-	515	441	346	274	203
621	628	437	357	1,480	2,949	-	-
362	298	99	516	493	518	220	-
1,514	1,417	766	1,586	2,961	4,462	998	581

3,945	4,174	5,327	5,023	6,092	4,186	3,251	3,651
(1,132)	(1,393)	(2,049)	(2,133)	(645)	(221)	(336)	(88)
2,813	2,781	3,278	2,890	5,447	3,965	2,915	3,563





## AUDITORS' REPORT TO THE MEMBERS

We have examined the annexed consolidated financial statements comprising consolidated Balance Sheet of Oil and Gas Development Company Limited (OGDCL/Parent Company) and its subsidiary company, Pirkoh Gas Company Limited (Private) Limited (PGCL) as at 30 June 2003 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year ended 30 June 2003. We have also expressed separate opinion on the financial statements of OGDCL. PGCL financial statements have been audited by Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants as a sole auditor.

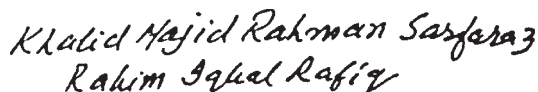
It is the responsibility of the Parent Company's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express our opinion on these financial 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 the management, as well as, evaluating the overall presentation of the above said statement. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements examined by us present fairly the financial position of OGDCL and its subsidiary company as at 30 June 2003 and the results of their operations, cash flows and changes in equity for the year then ended and in accordance with the approved accounting standards as applicable in Pakistan.



TASEER HADI KHALID & CO.  
Chartered Accountants  
Islamabad  
October 6, 2003




KHALID MAJID RAHMAN SARFARAZ  
RAHIM IQBAL RAFIQ  
Chartered Accountants  
Islamabad

# CONSOLIDATED

## As At

	Note	2003 (Rs '000)	2002 (Rs '000)
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital (2,500,000,000 shares of Rs 10 each)		<u>25,000,000</u>	<u>25,000,000</u>
Issued, subscribed and paid-up capital	4	10,752,321	10,752,321
Capital reserve	4.1	836,000	836,000
Reserve for issue of bonus shares		32,256,963	—
Pre-incorporation profit		—	14,725,824
Unappropriated profit		<u>26,948,257</u>	<u>37,446,987</u>
		<b>70,793,541</b>	<b>63,761,132</b>
<b>CONTINGENCY RESERVE FUND</b>	5	1,363,968	450,878
<b>LONG TERM LOANS</b>	6	14,751	14,751
<b>LONG TERM PROVISIONS</b>	7	5,652,173	4,943,086
<b>DEFERRED LIABILITIES</b>	8	8,387,974	6,723,996
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
Current maturity of long term loans	6	—	239,901
Creditors, accrued and other liabilities	9	3,573,493	3,974,240
Provision for taxation		—	2,561,811
Proposed dividend		<u>2,903,127</u>	<u>—</u>
		<b>6,476,620</b>	<b>6,775,952</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	10	—	—
		<u><b>92,689,027</b></u>	<u><b>82,669,795</b></u>

The annexed notes 1 to 37 form an integral part of these accounts.

  
 Chairman

Director

# BALANCE SHEET

## June 30, 2003

	Note	2003 (Rs '000)	2002 (Rs '000)
<b>FIXED CAPITAL EXPENDITURE</b>			
Property, plant and equipment	11	17,424,425	16,261,004
Exploration and development expenditure	12	17,867,866	16,320,923
Projects in progress	13	4,124,282	4,070,430
Stores held for capital expenditure		870,749	949,849
		<b>40,287,322</b>	37,602,206
<b>LONG TERM INVESTMENTS</b>	14	105,520	92,363
<b>INVESTMENTS HELD TO MATURITY</b>	15	541,948	428,860
<b>LONG TERM PREPAYMENTS</b>		34,029	32,986
<b>LONG TERM RECEIVABLES</b>	16	4,096,014	5,273,364
<b>CURRENT ASSETS</b>			
Stores and stocks	17	6,334,614	6,927,811
Trade debts—unsecured (considered good)	18	13,298,499	13,215,571
Loans, advances, deposits, prepayments and other receivables	19	5,915,791	2,317,476
Cash and bank balances	20	22,075,290	16,779,158
		47,624,194	39,240,016
		<b>92,689,027</b>	82,669,795




Managing Director

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

## For The Year Ended June 30, 2003

	Note	2003 (Rs '000)	2002 (Rs '000)
Sales less government levies	21	46,628,759	41,935,011
Other operating revenue	22	10,758	44,264
		<b>46,639,517</b>	41,979,275
Less: Operating expenses	23	8,812,957	6,990,071
Royalty		5,173,038	4,604,475
Transportation charges		635,524	529,658
Amortization of exploration and development expenditure	12	1,400,826	1,574,338
		<b>16,022,345</b>	13,698,542
		<b>30,617,172</b>	28,280,733
Less: Exploration expenditure written off including exploratory dry holes	24	2,526,119	1,195,687
		<b>28,091,053</b>	27,085,046
Less: General and administration expenses	25	1,086,031	637,307
Financial charges	26	746,542	284,108
Workers' Profit Participation Fund		1,425,602	1,415,543
		<b>3,258,175</b>	2,336,958
		<b>24,832,878</b>	24,748,088
Other income	27	1,877,367	2,021,818
Share of profit of associated company		13,157	4,353
<b>PROFIT BEFORE TAXATION</b>		<b>26,723,402</b>	26,774,259
Provision for taxation	28	5,875,118	9,245,209
<b>PROFIT AFTER TAXATION</b>		<b>20,848,284</b>	17,529,050
Unappropriated profit brought forward		<b>37,446,987</b>	30,732,648
		<b>58,295,271</b>	48,261,698
<b>APPROPRIATIONS :</b>			
Transfer to contingency reserve fund		913,089	62,390
Transfer to reserve for issue of bonus shares		17,531,139	-
Interim dividend @ Rs 9.30 per share (2002: Rs 10 per share)		9,999,659	10,752,321
Proposed dividend @ Rs 2.70 per share (2002: Nil)		2,903,127	-
		<b>31,347,014</b>	10,814,711
<b>UNAPPROPRIATED PROFIT CARRIED FORWARD</b>		<b>26,948,257</b>	37,446,987
Earnings per share - Basic (Rupees)	31	<b>19.39</b>	16.30

The annexed notes 1 to 37 form an integral part of these accounts.

  
Chairman

Director


  
Managing Director

# CONSOLIDATED CASH FLOW STATEMENT

## For The Year Ended June 30, 2003

	2003 (Rs '000)	2002 (Rs '000)
<b>Cash flow from operating activities</b>		
Net profit before taxation	26,723,402	26,774,259
Adjustment for non cash items :		
Depreciation	2,584,698	2,701,168
Amortization of exploration and development expenditure	1,400,826	1,574,338
Provision for staff retirement benefits	709,816	328,459
Provision for inventory reconciliation	547,839	557,060
Royalty	5,173,038	4,604,475
Financial charges	248,230	284,108
Provision against advances	326,025	—
Net loss on impairment of receivables	498,312	—
Interest income	(1,002,082)	(1,535,101)
Profit on sale of fixed assets	(69)	(4,460)
Dividend income	(14,700)	(27,563)
Share of profit of associated company	(13,157)	(4,353)
	<u>37,182,178</u>	<u>35,252,390</u>
Decrease/(increase) in stores and stocks	45,358	(761,784)
Decrease/(increase) in trade debts and other receivables	223,587	(1,906,699)
(Decrease) in creditors, accrued and other liabilities	<u>(952,437)</u>	<u>(316,419)</u>
Cash generated from operations	<u>36,498,686</u>	<u>32,267,488</u>
Royalty paid	<u>(4,618,123)</u>	<u>(4,596,188)</u>
Staff retirement benefits paid	<u>(140,696)</u>	<u>(171,659)</u>
Taxes paid	<u>(10,952,487)</u>	<u>(6,513,409)</u>
	<u>(15,711,306)</u>	<u>(11,281,256)</u>
	<u>20,787,380</u>	<u>20,986,232</u>
<b>Cash flow from investing activities</b>		
Proceeds from sale of fixed assets	82	4,509
Interest received	947,593	1,497,308
Dividend received	14,700	27,563
Fixed capital expenditure	(5,961,566)	(5,653,266)
Long term prepayments	(1,043)	(6,255)
	<u>(5,000,234)</u>	<u>(4,130,141)</u>
<b>Cash flow from financing activities</b>		
Repayment of long term loans	(233,142)	(334,892)
Financial charges paid	(258,213)	(395,318)
Dividend paid	(9,999,659)	(14,730,680)
	<u>(10,491,014)</u>	<u>(15,460,890)</u>
<b>Increase in cash and bank balances</b>	<u>5,296,132</u>	<u>1,395,201</u>
<b>Cash and bank balances at the beginning of the year</b>	<u>16,779,158</u>	<u>15,383,957</u>
<b>Cash and bank balances at the end of the year</b>	<u><u>22,075,290</u></u>	<u><u>16,779,158</u></u>

The annexed notes 1 to 37 form an integral part of these accounts.

  
Chairman

Director


  
Managing Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### For The Year Ended June 30, 2003

	Share Capital	Pre- incorporation profit	Capital Reserve	Reserve for issue of bonus shares	Unappropriated Profit	Total
	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)
Balance at June 30, 2001	10,752,321	14,725,824	836,000	-	30,732,648	57,046,793
Profit for the year	-	-	-	-	17,529,050	17,529,050
Dividends	-	-	-	-	(10,752,321)	(10,752,321)
Transfer to contingency reserve fund	-	-	-	-	(62,390)	(62,390)
Balance at June 30, 2002	10,752,321	14,725,824	836,000	-	37,446,987	63,761,132
Profit for the year	-	-	-	-	20,848,284	20,848,284
Transfer to :						
Reserve for issue of bonus shares	-	(14,725,824)	-	32,256,963	(17,531,139)	-
Contingency reserve fund	-	-	-	-	(913,089)	(913,089)
Dividends	-	-	-	-	(12,902,786)	(12,902,786)
Balance at June 30, 2003	<u>10,752,321</u>	<u>-</u>	<u>836,000</u>	<u>32,256,963</u>	<u>26,948,257</u>	<u>70,793,541</u>

The annexed notes 1 to 37 form an integral part of these accounts.

  
Chairman

Director

  
Managing Director

# NOTES TO THE ACCOUNTS

## For The Year Ended June 30, 2003

### 1 LEGAL STATUS AND OPERATIONS

Oil and Gas Development Company Limited (OGDCL)/ (the Parent Company) was incorporated on October 23, 1997 and is deemed to own all the properties, rights, assets, obligations and liabilities of Oil and Gas Development Corporation (OGDC) as on that date. OGDCL is engaged in the exploration and development of oil and gas resources, including production and sale of oil and gas and related activities.

OGDCL has the following wholly owned subsidiary:

	2003 Effective holding	Direct holding	2002 Direct holding
Pirkoh Gas Company (Private) Limited ("PGCL")/ Susidiary Company")	100%	100%	100%

PGCL was incorporated in 1982 as a private limited company under the Companies Ordinance, 1984. PGCL is engaged in the exploration and development of natural gas resources, including production and sale of natural gas and related activities.

Both the Parent and Subsidiary companies are domiciled in Islamabad, Pakistan

### 2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards (IAS) as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

#### 2.1 BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Oil and Gas Development Company Limited and its subsidiary ("the Group").

