



OGDCL



**Interim Report and
Financial Information**
Half Year Ended 31 December 2013

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CONDENSED INTERIM FINANCIAL INFORMATION

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Corporate Information

Board of Directors

Ch. M. Shafi Arshad (up to 17 February 2014)

Mr. Muhammad Riaz Khan

Mr. Babar Yaqoob Fateh Muhammad

Mr. Abid Saeed

Syed Masieh-ul-Islam

Mr. Fahd Shaikh

Mr. Iskander Mohammed Khan

Mr. Mohamed Anver Ali Rajpar

Mr. Sheraz Hashmi

Mr. Razaullah Khan

Chairman

MD & CEO

Director

Director

Director

Director

Director

Director

Director

Director

Chief Financial Officer

Mr. Muhammad Rafi

Company Secretary

Mr. Ahmed Hayat Lak

Auditors

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

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

Legal Advisor

M/s Khokhar Law Chambers

Tax Advisors

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

Registered Office

OGDCL House, Plot No 3, F-6/G-6, Blue Area,
Jinnah Avenue, Islamabad.

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Website: www.ogdcl.com

Email: info@ogdcl.com

Registrar Office

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

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Fax: +92 21 34326053

Website: www.cdcpakistan.com

Email: info@cdcpak.com

Directors' Interim Review

The Board of Directors of Oil & Gas Development Company Limited (OGDCL) is pleased to submit the un-audited condensed financial statements together with a concise review of Company's operational and financial performance for the half year ended 31 December 2013.

Financial Results

OGDCL generated strong financial results for the period July-December 2013 due to stable performance of its producing assets combined with favorable oil and gas price environment. This can be witnessed by the fact that Company's Sales Revenue and Profit after Taxation surged to Rs 126.170 billion (1H 2012-13: Rs 110.626 billion) and Rs 67.227 billion (1H 2012-13: Rs 49.308 billion), depicting a growth of 14.1% and 36.3% respectively. These improved financials translated into Earnings per Share of Rs 15.63 per share (1H 2012-13: Rs 11.46) indicating business sustainable growth and sound financial position.

OGDCL's significant improvement in first half financial performance is primarily attributable to increase in production complemented by exchange rate and increase in realized prices of crude oil, gas and LPG averaging US\$ 87.45/barrel, Rs 278.62/Mcf and Rs 84,927/ton compared with US\$ 82.78/barrel, Rs 263.83/Mcf and Rs 78,665/ton respectively during the corresponding period of last year. Furthermore, higher other income, on account of markup on Privately Placed Term Finance Certificates (PPTFCs) & Pakistan Investment Bonds (PIBs) and exchange gain, is another factor contributing towards Company's improved profitability.

However, during the reporting period, amendments to IAS 19 "Employee Benefits" became applicable resulting in the recognition of cumulative unrecognized actuarial losses on account of pension amounting to Rs 11.393 billion (net of tax) as at 30 June 2013. Effect of this change in the accounting policy has been incorporated in the Company's accounts from July 2011 by adjusting the impact of change against un-appropriated profit.

Dividend

The Board has announced second interim cash dividend of Rs 2.00 per share (20%) for the year ending 30 June 2014. This is in addition to the first interim cash dividend of Rs 2.00 per share (20%) already declared during the year.

Exploration and Development Activities

As of 31 December 2013, OGDCL holds the largest exploration acreage in the Country covering an area of 51,307 square kms spreading over Company's thirty three (33) owned and operated joint venture (JV) exploration concessions. In addition, the Company holds working interest in six (6) blocks operated by other Exploration & Production companies.

OGDCL with an aim to bring potential developments into its portfolio through exploration, during the period under review, acquired 962 line kms of 2D and 433 square kms of 3D seismic data in blocks namely Mianwali, Dakhni, Nashpa, Pali, Nur-Bagla, Bitrism, Chanda, Mela and Channi pull. In addition, the Company carried out 94 line kms of regional geological field work in Central Salt Range and also processed 1,874 line kms of 2D seismic data of various blocks using in-house resources.

During the reporting period, OGDCL marked twenty two (22) well locations on the ground out of which seven (7) wells were spud. These spud wells include two (2) exploratory/appraisal wells namely Jakhro West-1 & Zin SML-3 and five (5) development wells namely Qadirpur-50, 52, Kunnar Deep-9, Rajjan-8 & Chak 5 Dim-2. Subsequently, the Company spud an exploratory well Maru East-1 and development well Qadirpur-51 during the month of January 2014. Moreover, drilling and testing of seven (7) wells out of eleven (11) ongoing wells from the previous fiscal year was also carried out during the current half year.