Subsidiaries are those enterprises in which Parent Company directly or indirectly controls, beneficially owns or holds more than 50 percent of the voting securities or otherwise has power to elect and appoint more than 50 percent of its directors. The financial statements of the subsidiary are included in the consolidated financial statements from the date of control commences until the date that control ceases. The financial statements of subsidiary have been consolidated on a line-by-line basis. Detail of subsidiaries is given in note 1.

All material inter-company balances, transactions and resulting unrealized profits/(losses) have been eliminated.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 ACCOUNTING CONVENTION

These accounts have been prepared under historical cost convention, which in the case of Parent Company is modified by capitalization of exchange differences on translation of foreign currency finance utilized for acquisition of fixed assets.

### 3.2 EMPLOYEES' RETIREMENT BENEFITS

#### a) Pension

The Group operates an approved funded pension scheme under an independent trust for its employees including those seconded to its subsidiary PGCL as a defined benefit plan. Contribution is made to pension scheme on the basis of actuarial recommendations. The Projected Unit Credit Method is used to generate actuarial values. Contribution for the year is charged to income currently. Unrecognized actuarial gain or loss is amortised over the expected remaining service of current employees.

#### b) Post retirement medical benefits

The Group provides post retirement medical benefits to its employees including those seconded to its subsidiary PGCL and their families. Liability is provided on the basis of actuarial recommendation. The Projected Unit Credit Method is used to generate actuarial values. Actuarial gains or losses are amortized over the future expected remaining life time of employees.

#### c) Compensated absences

The Group has a leave encashment policy whereby employees including those seconded to its subsidiary PGCL are able to encash leave balance at the time of retirement or during the service. Liability is provided on the basis of actuarial recommendation. The Projected Unit Credit Method is used to generate actuarial values.

### 3.3 TAXATION

#### CURRENT

Provision for current taxation is based on taxable income at applicable tax rates, adjusted for payments to the Government comprising royalty and levies.

#### DEFERRED

Deferred taxation is provided on all major temporary differences, using the liability method.

### 3.4 PROPERTY, PLANT AND EQUIPMENT

Freehold land and projects in progress are stated at cost and leasehold land in case of Parent Company is stated at cost less accumulated amortisation. Other assets are stated at cost less accumulated depreciation. Cost in relation to fixed assets signifies historical cost and in the case of Parent Company also the exchange differences as referred to in note 3.12 (a) and borrowing cost in note 3.10. Depreciation is provided on straight line method at rates specified in note 11 to the accounts so as to write off the cost of the assets over the estimated useful life. Exchange differences as referred to in note 3.12(a) are depreciated over remaining life of the asset to which they relate. Full month's depreciation is charged on the assets acquired during th month while no depreciation is charged in the month of disposal. Amortisation of leasehold land is charged to income, while depreciation provided on assets is charged to income and/or allocated to exploration and development expenditure related to use of the assets in the case of Parent Company.

Maintenance and normal repairs are charged to income as and when incurred. Major improvements are capitalised. Gains and losses on disposal of assets are credited or charged to income in the year of disposal.

### 3.5 PROJECTS IN PROGRESS

Projects in progress are stated at cost and are transferred to the respective assets when available for intended use.

### 3.6 EXPLORATION AND DEVELOPMENT EXPENDITURE

Exploration and development activities are accounted for under the "successful efforts" method whereby costs of property acquisitions, successful exploratory wells and all development costs, including unsuccessful development wells, are capitalised and amortised on unit-of-production method. Unsuccessful exploratory wells are expensed when declared to be non-productive. All exploration costs other than those related to exploratory drilling are charged against revenue for the year, as incurred.

### 3.7 INVESTMENTS

#### a) INVESTMENTS IN ASSOCIATES

Investment in associates where significant influence can be established is accounted for under the equity method. Equity method is applied from the date when control/significant influences commences until the date when that control/significant influence ceases. When the Parent Company's share of losses exceeds the carrying amount of the associates, the carrying amount is reduced to nil and the recognition of further losses is discontinued except to the extent that the Parent Company has incurred obligations in respect of the associates.

#### b) INVESTMENTS HELD TO MATURITY

Investments of the Parent Company with fixed or determinable payments and fixed maturity and where there is a positive intent and ability to hold to maturity are classified as held to maturity. These are stated at amortized cost using the effective interest rate method.

### 3.8 STORES AND STOCKS

Stores and spares are valued at the lower of cost and net realisable value less allowance for obsolete and slow moving items. Cost is determined on the moving average basis and comprises all costs of purchases and other costs incurred in bringing the inventories to their present location and condition. Net realisable 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.

Stocks of the Parent Company are valued at the lower of average annual cost ( including appropriate production overheads) and net realisable value.

### 3.9 REVENUE RECOGNITION

Revenue from sale is recognised on delivery of products and/or on rendering of services to customers. Effect of adjustments, if any, arising from revision in sale prices is reflected as and when the prices are finalised with the customers and/or approved by the Government. Interest on delayed payments from customers is recorded on receipt basis.

Dividend income is recognised when the right to receive payment is established.

Income on bank deposits is proportionately accrued upto the balance sheet date.

Income on investment of the Parent Company in Government securities is recognised on time proportion basis taking into account the effective yield of such securities.

### 3.10 BORROWING COST

In the case of the Parent Company, interest cost related to the financing of major projects of the parent Company under development is capitalised as a part of project cost. All other interest cost is expensed as incurred.

### 3.11 JOINT VENTURE OPERATIONS

Transactions related to joint venture operations in which the Parent Company has a working interest are accounted for on the basis of latest available audited accounts of the joint venture and where applicable, the cost statements received from the operator of the joint venture, for the intervening period upto the balance sheet date.

### 3.12 FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of the transaction. All assets and liabilities in foreign currencies are translated into rupees at the rate of exchange ruling on the balance sheet date with the exception of those in respect of which exchange risk cover is obtained, where these are stated at the committed rate. Exchange differences are accounted for as follows:

- a) In the case of Parent Company, exchange differences on translation and repayment of foreign currency finance utilised for the acquisition of fixed assets and plants are capitalised as part of the cost of the related assets.
- b) All other exchange differences are included in income for the year.

### 3.13 PROVISIONS

A provision is recognized when there is a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

#### *Parent Company*

Decommissioning cost relating to producing/shut in fields and production facilities is capitalized to the cost of fields and plant and machinery as the case may be. The provision for decommissioning cost is determined on the basis of the estimates provided by the in house technical staff and existing current prices. Decommissioning cost relating to fields is amortized on the unit of production method and costs relating to production facilities is depreciated on straight line basis on rates mentioned in note 11.

#### *Subsidiary Company*

Decommissioning cost relating to producing/shut in fields in wells is capitalised to the cost of fields and amortised on unit of production method.

### 3.14 FINANCIAL INSTRUMENTS

Financial assets mainly comprise investments, loans, advances, deposits, trade debts, other receivables, cash and bank balances. These are stated at their nominal values as reduced by the appropriate allowance for impairment.

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant liabilities are creditors, accrued and other liabilities, employees retirement benefits and long term loans. These are stated at nominal values.

### 3.15 OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are reflected at the net amount in the balance sheet, in case of a legally enforceable right to set off the recognized amounts and it is intended either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

## 4 SHARE CAPITAL

### 4 Issued, subscribed and paid up capital

In consideration for all the properties, rights, assets, obligations and liabilities of the 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 the Government of Pakistan on October 23, 1997.

#### 4.1 Capital reserve

This represents bonus shares issued by PGCL.

#### 5 CONTINGENCY RESERVE FUND

	Balance at July 1, 2002 (Rs '000)	Transfer during the year (Rs '000)	Balance at June 30, 2003 (Rs '000)
Rigs/wells/plants insurance	356,952	891,178	1,248,130
Workmen compensation	33,154	7,716	40,870
Vehicle repair	60,772	14,196	74,968
2003	<u>450,878</u>	<u>913,090</u>	<u>1,363,968</u>
2002	<u>388,488</u>	<u>62,390</u>	<u>450,878</u>

A contingency reserve fund has been set aside for self insurance of rigs wells, plants, workmen compensation and vehicle repair.

#### 6 LONG TERM LOANS

	Note	2003 (Rs '000)	2002 (Rs '000)	Due date of final repayment
<b>GOVERNMENT OF PAKISTAN</b>				
1 USSR Credit 2-553/A	6.1	14,751	14,751	Mar 31, 1998
2 IDB Loan (US \$ nil ; 2002 : US \$ 1,841,750)		-	111,058	Dec 31, 2002
<b>DIRECT LOAN</b>				
3 Sicon Oil and Gas (s.r.l.) (US \$ nil; 2002 : US \$ 2,136,700)		-	128,843	Mar 4, 2003
		<u>14,751</u>	<u>254,652</u>	
Less: Amount payable within twelve months shown as current liability		-	239,901	
		<u>14,751</u>	<u>14,751</u>	

6.1 Loan 1 is unsecured and represents the on-lent proceeds of credit obtained by the Government of Pakistan in foreign currency from the Government of the Russian Federation (Union of Soviet Socialist Republics). The installment of principal and interest thereon is transferred to the Government Fund as and when this is paid by the Government of Pakistan. The loan carries interest @ 2.5% per annum. Repayment of installments due is pending further instructions from the Government of Pakistan.

#### 7 LONG TERM PROVISIONS

	2003 (Rs '000)	2002 (Rs '000)
<b>Decommissioning cost of fields and production facilities</b>		
Opening balance	4,943,086	-
Provisions made during the year	<u>709,087</u>	<u>4,943,086</u>
	<u>5,652,173</u>	<u>4,943,086</u>

The above provision for decommissioning cost is analyzed as follows:

Fields	5,470,028	4,943,086
Production facilities	<u>182,145</u>	<u>-</u>
	<u>5,652,173</u>	<u>4,943,086</u>

<b>8 DEFERRED LIABILITIES</b>	<b>2003 (Rs '000)</b>	<b>2002 (Rs '000)</b>
Taxation (note 8.1)	<b>6,725,216</b>	5,544,298
Post retirement medical benefits (note 8.2)	<b>731,714</b>	706,200
Compensated absences (note 8.3)	<b>931,044</b>	473,498
	<b><u>8,387,974</u></b>	<b><u>6,723,996</u></b>

### **8.1 Taxation**

Credit/(debit) balances arising on account of:

Accelerated depreciation on property, plant and equipment	<b>1,946,020</b>	2,043,475
Accelerated amortization of exploration and development expenses	<b>4,975,029</b>	3,500,823
Provision for impairment of assets	<b>(195,833)</b>	-
	<b><u>6,725,216</u></b>	<b><u>5,544,298</u></b>

### **8.2 Post retirement medical benefits**

**The amounts recognized in the balance sheet are as follows :**

Present value of defined benefit obligation	<b>441,720</b>	706,200
Net actuarial gains not recognised	<b>289,994</b>	
Net liability at the end of the year	<b><u>731,714</u></b>	<b><u>706,200</u></b>
Opening net liabilities	<b>706,200</b>	518,169
Charge for the year	<b>36,403</b>	188,031
Benefits paid during the year	<b>(10,889)</b>	
Net liability at the end of the year	<b><u>731,714</u></b>	<b><u>706,200</u></b>

### **Particulars of charge for the year**

Current service cost	<b>21,256</b>	188,031
Interest cost	<b>33,090</b>	-
Actuarial gains recognised	<b>(17,943)</b>	-
	<b><u>36,403</u></b>	<b><u>188,031</u></b>

The latest actuarial valuation was carried out as at June 30, 2003. The rate of discount was assumed as 7% per annum and medical cost inflation was assumed at 5 % per annum.

### **8.3 Compensated absences**

Opening balance	<b>473,498</b>	452,000
Charge for the year	<b>457,546</b>	21,498
Closing net liability at the end of the year (present value of obligation)	<b><u>931,044</u></b>	<b><u>473,498</u></b>

Previous actuarial valuation was carried out in 2001. The liability provided for during the year is on account of last 2 years on the basis of latest actuarial valuation carried out as at June 30, 2003. The rate of discount was assumed as 7 % per annum and salary increases were assumed to average 7 % per annum.

**9 CREDITORS, ACCRUED AND OTHER LIABILITIES**

	<b>2003</b> <b>(Rs '000)</b>	<b>2002</b> <b>(Rs '000)</b>
Trade creditors	42,312	53,362
Accrued liabilities	1,286,027	2,374,154
Royalty	936,956	382,041
Excise duty	123,315	95,474
Sales tax	31,345	495,676
Payable to joint venture partners	795,636	125,620
Retention money	261,964	237,882
Advances from customers	80,900	78,917
Workers' Profit Participation Fund (note 9.1)	-	115,539
Interest accrued on long term loans	-	3,224
Other liabilities	15,038	12,351
	<u>3,573,493</u>	<u>3,974,240</u>

**9.1 WORKERS' PROFIT PARTICIPATION FUND**

Balance at beginning of the year	115,539	1,222,499
Allocation for the year	1,425,602	1,415,543
Interest on funds	12,183	98,809
	<u>1,553,324</u>	<u>2,736,851</u>
Less: Amount paid to the trustees of the fund	1,682,729	2,621,312
(Refundable)/payable at end of the year (note 19)	<u>(129,405)</u>	<u>115,539</u>

**10 CONTINGENCIES AND COMMITMENTS**

- 10.1** Claims against the OGDCL not acknowledged as debts amounted to Rs 4,430.410 million (2002 : Rs 3,159.442 million) at the year end. These include net liquidated damages aggregating Rs 2,148.880 million (2002 : Rs 905 million) claimed by a customer related to minimum supply of gas, disputed by the OGDCL.
- 10.2** Capital commitments outstanding as at June 30, 2003 amounted to Rs 5,711.935 million (2002: Rs 3,904.907 million). This includes amounts aggregating to Rs 3,641.889 million (2002 : Rs 2,962.526 million) representing the OGDCL's share in the minimum work commitments related to operated/non operated concessions.
- 10.3** Certain banks have issued guarantees aggregating Rs 104. 459 million ( 2002 : Rs 29 million) on behalf of the OGDCL in the ordinary course of business.
- 10.4** Group's share in the contingencies and commitments of the associated companies as at 30 June 2003 amounted to Rs 92.197 million and Rs 131.861 million (2002 Rs 97.687 million and Rs 43.461 million) respectively.
- 10.5** Refer note 28.1 for contingencies relating to tax matters of the Parent and Subsidiary Company.

**11 PROPERTY, PLANT AND EQUIPMENT**

DESCRIPTION	Cost		Rate of depreciation (%)	Depreciation		Written Down Value as at June 30, 2003
	As at July 1, 2002	As at June 30, 2003		Charge for the year/ (On deletions)	As at June 30, 2003	
	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)
Freehold land	83,950	85,025	-	-	-	85,025
Leasehold land	245,079	245,079	1 - 3.3	8,050	64,015	181,064
Buildings / offices on freehold land	794,051	778,412	2.5	19,498	123,876	654,536
Buildings / offices on leasehold land	5,777	5,777	2.5	144	630	5,147
Buildings / roads in fields on freehold land	234,942	372,905	8	24,927	106,479	266,426
Buildings / roads in fields on leasehold land	584,607	614,605	8	49,111	128,239	486,366
Plant and machinery	26,655,654	29,930,406	10	1,997,608	16,552,536	13,377,870
Rigs	637,087	663,704	10	13,721	588,931	74,773
Pipelines	3,761,017	3,786,656	10	377,217	1,963,840	1,822,816
Rolling stock	1,736,391	1,730,419	20	41,910	1,651,267	139,152
		(2,654)		(2,641)		
Office and domestic equipment	296,434	311,407	15	10,306	290,954	20,453
Office and technical data computers	390,767	415,257	30	22,485	302,162	113,095
Furniture and fixtures	75,462	84,456	15	2,574	53,738	30,718
Aircraft	19,855	19,855	10	-	17,869	1,986
Total	35,521,073	39,103,963		19,557	21,844,536	17,259,427
		(2,654)		(2,641)		
Decommissioning cost	-	182,145	1 ~ 10	17,147	17,147	164,998
	35,521,073	39,286,108		19,557	21,861,683	17,424,425
		(2,654)		(2,641)		
2002	33,309,329	35,521,073		1,753	19,260,069	16,261,004
		(63,793)		(63,744)		

11.1 Cost and accumulated depreciation as at June 30, 2003 include Rs 8,621.206 million ( 2002 : Rs 5,685.73 million ) and Rs 3,871.804 million ( 2002 : Rs 3,351.303 million ) respectively being the Parent Company's share in property, plant and equipment relating to joint ventures operated by others.

11.2	PARTICULARS OF FIXED ASSETS DISPOSED OF DURING THE YEAR						
	Particulars of assets	Cost (Rs)	Depreciation (Rs)	WDV (Rs)	Sale proceeds (Rs)	Profit /(loss) (Rs)	Particular of buyers
1	SUZUKI.IDE-2963	124,000	123,000	1,000	10,457	9,457	MR.MUHAMMAD YOUSAF.(OG-0205) EX.A.MANAGER(EXPLORATION)
2	SUZUKI.IDB-5642	170,500	169,500	1,000	5,829	4,829	MR AHMED ABDUL BASIT.(OG-1085) EX.A.MANAGER(INVENTORY CONTROL)
3	SUZUKI.IDB-7038	170,500	169,500	1,000	5,829	4,829	MR.K.A.MUFTI.(OG-0230) EX-MANAGER (WELL SERVICES)
4	MITSUBAISHI.IDB-4087	217,500	216,500	1,000	6,456	5,456	MR.CH.M. BANARAS.(OG-4087) EX.AGM(PF/CA)
5	SUZUKI.IDB-9571	214,500	213,500	1,000	8,593	7,593	MR.NASEEM A.KHAN.(OG-1317) EX.MANAGER.(PF/CA)
6	SUZUKI.IDE-2964	124,000	123,000	1,000	9,728	8,728	MR.MAQBOOL ALAM.(OG-0203) EX.DY.MANAGER.(DTL)
7	SUZUKI.IDE-2954	124,000	123,000	1,000	9,827	8,827	MR.MUMTAZ UDIN KHAN.(OG-0195) EX.DY.MANAGER.(OGTI)
8	SUZUKI.IDE-4922	378,800	377,800	1,000	17,462	16,462	MR.MUHAMMAD RAFIQUE.(OG-209-C) EX.MANAGER.(PROJECTS)
9	SUZUKI.IDA-7834	305,000	304,000	1,000	7,818	6,818	MR.M.AFZAL CHAUHAN.(OG-209-C) EX.MANAGER INSTRUCTOR.(OGTI)
10	SUZUKI.IDB-5648	170,500	169,500	1,000	-	(1,000)	MR.SHAMIM AHMED CHUGHTAI.(OG-179-F) EX.MANAGER EXPLORATION.(PG)
11	MARGALLA.IDF-6943	320,500	319,500	1,000	-	(1,000)	MR.NAZEER ABBAS NAQVI.(OG-154-C) EX.AGM.(GEO SERVICE)
12	SUZUKI.IDE-4047	13,900	12,900	1,000	-	(1,000)	MR.SHAUKAT ULLAH.(OG-239-E) EX.DY.M.(G&R LABS)
13	MARGALLA.IDG-2071	320,000	319,000	1,000	-	(1,000)	MR.MUHAMMAD ATHAR.(OG-138-G) EX.MANAGER.(J.V).
	<b>2003</b>	<u>2,653,700</u>	<u>2,640,700</u>	<u>13,000</u>	<u>82,000</u>	<u>69,000</u>	
	<b>2002</b>	<u>63,793,405</u>	<u>63,744,405</u>	<u>49,000</u>	<u>4,509,000</u>	<u>4,460,000</u>	

## 12 EXPLORATION AND DEVELOPMENT EXPENDITURE

DRILLING COST Producing fields-own	COST		AMORTIZATION		WRITTEN DOWN VALUE As at June 30, 2003 (Rs '000)
	As at July 1, 2002 (Rs '000)	Additions/(deletions) during the year (Rs '000)	As at July 1, 2002 (Rs '000)	During the year (Rs '000)	As at June 30, 2003 (Rs '000)
Toot	1,522,632	(44)	1,251,875	16,398	1,268,273
Pirkoh	2,736,251	-	1,867,540	21,205	1,888,745
Dakhni	1,199,135	2,461	434,241	28,191	462,432
Uch	947,035	-	74,045	19,830	93,875
Loti	784,137	-	549,896	35,375	585,271
Sadqal	754,289	-	753,072	178	753,250
Dhodak	555,942	(783)	143,699	18,170	161,869
Missakeswal	555,120	-	508,451	38,436	546,887
Nandpur/Sarai Sidhu	599,867	26,021	145,903	63,225	209,128
Tando Alam	446,408	-	344,523	20,360	364,883
Rajian	703,440	(244)	253,420	44,822	298,242
Finkassar	341,198	-	291,769	1,037	292,806
Panpir	254,650	-	73,820	42,547	116,367
Bhal Syedan	218,661	-	207,847	2,541	210,388
Lashari Centre	211,881	-	105,710	18,588	124,298
Sono	166,906	(973)	140,253	7,492	147,745
Kunner	190,468	71,814	75,640	43,478	119,118
Kal	171,244	-	152,700	3,671	156,371
Sari	60,893	-	47,659	2,040	49,699
Hundi	18,552	-	16,732	265	16,997
Pasahki / Pasakhi North	190,002	(130)	123,489	30,396	153,885
Daru	109,634	-	50,737	13,726	64,463
Thora / Thora East	86,317	-	86,209	22	86,231
Misan	78,776	(25)	72,234	2,680	74,914
Sub total	12,903,438	98,097	7,771,464	474,673	8,246,137
					4,755,398

	COST		AMORTIZATION		WRITTEN DOWN VALUE As at June 30, 2003 (Rs '000)
	As at July 1, 2002 (Rs '000)	Additions/(deletions) during the year (Rs '000)	As at July 1, 2002 (Rs '000)	During the year (Rs '000)	As at June 30, 2003 (Rs '000)
<b>Producing fields-Joint ventures</b>					
Kadanwari	1,973,847	228	1,164,927	53,265	1,218,192
Miano	1,245,150	184,620	28,029	132,642	1,269,099
Pindori	837,643	373,090	297,212	31,051	882,470
Qadirpur	1,078,295	4,395	164,202	40,355	878,133
Adhi	569,932	643,799	338,004	22,506	853,221
Dhurnal	252,463	-	216,642	2,173	33,648
Ratana	216,221	66,502	202,793	1,861	78,069
Chak Naurang	203,989	-	200,533	1,346	2,110
Meyun Ismail	193,436	-	60,913	33,344	99,179
Zaur	364,433	117,955	74,608	75,392	332,388
Shah Dino	-	15,717	-	1,429	14,288
Buzdar (UTP)	146,728	7,232	120,375	3,716	29,869
Paniro	92,272	-	45,383	3,154	43,735
Jabo	91,870	82,128	18,624	15,890	139,484
Sara/Suri	109,037	109	36,066	9,803	63,277
Pir	48,253	-	41,959	688	5,606
Jagir	111,246	4,724	43,468	13,851	58,651
Bhangali	38,608	-	35,692	808	2,108
Bhit	197,051	87,736	-	13,608	271,179
Sakhi	33,109	4,840	-	1,707	36,242
Keyhole	18,850	27,650	1,379	606	44,515
Kato	27,739	(923)	19,523	465	6,828
Rind	51,356	5,633	32,973	564	23,452
Muban	17,819	(212)	2,482	1,111	14,014
Sub total	7,919,347	1,625,223	3,145,787	461,335	5,937,448
<b>Total producing fields</b>	<b>20,822,785</b>	<b>1,723,320</b>	<b>10,917,251</b>	<b>936,008</b>	<b>10,692,846</b>