Regarding OGDCL's strategy to boost production, efforts are being made for completion of Company's ongoing development projects including Kunnar Pasahki Deep-Tando Alah Yar, Uch-II, Sinjhor, Jhal Magsi, Nashpa-Mela and Sara West which upon completion will lead to substantial enhancement in oil, gas & LPG production.

Discovery

The first half of the year 2013-14 has witnessed success across the Company's acreage with a discovery of Saand-1 exploratory well in Nim concession, Sindh province; preliminary reserves estimates accredited to this discovery are 45.23 billion cubic feet of gas and 0.34 million barrels of condensate, combined 6.6 million barrels of oil equivalent (MMBOE).

OGDCL's total remaining recoverable reserves as of 31 December 2013 stood at 208 million barrels of oil and 10,063.62 billion cubic feet of gas.

Production

On the production front, OGDCL is pursuing an aggressive production enhancement strategy aimed at augmenting oil & gas production from its existing and under developed fields. In this regard, the Company, during the period under review, added 5,200 barrels per day of oil and 100 MMcf per day of gas through addition of new wells namely Nashpa-4, Qadirpur-47, 49, 50 & Qadirpur HRL-7 coupled with work-over jobs and tie-in of Uch-21, 25, 28 & 31. Moreover, development/appraisal wells; Zin SML-2, Zin SML-3, Sara West-4 & Rajian-7 have also been successfully completed.

During July-December 2013, OGDCL carried out perforation/re-perforation and Bottom Hole Pressure survey jobs for revival of production at number of wells in Tando-Alam, Thora, Moolan North, Nim West, Kunnar and Pasahki fields. In addition, the Company with an aim to update reservoir study and induce improvement in current well flow parameters carried out pressure survey campaigns at number of wells at Qadirpur, Nashpa, Chanda, Mela, Dakhni, Tando-Alam & Sinjhoru fields and via OGDCL slick line unit at Uch-II. Furthermore, Annual Turn Around at Chanda plant was also undertaken to improve the operational efficiency while new technology; Duracaps Scale Inhibitors were injected in Pasahki-1, 5 & 6, Tando-Alam-3, 16-A, 19 & 20 and Thora-1 & 4 wells to help uninterrupted oil production.

Apart from the above, OGDCL commissioned Jakhro Gas Condensate field in the month of October 2013 resulting in additional production of 238 barrels per day of oil and 6 MMcf per day of gas. Regarding Reti-Maru gas field, development activities have been completed and the Company is currently supplying around 12 MMcf per day of gas to M/s Engro Fertilizer Limited.

It is also pertinent to mention that OGDCL despite the curtailment of production from Mela field due to Mela-1 well, frequent problems at Qadirpur & Dakhni plants and less gas intake by M/s Liberty Power & Engro Energy Limited, witnessed improved production. Company's net gas production augmented by 5.9% primarily on account of increase in production from Uch, Nandpur/Punjpir, Nashpa, & Kunnar fields in conjunction with start-up of production from Sinjhoru & Jakhro fields while net crude oil production increased by 2.5% owing to commencement of production from Nashpa-4 and Sinjhoru & Jakhro fields accompanied by increase in share of crude oil production from non-operated JV fields.

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

Products	Unit of Measurement	1 st Half 2013-14	1 st Half 2012-13
Crude oil	Barrels per day	40,215	39,245
Gas	MMcf per day	1,136	1,073

In view of OGDCL's stable production profile and financial strength to undertake new development activities and projects, the Company is well placed to realize numerous growth opportunities in the years to come.

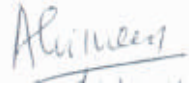
Acknowledgement

The Board of Directors pays tribute to the management and employees for their hard work and relentless efforts towards the consistent performance of OGDCL. The Board also wishes to place on record its sincere appreciation for the resolute support extended by Company's stakeholders as we look forward to continue unlocking the value in our assets for the benefit of our shareholders and for accelerated growth of the economy as a whole.


(Muhammad Riaz Khan)
Chief Executive

25 February 2014

On behalf of the Board


(Abid Saeed)
Director

Auditors' Review Report to the Members

Introduction

We have reviewed the accompanying condensed interim balance sheet of Oil and Gas Development Company Limited ("the Company") as at 31 December 2013 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial information for the six-months period then ended (herein-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Conclusion

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

Other Matters


The figures for the three months period ended 31 December 2013 and 2012 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

The financial statements of the Company for the six months period ended 31 December 2012 were jointly reviewed and for the year ended 30 June 2013 were jointly audited by KPMG Taseer Hadi & Co. Chartered Accountants and M. Yousuf Adil Saleem & Co. Chartered Accountants who expressed an unqualified conclusion / opinion thereon respectively. However, their aforementioned reports included emphasis of matter paragraphs relating to recoverability of sales tax paid to Inland Revenue Authority from a customer and overdue amount receivable from customers due to circular debt issue.