	COST		AMORTIZATION			WRITTEN
	As at July 1, 2002 (Rs '000)	Additions/(deletions) during the year (Rs '000)	As at July 1, 2002 (Rs '000)	During the year (Rs '000)	As at June 30, 2003 (Rs '000)	DOWN VALUE As at June 30, 2003 (Rs '000)
<b>Shut-in-fields-own</b>						
Jandran	295,272	(118,272)	-	-	-	177,000
Chak 5 Dim South	126,130	-	-	-	-	126,130
Palli	130,659	-	22,101	-	22,101	108,558
Buzdar North	26,701	-	4,717	-	4,717	21,984
Bobli	505,397	-	105,362	-	105,362	400,035
Jakhro	87,073	32	-	-	-	87,105
Mithrao	63,291	-	-	-	-	63,291
Nur	51,622	-	51,622	-	51,622	-
Dhamraki	34,022	-	-	-	-	34,022
Buzdar	22,087	-	22,087	-	22,087	-
<b>Shut-in-fields-Joint ventures</b>						
Tando Allah Yar	269,687	-	-	-	-	269,687
Sinjhoro	117,715	251,667	-	-	-	369,382
Nim	-	174,219	-	-	-	174,219
Jalal	27,567	-	27,070	-	27,070	497
Chanda	535,338	-	4,166	-	4,166	531,172
Badar	6,126	119,901	-	-	-	126,027
Tal Block	-	269,962	-	-	-	269,962
<b>Total shut-in fields</b>	<b>2,298,687</b>	<b>697,509</b>	<b>237,125</b>	<b>-</b>	<b>237,125</b>	<b>2,759,071</b>
<b>Total drilling cost</b>	<b>23,121,472</b>	<b>2,420,829</b>	<b>11,154,376</b>	<b>936,008</b>	<b>12,090,384</b>	<b>13,451,917</b>
<b>DECOMMISSIONING COST</b>						
<b>Total</b>	<b>28,064,558</b>	<b>2,947,771</b>	<b>11,743,637</b>	<b>1,400,826</b>	<b>13,144,463</b>	<b>17,867,866</b>
<b>2002</b>	<b>21,171,207</b>	<b>6,893,353</b>	<b>10,169,299</b>	<b>1,574,338</b>	<b>11,743,637</b>	<b>16,320,923</b>

## 13 PROJECTS IN PROGRESS-AT COST

	2003 (Rs '000)	2002 (Rs '000)
<b>Wells in progress</b>		
Own wells		
Bobi-9	3,532	—
Fimkassar - 4	6,086	—
Garhi-X1	345,323	24,865
Uch Deep-1	—	230,471
Uch Deep-1A	188,711	199,881
<b>Joint Ventures</b>		
Adhi-13	—	293,182
Adhi-14	—	58,351
Bhit -9	—	25,270
Bhit-10	—	4,153
Boski-1	—	12,378
Chak 63 - 3	82,314	—
Chak2-1	—	9,921
Chak3-1	—	2,883
Dangi-1	27,820	—
Dars-1	36,283	—
Dosa-1	221,494	37
Jabo-4	—	3,191
Shahdani-1	163,088	20,211
Kotra-1	2,403	—
Lakharai-1	26,960	—
Manzalai-1	—	131,403
Miano-6	—	292
Pindori-5A	—	65,491
Qadirpur-20	—	9,057
Qadirpur-21	46,622	—
Qadirpur-22	29,924	—
Ratana-2	—	19,467
Resham-1	—	26,879
	<b>1,180,560</b>	<b>1,137,383</b>

**Capital work in progress**

	2003 (Rs '000)	2002 (Rs '000)
<b>Production facilities at fields</b>		
Bhit	—	1,950,341
Bobi	1,020,037	435,289
Uch	213,865	300,745
Qadirpur	1,452,375	70,394
Nandpur	10,914	42,742
Chanda	70,657	30,036
Tando Alam	33,624	26,145
Dakhni	36,274	20,034
Lashari Centre	11,184	11,184
Pasahki	14,599	7,169
Kunner	12,763	2,115
Missakeswal	8,329	—
Dhodak	3,985	—
Fimkassar	5,505	—
Bhulan Shah	600	—
Toot	495	—
Pirkoh	—	1,793
Ghauspur	956	—
	<b>2,896,162</b>	<b>2,897,987</b>
Building for Dhodhak field at Multan	30,094	30,094
Sadqal Drilling School	11,796	—
OGDCL House	5,083	4,966
Boundary wall at Kot Adu	223	—
Boundary wall at Kot Sarang	210	—
Base camp for EFP – 3	154	—
	<b>47,560</b>	<b>35,060</b>
	<b>2,943,722</b>	<b>2,933,047</b>
	<b>4,124,282</b>	<b>4,070,430</b>

**14 LONG TERM INVESTMENTS**

**Associated company - Quoted**

Mari Gas Company Limited

Equity held : 20% (2002: 20%)

7,350,000(2002: 7,350,000) fully paid ordinary shares of  
Rs 10 each  
Market value Rs 492.818 million (2002 : Rs 275.993 million)

Share of profit  
Less: dividend received

<b>92,363</b>	<b>88,010</b>
<b>27,857</b> <b>(14,700)</b> <b>13,157</b>	<b>31,916</b> <b>(27,563)</b> <b>4,353</b>
<b>105,520</b>	<b>92,363</b>

The share in unappropriated profit amounting to Rs 291.578 million (2002:Rs 190.233 million) has not been accounted for in these financial statements as it is not distributable through the operation of Article II of Mari Gas Well Head Price Agreement to meet the obligations for repayment of borrowing and maintenance of current and debt service ratios.

## 15 INVESTMENTS HELD TO MATURITY

Defence saving certificates	195,298	195,298
Accrued interest	346,650	233,562
	<u>541,948</u>	<u>428,860</u>

The investment in Government securities is against amounts set aside for contingency reserve fund.

## 16 LONG TERM RECEIVABLES

Long term loans to employees (note 16.1)	604,396	549,047
Long term receivable -unsecured (note 16.2)	4,802,000	4,802,000
Less : Allowance for impairment	(694,337)	-
	<u>4,107,663</u>	<u>4,802,000</u>
	4,712,059	5,351,047
Less: Current portion of long term loans (note 19)	(57,095)	(77,683)
Current portion of long term receivable (note 19)	(558,950)	-
	<u>(616,045)</u>	<u>(77,683)</u>
	<u>4,096,014</u>	<u>5,273,364</u>

**16.1** These mainly represent house building and transportation loans recoverable from employees in accordance with OGDCL's service rules. House building loans are for a period of 15 years and transportation loans are for 5 years. These loans are secured against the underlying assets. Included in these are loans of Rs 510.032 million (2002: Rs 473.480 million) which carry no interest. The balance amount carries an effective interest rate of 10.87 % per annum.

An amount of Rs 398.848 million (2002: Rs 316.967 million) included in the advances represents amounts advanced to executives. The maximum amount due from executives at the end of any month during the period was Rs 398.848 million (2002: Rs 316.967 million).

The advances to executives outstanding for a period exceeding three years were Rs 131.169 million (2002: Rs 32.044 million).

**16.2** An amount of Rs 2,667 million included in long term receivable of the OGDCL represents the amount receivable by OGDCL from WAPDA on account of overdue balances of gas companies transferred to WAPDA as a result of inter-corporate debt adjustment approved by the Government of Pakistan in April, 1999. Pursuant to the Economic Coordination Committee of Cabinet (ECC) decision in November 2001 and waiver of interest by the President of Pakistan in June 2002, OGDCL entered into agreements with three power generating companies namely Jamshoro Power Generation Company,

The Central Power Generation Company and Northern Power Generation Company on 1st July 2002. The receivable carries no interest and is repayable in 5 years with one year grace period and is secured against WAPDA guarantee.

**16.3** An amount of Rs 1,494 million and Rs 641 million included in long term receivable represent the amount receivable by PGCL from Karachi Electric Supply Corporation Limited (KESC) and WAPDA respectively as a result of the inter corporate adjustment pursuant to the Economic Coordination Committee of the Cabinet in February 1999. The amount from KESC is receivable in 32 equal quarterly installments of Rs 46.687 million commencing from February 2004, while receivable from WAPDA is due in 10 equal semi annual installments of Rs 64 million starting from July 2003.

**16.4** In accordance with IAS 39 "Financial Instruments : Recognition and Measurement" an impairment loss has been recognized on the receivable from WAPDA which is the difference between the carrying amount and present value of expected future cash flows discounted at 7.5% which is the imputed rate for interest calculation.

## 17 STORES AND STOCKS

	2003 (Rs '000)	2002 (Rs '000)
Stores and spares in hand	7,129,442	7,512,768
Stores and spares in transit	921,325	540,684
	<u>8,050,767</u>	<u>8,053,452</u>
Less: Provision for obsolete, slow moving items and other adjustments	<u>1,771,644</u>	<u>1,223,805</u>
	6,279,123	6,829,647
Stock of crude oil and other products	55,491	98,164
	<u>6,334,614</u>	<u>6,927,811</u>

**17.1** The assignment of 100% physical verification and reconciliation of stores and spares as of March 31, 2002 was assigned to consultants during August 2002. The consultants are in the process of finalizing the report. However, amounts of Rs 650.338 million and Rs 740.414 million on account of inventory differences and obsolete/slow moving items respectively have been provided in the financial statements of the Parent Company based on the draft report submitted by the consultants. In addition an amount of Rs 197.574 million was provided in the financial statements of the Subsidiary Company based on the draft report submitted by the consultants.

## 18 TRADE DEBTS - Unsecured (Considered good)

Trade debts - gross	15,176,477	14,283,387
Less : Un-recognised billing	<u>(1,850,806)</u>	<u>(1,042,257)</u>
	13,325,671	13,241,130
Less : Provision for doubtful amount	<u>(27,172)</u>	<u>(25,559)</u>
	<u>13,298,499</u>	<u>13,215,571</u>

**18.1** Trade debts include balances aggregating Rs 4 billion which have been withheld by Uch Power Limited (UPL) against claims for damages related to minimum supply of

gas. OGDCL has pending resolution of the matter un-recognised billings of Rs 1.8 billion against the amounts withheld whereas the balance relates to liquidated damages which have not been provided by the OGDCL. The management's interpretation is that liquidated damages and reduction in billing are not applicable simultaneously. OGDCL is contesting the claim on the basis of a force majeure declaration under the contract which has not been accepted by UPL. The management is of the opinion that in view of legal opinions and recent constitution of a high level governmental committee to resolve the dispute, the matter is likely to be decided in OGDCL's favour.

**19 LOANS, ADVANCES, DEPOSITS, PREPAYMENTS  
AND OTHER RECEIVABLES**

	2003 (Rs '000)	2002 (Rs '000)
Advances considered good to:		
Suppliers and contractors (note 19.1)	1,077,426	1,473,563
Joint venture partners	154,778	204,894
Current portion of long term loans to employees (note 19.2)	57,095	77,683
Employees	69,607	66,006
	1,358,906	1,822,146
Current portion of long term receivables	558,950	-
Interest accrued on long term receivables	196,025	-
Deposits	6,613	6,622
Prepayments	353,162	164,255
Development surcharge	73,463	72,156
Advance income tax	3,696,476	-
Workers' Profit Participation Fund (note 9.1)	129,405	-
Claims receivables	8,115	3,485
Employees' Pension Trust (note 19.2)	95,820	181,880
Employees' Provident Fund	-	7,593
Interest income accrued	14,511	73,110
Other receivables	21,419	3,552
	6,512,865	2,334,799
Less : Provision for impairment of receivables	(597,074)	(17,323)
	<u>5,915,791</u>	<u>2,317,476</u>

**19.1** Advances include an amount of Rs 492 million given to Clough Engineering Limited (CEL) in respect of Dakhni Train-II Project against bank guarantees. The contract with CEL was suspended, however the OGDCL was un-able to encash the guarantees pursuant to a stay order obtained by CEL from the court. The dispute has not yet been formally resolved. The matter is currently subjudice, however OGDCL and CEL are in the process of negotiating an out of court settlement. Accordingly a provision of Rs 326.025 million has been made against this advance on management's assessment of the eventual outcome of the settlement.

**19.2** An amount of Rs 35.291 million (2002: Rs 40.090 million) included in loans to employees represent amounts advanced to executives. The maximum amount due from executives at the end of any month during the period was Rs 35.291 million (2002: Rs 40.090 million).

**19.3 Employees' pension trust**

The amounts recognized in the balance sheet are as follows:

	<b>2003</b> <b>(Rs '000)</b>	<b>2002</b> <b>(Rs '000)</b>
Present value of defined benefit obligation	(4,661,329)	(3,525,526)
Fair value of plan assets	4,101,349	3,530,862
Net actuarial gain not recognized	655,800	176,544
Net assets at the end of the year	<u>95,820</u>	<u>181,880</u>
Opening net asset	181,880	129,151
Charge for the year	(215,867)	(118,930)
Contribution to the fund made during the year	129,807	171,659
Net asset at the end of the year	<u>95,820</u>	<u>181,880</u>

**Particulars of charge for the year**

Current service cost	216,400	193,377
Interest cost	352,553	302,811
Expected return on plan assets	(353,086)	(321,320)
Recognised transitional liability/(asset)	-	(55,938)
	<u>215,867</u>	<u>118,930</u>

The latest actuarial valuation was carried out as at June 30, 2003. The discount rate for valuation was taken as 7% per annum, salary increases were assumed to average 7% per annum and pension increase was taken as 3% per annum. Actual return on plan assets during the year was Rs 581 million. There was no transitional asset/liability as on June 30, 2003.

**20 CASH AND BANK BALANCES**

Cash at bank on:

current accounts	<b>409,609</b>	310,323
deposit accounts	<b>21,601,687</b>	16,425,708
(includes foreign currency deposits of US \$ 30,620,129 ; 2002 : US \$ 36,646,184).		
Cash in hand	<b>34,113</b>	26,249
Cash in transit	<b>29,881</b>	16,878
	<u><b>22,075,290</b></u>	<u>16,779,158</u>

**20.1** Deposits of Rs 104.459 million (2002: Rs 29 million ) with banks were under lien to secure bank guarantees (note 10.3 )issued by the banks.

## 21 SALES LESS GOVERNMENT LEVIES

	Gross sales (Rs '000)	Government levies			Sales less Government levies		Quantity Sold		Unit
		Excise duty (Rs '000)	Development surcharge (Rs '000)	Sales tax (Rs '000)	2003 (Rs '000)	2002 (Rs '000)	2003	2002	
Crude oil	15,141,274	-	-	1,974,875	13,166,399	11,084,701	9,413,156	8,704,764	Barrels
Gas	37,073,391	1,611,987	137,188	4,614,938	30,709,278	28,258,971	298,229,875	276,931,437	MCF
Liquefied Petroleum Gas (LPG)	1,464,752	7,143	-	191,055	1,266,554	1,170,392	90,304	93,136	Metric Tons
Naphtha	1,137,378	-	-	148,354	989,024	863,680	647,386	683,433	Barrels
Solvent oil	114,763	52,497	-	19,127	43,139	165,840	25,414	113,276	Barrels
Kerosene oil	329,241	-	55,753	43,167	230,321	199,193	118,801	125,177	Barrels
High speed diesel oil	194,283	-	34,941	25,449	133,893	107,236	67,442	67,117	Barrels
Sulphur	103,678	-	-	13,527	90,151	84,998	15,889	23,234	Metric Tons
Total	55,558,760	1,671,627	227,882	7,030,492	46,628,759	41,935,011			
2002	50,099,734	1,667,964	194,957	6,301,802	-	41,935,011			

**22 OTHER OPERATING REVENUE**

	<b>2003</b> <b>(Rs '000)</b>	2002 (Rs '000)
Mud engineering services	<b>10,758</b>	4,648
Engineering services	<b>-</b>	39,616
	<b><u>10,758</u></b>	<b><u>44,264</u></b>

**23 OPERATING EXPENSES**

Establishment charges	<b>1,706,617</b>	870,003
Medical	<b>89,337</b>	142,635
Travelling	<b>29,024</b>	30,510
Transportation	<b>149,246</b>	119,913
Repairs and maintenance (note 23.1)	<b>12,925</b>	302,055
Rent	<b>51,669</b>	46,833
Telephone and telex	<b>20,330</b>	19,975
Utilities	<b>16,241</b>	11,280
Land and crops compensation	<b>226,635</b>	266,176
Stores and supplies consumed	<b>1,006,803</b>	227,975
Contract services	<b>198,466</b>	118,942
Joint venture expenses	<b>1,090,912</b>	401,708
Desalting/decanting charges	<b>190,977</b>	251,114
Taxes and insurance	<b>297,609</b>	162,142
Postal and courier	<b>4,150</b>	3,320
Depreciation	<b>2,454,838</b>	2,598,202
Welfare of locals at fields	<b>167,524</b>	14,060
Provision for inventory reconciliation	<b>547,840</b>	557,060
Workover charges	<b>217,157</b>	224,343
Charges related to minimum supply of gas	<b>-</b>	367,399
Other expenses	<b>1,768</b>	538
Transfer from general and administration expenses	<b>290,216</b>	265,158
Opening stock of crude oil and other products	<b>98,164</b>	86,894
Closing stock of crude oil and other products	<b>(55,491)</b>	(98,164)
	<b><u>8,812,957</u></b>	<b><u>6,990,071</u></b>

**23.1** These have been shown net of reversal of provision for UPL booked last year amounting to Rs 173 million.

**24 EXPLORATION EXPENDITURE WRITTEN OFF INCLUDING EXPLORATORY DRY HOLES**

	<b>1,257,905</b>	391,648
Cost of dry / abandoned wells	<b><u>1,268,214</u></b>	<u>804,039</u>
Prospecting expenditure	<b><u>2,526,119</u></b>	<b><u>1,195,687</u></b>

25 GENERAL AND ADMINISTRATION EXPENSES	2003 (Rs '000)	2002 (Rs '000)
Establishment charges (note 25.1)	664,008	425,565
Medical	101,880	109,353
Travelling	18,202	19,136
Transportation	34,711	31,534
Repairs and maintenance	12,534	13,487
Rent	14,866	15,854
Telephone and telex	31,504	25,659
Utilities	33,884	30,320
Stores and supplies consumed	16,688	22,642
Training and scholarships	3,624	5,449
Legal services	14,732	3,522
Contract services	13,482	12,254
Auditors' remuneration: (note 25.1)	1,985	
Joint venture expenses	239,742	190,670
Taxes and insurance	11,535	4,107
Postal and courier	1,643	1,376
Donations (note 25.2)	325	367
Other expenses	28,503	16,223
Aircraft expenses	6,983	2,948
Provision against advances	326,025	—
Un-allocated expenses of rigs	37,585	148,332
Depreciation	50,242	44,403
	<u>1,664,683</u>	<u>1,125,179</u>
Allocation of expenses :		
To operations	(290,216)	(265,158)
Capitalized	(288,436)	(222,714)
	<u>(578,652)</u>	<u>(487,872)</u>
	<u>1,086,031</u>	<u>637,307</u>

**25.1 Auditors' remuneration :**

**Parent Company    Subsidiary Company    Total 2003    Total 2002**

M/s Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq :

Audit fee	800	185	985	978
Out of pocket expenses	100		100	100

M/s Taseer Hadi Khalid & Co :

Audit fee	800		800	-
Out of pocket expenses	100		100	-

M/s A. F. Ferguson & Co :

Audit fee			-	800
Out of pocket expenses			-	100

<u>1,800</u>	<u>185</u>	<u>1,985</u>	<u>1,978</u>
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**25.2** Donations do not include any amount paid to any person or organization in which a director or his spouse had any interest.

**26 FINANCIAL CHARGES**

	<b>2003</b> <b>(Rs '000)</b>	<b>2002</b> <b>(Rs '000)</b>
Interest/mark up on loans	<b>9,145</b>	30,128
Net loss on impairment of long term receivables	<b>498,312</b>	-
Interest on payables to joint venture partners	<b>123,507</b>	30,827
Interest on Workers' Profit Participation Fund	<b>12,183</b>	98,809
Exchange loss	<b>95,597</b>	113,183
Others	<b>7,798</b>	11,161
	<b><u>746,542</u></b>	<b><u>284,108</u></b>

**27 OTHER INCOME**

Interest income	<b>1,002,082</b>	1,535,101
Interest on delayed payments from customers	<b>769,221</b>	367,436
Dividend income	<b>14,700</b>	27,563
Profit on sale of fixed assets	<b>69</b>	4,460
Sale of scrap	<b>1,461</b>	22,657
Others	<b>89,834</b>	64,601
	<b><u>1,877,367</u></b>	<b><u>2,021,818</u></b>

**28 PROVISION FOR TAXATION**

Current - for the year (note 28.2)	<b>6,485,687</b>	7,738,373
- for prior years	<b><u>(1,791,487)</u></b>	<u>323,000</u>
	<b><u>4,694,200</u></b>	<u>8,061,373</u>
Deferred - for the year	<b>124,153</b>	1,183,836
- for prior years	<b><u>1,056,765</u></b>	<u>-</u>
	<b><u>1,180,918</u></b>	<u>1,183,836</u>
	<b><u>5,875,118</u></b>	<b><u>9,245,209</u></b>

**28.1** Deferred tax liability of the Parent Company has been calculated at the estimated effective rate of 28.57% (2002: 30%) after taking into account availability of depletion allowance and set off available in respect of royalty payment to the Government. Deferred tax liability of subsidiary company has been calculated at the estimated effective rate of 30% (2002: 30%).