A. F. Ferguson & Co.
Chartered Accountants
Islamabad

Engagement Partner: Sohail Mohammad Khan



KPMG Taseer Hadi & Co.
Chartered Accountants
Islamabad

Engagement Partner: Syed Bakhtiyar Kazmi

Condensed Interim Balance Sheet [unaudited]

As at 31 December 2013

	31 December 2013	30 June 2013 Restated	01 July 2012 Restated
Note	-----	(Rupees '000)	-----
SHARE CAPITAL AND RESERVES			
Share capital	43,009,284	43,009,284	43,009,284
Capital reserves	6,181,000	5,756,000	4,906,000
Unappropriated profit	308,836,440	263,500,737	215,467,790
	<u>358,026,724</u>	<u>312,266,021</u>	<u>263,383,074</u>
NON CURRENT LIABILITIES			
Deferred taxation	24,488,812	13,727,897	18,560,208
Deferred employee benefits	9,447,430	9,564,797	6,940,301
Provision for decommissioning cost	21,056,421	19,993,556	17,193,813
	<u>54,992,663</u>	<u>43,286,250</u>	<u>42,694,322</u>
CURRENT LIABILITIES			
Trade and other payables	4 67,150,092	56,138,528	29,791,891
Provision for taxation	13 -	2,238,065	2,421,831
	<u>67,150,092</u>	<u>58,376,593</u>	<u>32,213,722</u>
	<u>480,169,479</u>	<u>413,928,864</u>	<u>338,291,118</u>

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 24 form an integral part of this condensed interim financial information.



Chief Executive

	31 December 2013	30 June 2013 Restated	01 July 2012 Restated
Note	-----	(Rupees '000)	-----

NON CURRENT ASSETS

Fixed assets

Property, plant and equipment	6	64,059,239	52,605,226	40,966,441
Development and production assets - intangibles	7	77,997,251	74,651,460	64,671,505
Exploration and evaluation assets	8	7,674,644	7,275,329	10,406,156
		149,731,134	134,532,015	116,044,102
Long term investments	9	140,631,074	140,416,803	3,987,633
Long term loans and receivable		5,368,488	4,152,258	3,066,634
Long term prepayments		819,826	580,432	346,413
		296,550,522	279,681,508	123,444,782

CURRENT ASSETS

Stores, spare parts and loose tools		18,586,013	16,628,579	12,860,723
Stock in trade		293,089	263,204	210,523
Trade debts	10	65,940,462	55,874,924	138,095,764
Loans and advances	11	7,372,569	6,408,762	5,604,976
Deposits and short term prepayments		1,082,841	1,158,516	984,796
Interest accrued		10,074,671	10,125,851	532,587
Other receivables	12	689,081	1,180,494	968,697
Income tax paid in advance	13	6,459,337	-	-
Other financial assets	14	58,966,424	39,897,151	51,820,581
Cash and bank balances		14,154,470	2,709,875	3,767,689
		183,618,957	134,247,356	214,846,336
		480,169,479	413,982,864	338,291,118



Director

Condensed Interim Profit and Loss Account [unaudited]

For the Six Months Ended 31 December 2013

		Three months ended 31 December 2013	2012 Restated	Six months ended 31 December 2013	2012 Restated
Note		(Rupees '000)			
Sales - net	15	63,753,775	56,830,303	126,170,200	110,625,524
Royalty		(7,384,273)	(6,405,653)	(14,508,972)	(12,661,901)
Operating expenses		(10,005,499)	(9,056,860)	(20,313,415)	(17,846,594)
Transportation charges		(582,810)	(562,519)	(1,198,434)	(1,085,917)
		(17,972,582)	(16,025,032)	(36,020,821)	(31,594,412)
Gross profit		45,781,193	40,805,271	90,149,379	79,031,112
Other income	16	4,694,540	4,240,815	12,119,582	6,846,120
Exploration and prospecting expenditure		(2,869,983)	(4,053,896)	(4,824,555)	(5,515,266)
General and administration expenses		(390,409)	(551,041)	(1,143,777)	(1,098,178)
Finance cost		(461,167)	(561,120)	(1,092,894)	(1,079,579)
Workers' profit participation fund		(2,339,421)	(1,995,348)	(4,763,187)	(3,911,872)
Share of profit in associate - net of taxation		34,250	26,926	56,008	53,228
Profit before taxation		44,449,003	37,911,607	90,500,556	74,325,565
Taxation	17	(10,810,568)	(14,259,269)	(23,273,626)	(25,017,522)
Profit for the period		33,638,435	23,652,338	67,226,930	49,308,043
Earnings per share - basic and diluted (Rupees)	18	7.82	5.50	15.63	11.46

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.