**28.2** Reconciliation of tax charge for the year :

	<b>2003</b>	<b>2002</b>
	<b>(Rs '000)</b>	<b>(Rs '000)</b>
Accounting profit	<b>26,723,402</b>	26,774,259
Tax rate	<b>52.5518</b>	52.9204
Tax on accounting profit at applicable rate	<b>14,043,629</b>	14,169,045
Tax effect of amounts / expenses that are inadmissible for tax purpose	<b>5,158,255</b>	6,669,890
Tax effect of amounts / expenses that are admissible for tax purpose	<b>(3,831,600)</b>	(6,221,304)
Tax effect of royalty allowed for tax purpose	<b>(4,970,478)</b>	(4,330,071)
Tax effect of depletion allowance for tax purpose	<b>(4,222,041)</b>	(3,154,544)
Dividend chargeable to tax at reduced rate	<b>19,545</b>	7,648
Income chargeable to tax at corporate rates	<b>288,377</b>	597,709
	<b>(7,557,942)</b>	(6,430,672)
Provision as per profit and loss account	<b>6,485,687</b>	7,738,373

**28.3** *Parent Company*

Assessments from assessment year 1992 -93 to 1998-99 are subject to certain issues which are subject to appeal as well as rectification.

In respect of assessment years 1999-00 to 2002-03 appeals have been filed before Income Tax Appellate Tribunal vis-à-vis CIT(A). However both the department and OGDCL have agreed to the appointment of an independent arbitrator to resolve the issues on account of depletion allowance and decommissioning cost.

After taking into account the demands raised by the department and taxes paid by OGDCL, amount aggregating to Rs 843.946 million represents the balance payable relating to the issues which are subject to appeals as well as arbitration for the above assessment years.

In the opinion of the management the issues will ultimately be resolved in favour of the OGDCL.

**28.4** *Subsidiary Company*

While framing the assessment for the year 2001-02 the tax authorities created a demand of Rs 82.509 million by adding back the excess perquisites and depletion allowance claimed by PGCL. PGCL has agitated the contention of the tax authorities for this additional demand and has filed appeal before the Income Tax Appellate Tribunal. Pending the outcome of this appeal no provision has been made in the accounts of the PGCL for the demand, since there is a reasonably fair chance that the appeal will be decided in favour of PGCL.

## 29 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

29.1 Interest rate exposure  
Financial assets and liabilities

	2003				2002			
	Interest / mark-up bearing with maturity		Non-interest/ mark-up bearing (Rs '000)	Total (Rs '000)	Interest / mark-up bearing with maturity		Non-interest/ mark-up bearing (Rs '000)	Total (Rs '000)
	less than one year (Rs '000)	one to five years (Rs '000)			less than one year (Rs '000)	one to five years (Rs '000)		
Financial assets:								
Trade debts	302,566	-	12,995,933	13,298,499	-	-	13,215,571	13,215,571
Loans, advances, deposits and other receivables	-	-	932,335	932,335	-	-	230,458	230,458
Cash and bank balances	21,601,687	-	473,603	22,075,290	16,425,708	-	353,450	16,779,158
Long term receivables	-	-	4,096,014	4,096,014	-	-	5,273,364	5,273,364
Loans to employees	10,322	50,440	510,033	604,396	9,665	22,861	473,479	549,047
Investments	-	304,610	-	541,948	-	162,406	266,454	428,860
	<u>21,914,575</u>	<u>355,050</u>	<u>19,007,918</u>	<u>41,548,482</u>	<u>16,435,373</u>	<u>205,448</u>	<u>19,546,322</u>	<u>36,476,458</u>
Financial liabilities								
Long term loans	-	-	14,751	14,751	-	-	14,751	14,751
Creditors, accrued and other liabilities	-	-	3,492,593	3,492,593	-	-	3,895,323	3,895,323
Employees' retirement benefits	-	-	1,662,758	1,662,758	-	-	1,179,698	1,179,698
Decommissioning cost	-	-	5,652,173	5,652,173	-	-	4,943,086	4,943,086
Proposed dividend	-	-	2,903,127	2,903,127	-	-	-	-
	<u>-</u>	<u>-</u>	<u>13,725,402</u>	<u>13,725,402</u>	<u>-</u>	<u>-</u>	<u>10,032,858</u>	<u>10,032,858</u>
Off balance sheet items								
Capital commitments (other than LCs)	-	-	4,122,487	4,122,487	-	-	3,107,421	3,107,421
Letters of credit	-	-	1,589,449	1,589,449	-	-	797,486	797,486
Guarantees	-	-	104,459	104,459	-	-	29,418	29,418
	<u>-</u>	<u>-</u>	<u>5,816,396</u>	<u>5,816,396</u>	<u>-</u>	<u>-</u>	<u>3,934,325</u>	<u>3,934,325</u>
29.1(a) Effective interest rates								
	2003	2002						
	%	%						
Cash and bank balances	1.75 - 6.25	7 - 8.75						
Loans to employees	10.87	10.87						
Investments	17	17						

## 29.2 Credit risk

Financial instruments that potentially subject the Group to credit risk consist primarily of trade debts and bank deposits. Trade debts are essentially due from oil refining companies, oil and gas marketing companies and power generation companies and the Group does not expect these companies to fail to meet their obligations. Cash deposits are placed with banks where the credit exposure is minimal.

## 29.3 Foreign exchange risk

Financial assets and liabilities include Rs 31,002 million (2002 : Rs 2,192,072 million) and Rs 14,751 million (2002 : Rs 1,098,270 million) respectively in foreign currencies which are subject to exchange risk.

## 29.4 Fair value of financial assets and liabilities

Financial assets and liabilities are stated at their fair value except for investments held to maturity and long term receivable(note 16) that are stated at amortised cost and associated companies as stated in note 14.

### 30 REMUNERATION TO CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amount charged in these accounts for the remuneration of Chief Executive and executives were as follows:

	2003		2002	
	<u>Chief Executive</u>	<u>Executives</u>	<u>Chief Executive</u>	<u>Executives</u>
	.....(Rs in '000).....			
Managerial remuneration	271	456,313	188	187,311
Contribution towards provident fund	-	-	-	-
Housing and utilities	231	261,133	78	95,850
Other allowances and benefits	303	348,783	417	152,752
	<u>805</u>	<u>1,066,229</u>	<u>683</u>	<u>435,913</u>
Number of persons including those who worked part of the year	2	2,263	1	1,250

The above were provided with medical facilities and are eligible for retirement benefits for which contributions are made based on actuarial calculations to pension and gratuity funds. The Chief Executive and certain executives were provided with free use of cars.

In addition, aggregate amount charged in the accounts for fee to 10 directors (2002 : 11) was Rs 422,000 (2002: Rs 196,000).

**31 EARNINGS PER SHARE**

	<b>2003</b> <b>(Rs '000)</b>	<b>2002</b> <b>(Rs '000)</b>
Net profit for the year	<u><b>20,848,284</b></u>	<u>17,529,050</u>
Average number of shares outstanding-Nos	<b>1,075,232,100</b>	1,075,232,100
Earnings per share (Rupees)	<u><b>19.39</b></u>	<u>16.30</u>

**32 TRANSACTIONS WITH ASSOCIATED COMPANY**

Excluding relationships arising purely out of Group being a Government owned entity, transaction with associated Company is as follows :

Dividend Income :		
Associated company	<b>14,700</b>	27,563

**33 NUMBER OF EMPLOYEES**

Total number of employees at the end of the year were as follows:

	<b>June 30,</b> <b>2003</b>	<b>June 30,</b> <b>2002</b>
Regular	<b>9,282</b>	9,985
Contract *	<b>2,572</b>	2,753
	<u><b>11,854</b></u>	<u>12,738</u>

\* includes 1,896 (2002: 2,062) work charge employees

**34 CORRESPONDING FIGURES**

Previous year's figures have been re-arranged and reclassified wherever necessary for the purpose of comparison. Major changes made during the year were as follows:

Reclassification from		Reclassification to		Nature	(Rs '000)
Note	Component	Note	Component		
6.2	Other investments	15	Investments held to maturity	Required by IAS 39	428,860
10	Loans, advances, deposits	16	Long term receivables	Required by IAS 1	471,364
	prepayments and other receivables				
-	Decommissioning cost	7	Long term provisions	Required by IAS 37	4,943,086
-	Deferred taxation	8	Deferred liabilities	Fair presentation	5,544,298
-	Current maturities of long term loans	6	Long term loans	Required by IAS 1	14,751
7	Creditors, accrued and other liabilities	18	Trade debts (Reflected as a deduction from trade debts)	Required by IAS 1	1,042,257

**35 CAPACITY UTILIZATION**


Considering the nature of the Group's business, it is impracticable to provide the information regarding capacity utilisation.

**36 AUTHORISATION FOR ISSUE**

These financial statements were approved by the Board of Directors of OGDCL on September 29, 2003.

**37 GENERAL**

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

  
Chairman

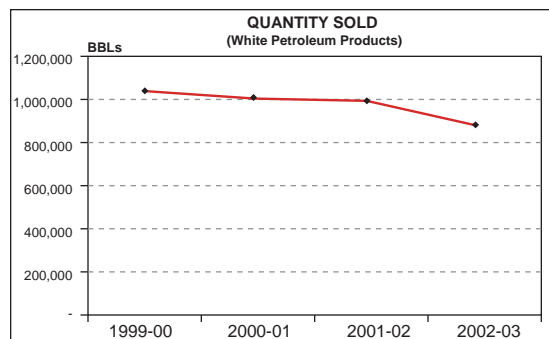
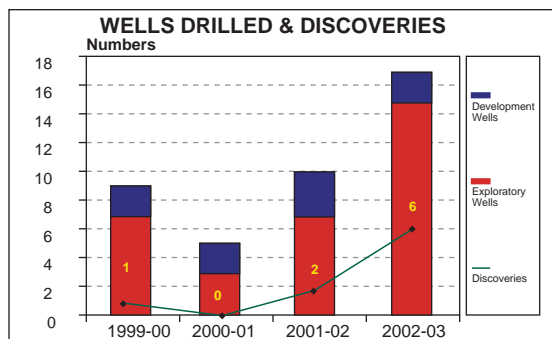
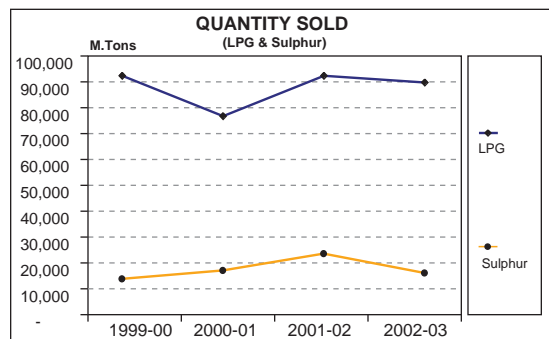
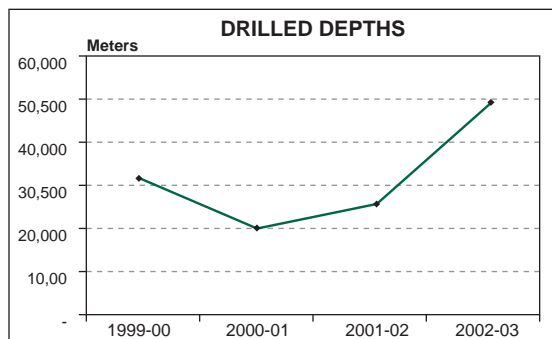
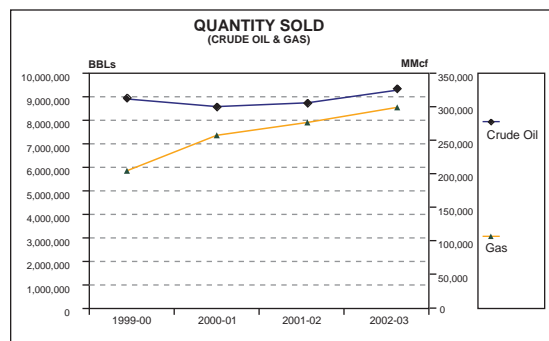
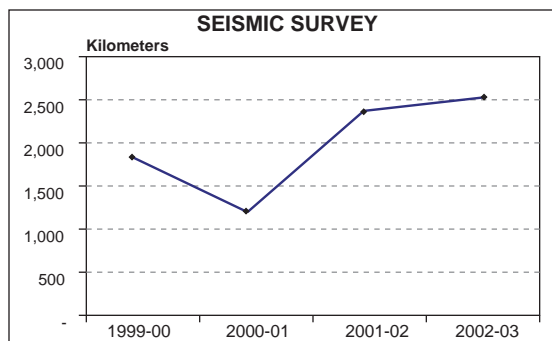
Director

  
Managing Director

# OPERATIONAL PERFORMANCE INDICATORS

		Fiscal Years			
		1999-00	2000-01	2001-02	2002-03
<b>SEISMIC SURVEY</b>	Kms	1,884	1,258	2,395	2,502
<b>WELLS DRILLED</b>	Numbers				
Exploratory Wells		7	3	7	15
Development Wells		2	2	3	2
		9	5	10	17
<b>DRILLED DEPTHS</b>	Meters				
Exploratory		27,420	11,211	16,065	46,445
Development		3,662	8,843	9,296	1,993
		31,082	20,054	25,361	48,438
<b>OIL AND GAS DISCOVERIES</b>	Numbers	1	0	2	6
<b>QUANTITY SOLD - ANNUAL (AVERAGE PER DAY BASED ON 330 DAYS PER YEAR EXCEPT FOR GAS 360 DAYS PER YEAR)</b>					
<b>Crude Oil</b>					
- Own Fields	<b>Barrels</b>	6,472,301	6,460,055	7,525,923	6,528,117
	<i>Barrels/Day</i>	19,613	19,576	22,806	19,782
- Operated JVs	<b>Barrels</b>	258,639	229,385	285,656	173,580
	<i>Barrels/Day</i>	784	695	866	526
- Non-Operated JVs	<b>Barrels</b>	2,176,130	1,845,170	893,185	2,711,459
	<i>Barrels/Day</i>	6,594	5,591	2,707	8,217
<b>Total- Crude Oil</b>	<b>Barrels</b>	8,907,070	8,534,610	8,704,764	9,413,156
	<i>Barrels/Day</i>	26,991	25,862	26,378	28,525
<b>Gas</b>					
- Own Fields	<b>MMcf</b>	58,626	96,375	108,699	111,065
	<i>MMcf/Day</i>	163	268	302	309
- Operated JVs	<b>MMcf</b>	71,134	88,628	96,312	104,433
	<i>MMcf/Day</i>	198	246	268	290
- PGCL	<b>MMcf</b>	48,956	42,069	31,394	24,224
	<i>MMcf/Day</i>	136	117	87	67
- Non-Operated JVs	<b>MMcf</b>	31,774	32,924	40,526	58,508
	<i>MMcf/Day</i>	88	91	113	163
<b>Total-Gas</b>	<b>MMcf</b>	210,490	259,996	276,931	298,230
	<i>MMcf/Day</i>	585	722	770	829
<b>LPG</b>					
- Own Fields	<b>M. Tons</b>	69,978	56,193	70,044	65,138
	<i>M. Tons/Day</i>	212	170	212	197
- Non-Operated JVs	<b>M. Tons</b>	23,026	21,209	23,092	25,165
	<i>M. Tons/Day</i>	70	64	70	76
<b>Total- LPG</b>	<b>M. Tons</b>	93,004	77,402	93,136	90,303
	<i>M. Tons/Day</i>	282	235	282	274
<b>Sulphur</b>					
- Own Fields	<b>M. Tons</b>	13,445	16,670	23,234	15,889
	<i>M. Tons/Day</i>	41	51	70	48
<b>Total- Sulphur</b>	<b>M. Tons</b>	13,445	16,670	23,234	15,889
	<i>M. Tons/Day</i>	41	51	70	48
<b>White Petroleum Products</b>					
- Own Fields	<b>Barrels</b>	925,577	870,826	875,727	833,629
	<i>Barrels/Day</i>	2,805	2,639	2,654	2,526
- Non-Operated JVs	<b>Barrels</b>	112,097	126,972	113,276	25,414
	<i>Barrels/Day</i>	340	385	343	77
<b>Total- White Petroleum Products</b>	<b>Barrels</b>	1,037,674	997,798	989,003	859,043
	<i>Barrels/Day</i>	3,144	3,024	2,997	2,603

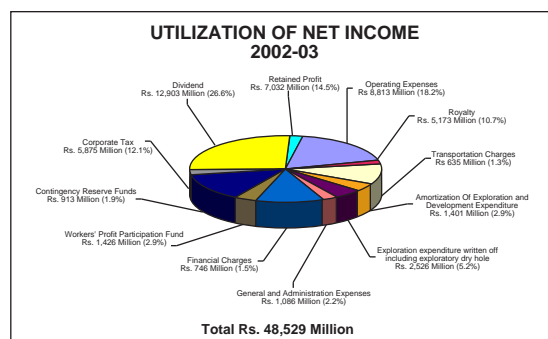
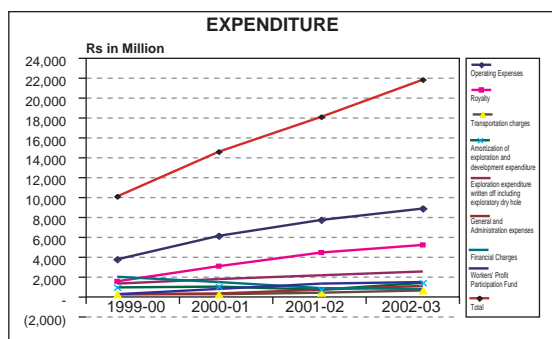
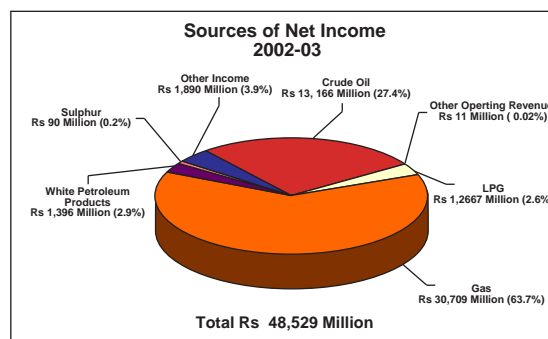
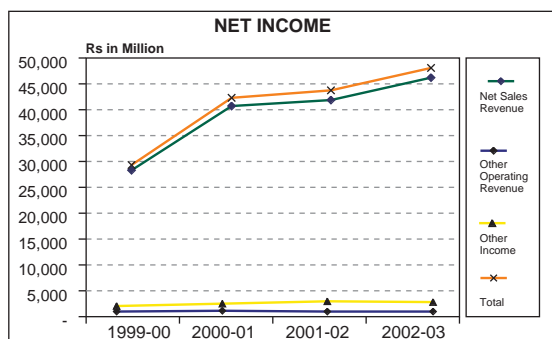
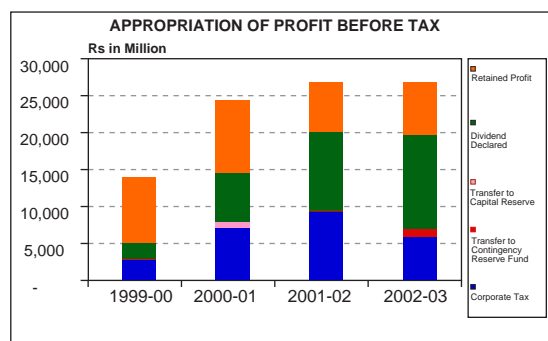
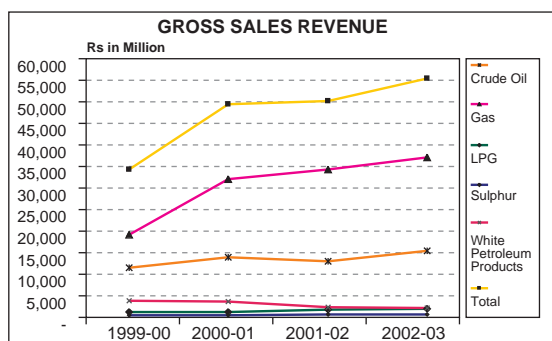
# OGDCL - Consolidated Accounts - Operational Performance Indicators



# PROFIT AND LOSS ACCOUNT PERFORMANCE INDICATORS

		Fiscal Years			
		1999-00	2000-01	2001-02	2002-03
<b>GROSS SALES REVENUE</b>	Rs in Million				
Crude Oil		11,048	13,497	12,714	15,141
Gas		18,889	31,914	34,119	37,073
LPG		736	787	1,355	1,465
Sulphur		78	77	98	104
White Petroleum Products		3,460	3,199	1,814	1,775
		<b>34,211</b>	<b>49,474</b>	<b>50,100</b>	<b>55,558</b>
<b>GOVERNMENT LEVIES</b>	Rs in Million				
Excise Duty		1,277	1,658	1,668	1,672
Sales Tax		4,000	6,252	6,302	7,030
Development Surcharge		1,419	939	195	228
		<b>6,696</b>	<b>8,849</b>	<b>8,165</b>	<b>8,930</b>
<b>SOURCES OF INCOME</b>	Rs in Million				
Net Sales Revenue		27,515	40,726	41,935	46,628
Other Operating Revenue		13	143	44	11
Other Income		1,025	1,590	2,026	1,890
		<b>28,553</b>	<b>42,459</b>	<b>44,005</b>	<b>48,529</b>
<b>UTILIZATION OF INCOME</b>	Rs in Million				
Operating Expenses		6,119	7,686	6,990	8,813
Royalty		3,028	4,403	4,604	5,173
Transportation charges		221	386	530	635
Amortization of exploration and development expenditure		1,008	687	1,574	1,401
Exploration expenditure written off including exploratory dry hole		1,730	2,136	1,196	2,526
General and Administration expenses		324	663	637	1,086
Financial Charges		1,440	819	284	746
Workers' Profit Participation Fund		738	1,294	1,416	1,426
		<b>14,608</b>	<b>18,074</b>	<b>17,231</b>	<b>21,806</b>
<b>Profit Before Tax</b>	Rs in Million	<b>13,945</b>	<b>24,385</b>	<b>26,774</b>	<b>26,723</b>
<b>Corporate Tax</b>	Rs in Million	<b>2,752</b>	<b>7,007</b>	<b>9,245</b>	<b>5,875</b>
<b>Profit After Tax</b>	Rs in Million	<b>11,193</b>	<b>17,378</b>	<b>17,529</b>	<b>20,848</b>
<b>Transfer to Contingency Reserve Fund</b>	Rs in Million	<b>46</b>	<b>52</b>	<b>62</b>	<b>913</b>
<b>Transfer to Capital Reserve</b>	Rs in Million	<b>-</b>	<b>836</b>	<b>-</b>	<b>-</b>
		<b>11,147</b>	<b>16,490</b>	<b>17,467</b>	<b>19,935</b>
<b>Dividend Declared</b>	Rs in Million	<b>2,150</b>	<b>6,666</b>	<b>10,752</b>	<b>12,903</b>
<b>Retained Profit</b>	Rs in Million	<b>8,997</b>	<b>9,824</b>	<b>6,715</b>	<b>7,032</b>