Chief Executive



Director

Condensed Interim Statement of Comprehensive Income [unaudited]

For the Six Months Ended 31 December 2013

	Three months ended 31 December 2013	2012 Restated	Six months ended 31 December 2013	2012 Restated
	(Rupees '000)			
Profit for the period	33,638,435	23,652,338	67,226,930	49,308,043
Other comprehensive income/ (loss) for the period				
Items that will not be reclassified to profit or loss				
Remeasurement loss on employee retirement benefit plans	(2,074,464)	(6,909,776)	(2,074,464)	(6,909,776)
Tax credit related to remeasurement loss on employee retirement benefit plans				
Current tax credit	12,439,444	-	12,439,444	-
Deferred tax (charge) / credit	(11,401,797)	3,456,270	(11,401,797)	3,456,270
	1,037,647	3,456,270	1,037,647	3,456,270
	(1,036,817)	(3,453,506)	(1,036,817)	(3,453,506)
Total comprehensive income for the period	32,601,618	20,198,832	66,190,113	45,854,537

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.



Chief Executive



Director

Condensed Interim Cash Flow Statement [unaudited]

For the Six Months Ended 31 December 2013

Six months ended 31 December
2013 2012
Restated

----- (Rupees '000) -----

Cash flows from operating activities

Profit before taxation	90,500,556	74,325,565
Adjustments for:		
Depreciation	1,974,051	2,469,411
Amortization of development and production assets	6,357,511	4,626,169
Impairment on assets	720,860	154,847
Reversal of impairment assets	(583,758)	-
Royalty	14,508,972	12,661,901
Workers' profit participation fund	4,763,187	3,911,872
Provision for employee benefits	2,068,034	1,481,372
Un-winding of discount on provision for decommissioning cost	1,085,469	1,075,526
Interest income	(9,026,619)	(5,263,026)
Un-realized gain on investments at fair value through profit or loss	(33,280)	(13,303)
Dividend income	(17,026)	(15,891)
Gain on disposal of property, plant and equipment	(779)	(1,655)
Share of profit in associate	(56,008)	(53,228)
Stores inventory written off	12,140	6,828

	112,273,310	95,366,388
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Working capital changes

(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	(1,969,574)	(1,748,035)
Stock in trade	(29,885)	(133,410)
Trade debts	(10,065,538)	42,008,133
Deposits and short term prepayments	75,675	(399,990)
Advances and other receivables	(2,131,906)	(2,062,129)
Increase/(decrease) in current liabilities:		
Trade and other payables	(2,737,693)	2,970,244

Cash generated from operations

	95,414,389	136,001,201
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Royalty paid	(13,951,802)	(10,722,709)
Employee benefits paid	(5,198,585)	(2,688,133)
Long term prepayments	(239,394)	(48,350)
Received from workers' profit participation fund	525,459	245,641
Income taxes paid	(20,172,466)	(22,794,066)

Net cash from operating activities

	(39,036,788)	(36,007,617)
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	56,377,601	99,993,584
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Cash flows from investing activities

Capital expenditure	(22,826,725)	(14,179,353)
Interest received	9,326,161	2,281,055
Dividends received	35,401	34,266
Purchase of investments	(425,000)	(82,195,687)
Proceeds from disposal of property, plant and equipment	9,135	8,138

Net cash used in investing activities

	(13,881,028)	(94,051,581)
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Cash flows from financing activities

Dividends paid	(12,015,985)	(12,587,116)
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Net cash used in financing activities

	(12,015,985)	(12,587,116)
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Net increase/(decrease) in cash and cash equivalents

	30,480,588	(6,645,113)
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Cash and cash equivalents at beginning of the period

	42,414,472	55,450,881
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Cash and cash equivalents at end of the period

	72,895,060	48,805,768
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The annexed notes 1 to 24 form an integral part of this condensed interim financial information.



Chief Executive



Director

Condensed Interim Statement of Changes in Equity [unaudited]

For the Six Months Ended 31 December 2013

	