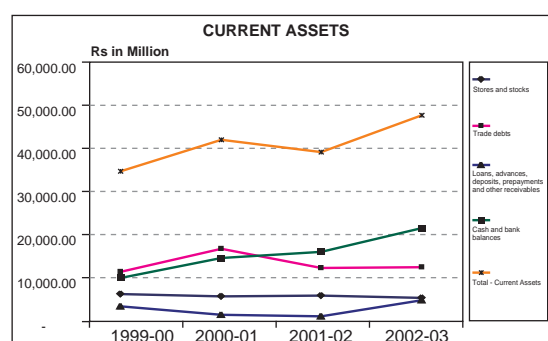
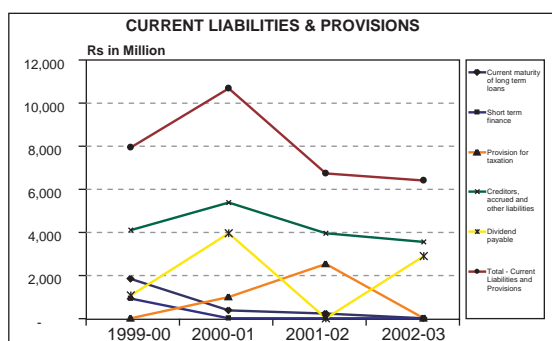
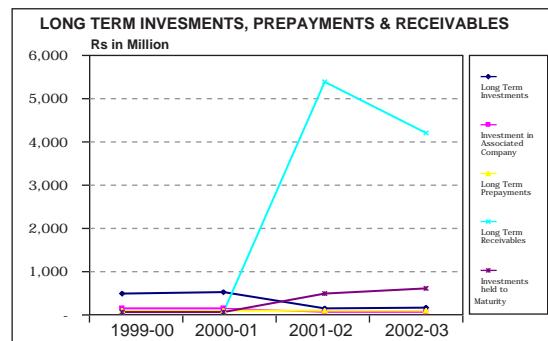
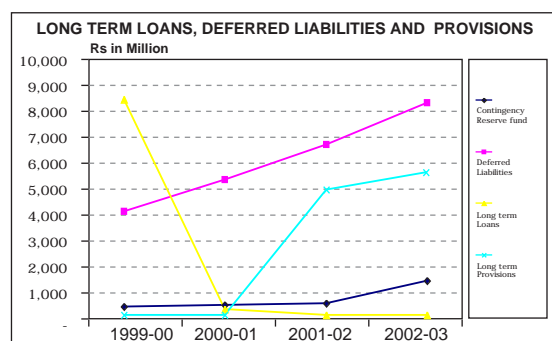
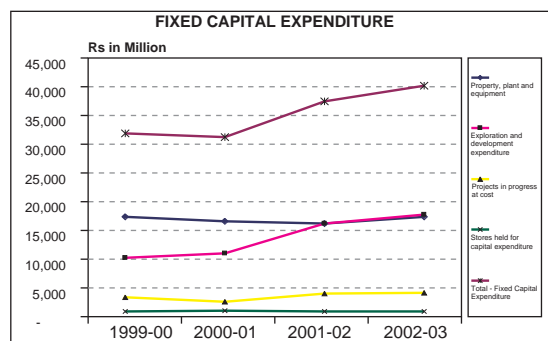
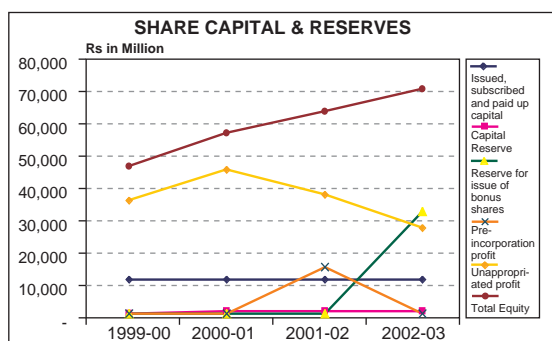
# OGDCL - Consolidated Accounts - Profit And Loss Account Performance Indicators



# BALANCE SHEET PERFORMANCE INDICATORS

		Fiscal Years			
		1999-00	2000-01	2001-02	2002-03
<b>SHARE CAPITAL AND RESERVES</b>	Rs in Million				
Issued, subscribed and paid up capital		10,752	10,752	10,752	10,752
Capital reserve		-	836	836	836
Reserve for issue of bonus shares		-	-	-	32,257
Pre-incorporation profit		-	-	14726	0
Unappropriated profit		35,634	45,459	37,447	26,948
		<b>46,386</b>	<b>57,047</b>	<b>63,761</b>	<b>70,793</b>
<b>CONTINGENCY RESERVE FUND</b>	Rs in Million	<b>336</b>	<b>388</b>	<b>451</b>	<b>1,364</b>
<b>LONG TERM LOANS</b>	Rs in Million	<b>8,528</b>	<b>239</b>	<b>15</b>	<b>15</b>
<b>LONG TERM PROVISIONS</b>	Rs in Million	-	-	<b>4,943</b>	<b>5,652</b>
<b>DEFERRED LIABILITIES</b>	Rs in Million	<b>4,106</b>	<b>5,331</b>	<b>6,724</b>	<b>8,388</b>
<b>CURRENT LIABILITIES AND PROVISIONS</b>	Rs in Million				
Current maturity of long term loans		1,856	370	240	-
Short term finance		924	-	-	-
Provision for taxation		-	1,014	2,562	-
Creditors, accrued and other liabilities		4,139	5,416	3,974	3,574
Dividend payable		1,075	3,978	-	2,903
		<b>7,994</b>	<b>10,778</b>	<b>6,776</b>	<b>6,477</b>
<b>Total - Equity and Liabilities</b>		<b>67,351</b>	<b>73,783</b>	<b>82,670</b>	<b>92,689</b>
<b>FIXED CAPITAL EXPENDITURE</b>	Rs in Million				
Property, plant and equipment		17,368	16,688	16,261	17,424
Exploration and development expenditure		10,310	11,002	16,321	17,868
Projects in progress at cost		3,367	2,604	4,070	4,124
Stores held for capital expenditure		904	987	950	871
		<b>31,949</b>	<b>31,281</b>	<b>37,602</b>	<b>40,287</b>
<b>LONG TERM INVESTMENTS</b>	Rs in Million	<b>419</b>	<b>455</b>	<b>92</b>	<b>106</b>
<b>INVESTMENT IN ASSOCIATED COMPANY</b>	Rs in Million	<b>85</b>	<b>88</b>	-	-
<b>INVESTMENTS HELD TO MATURITY</b>	Rs in Million	-	-	<b>429</b>	<b>542</b>
<b>LONG TERM PREPAYMENTS</b>	Rs in Million	<b>35</b>	<b>27</b>	<b>33</b>	<b>34</b>
<b>LONG TERM RECEIVABLES</b>	Rs in Million	-	-	<b>5,273</b>	<b>4,096</b>
<b>CURRENT ASSETS</b>	Rs in Million				
Stores and stocks		7,291	6,723	6,928	6,335
Trade debts		12,348	17,401	13,216	13,298
Loans, advances, deposits, prepayments and other receivables		4,494	2,512	2,318	5,916
Cash and bank balances		10,815	15,384	16,779	22,075
		<b>34,948</b>	<b>42,020</b>	<b>39,241</b>	<b>47,624</b>
<b>Total - Assets</b>		<b>67,351</b>	<b>73,783</b>	<b>82,670</b>	<b>92,689</b>

# OGDCL - Consolidated Accounts - Balance Sheet Performance Indicators



# FINANCIAL PERFORMANCE INDICATORS

		Fiscal Years				
		1999-00	2000-01	2001-02	2002-03	
<b>RATIOS</b>						
Current Ratio	Times	4.4	3.9	5.8	7.4	
Acid Test / Quick ratio	Times	3.5	3.3	4.8	6.4	
Debt Service Coverage Ratio	Times	3.0	6.7	0	0	
Receivable Turn Over Ratio	Times	2.3	2.7	2.3	2.6	
Debt / Equity Ratio	Times	0.18	0.00	0.00	0.00	
Return on Average Capital Employed	%	24%	32%	29%	31%	
Profit After Tax (PAT) Margin	%	40.7%	42.7%	41.8%	44.7%	
Return on Equity	%	27%	34%	29%	31%	
Dividend Declared Percentage	%	20.0%	62.0%	100.0%	120.0%	
Earnings Per Share	Rs	10.37	16.11	16.30	19.39	
Break-up Value per Share	Rs	43.14	53.05	59.30	65.84	
<b>PAYMENTS TO NATIONAL EXCHEQUER</b>		Rs in Million				
Excise Duty		1,224	1,667	1,662	1,658	
Sales Tax		3,523	5,967	6,450	7,508	
Development Surcharge		1,416	939	195	228	
Total Government Levies on Sales		6,163	8,573	8,307	9,394	
Royalty (@ 12.5% on Crude Oil & Gas)		3,942	4,337	4,586	4,619	
Import Duty		108	71	207	286	
Debt Servicing		3,849	11,789	-	-	
Corporate Tax		2,940	1,737	6,156	10,944	
Dividend		2,151	3,764	14,731	10,000	
		<b>19,153</b>	<b>30,271</b>	<b>33,987</b>	<b>35,243</b>	
<b>WORKING CAPITAL</b>		Rs in Million				
Current Assets		34,948	42,020	39,240	47,624	
(Current Liabilities)		(7,994)	(10,778)	(6,776)	(6,477)	
Net Working Capital		<b>26,954</b>	<b>31,242</b>	<b>32,464</b>	<b>41,147</b>	
<b>FOREIGN EXCHANGE SAVINGS</b>		US \$ in Million				
(excluding Non-Operated JVs)		<b>719</b>	<b>946</b>	<b>862</b>	<b>1,100</b>	
<b>RUPEE TO US DOLLAR PARITY RATE</b>		Rs per US \$ (Avg)				
		<b>52.00</b>	<b>58.50</b>	<b>61.50</b>	<b>58.55</b>	
	Rs per US \$ @ 30th June	<b>52.30</b>	<b>64.30</b>	<b>60.22</b>	<b>57.88</b>	
<b>REALIZED PRICE</b>						
Crude Oil	Gross	Rs/Barrel	<b>1,240</b>	<b>1,581</b>	<b>1,461</b>	<b>1,608</b>
	Net of Government Levies	Rs/Barrel	1,093	1,375	1,273	1,399
Gas	Gross	Rs/Mcf	<b>90</b>	<b>123</b>	<b>123</b>	<b>124</b>
	Net of Government Levies	Rs/Mcf	81	102	102	103
LPG	Gross	Rs/M.Ton	<b>7,914</b>	<b>10,168</b>	<b>14,549</b>	<b>16,223</b>
	Net of Government Levies	Rs/M.Ton	7,840	9,661	12,566	14,025
Sulphur	Gross	Rs/M.Ton	<b>5,790</b>	<b>4,629</b>	<b>4,225</b>	<b>6,525</b>
	Net of Government Levies	Rs/M.Ton	5,034	4,007	3,658	5,674
White Petroleum Products	Gross	Rs/Barrel	<b>3,334</b>	<b>3,206</b>	<b>1,834</b>	<b>2,066</b>
	Net of Government Levies	Rs/Barrel	1,490	1,748	1,351	1,626

# OGDCL - Consolidated Accounts - Financial Performance Indicators

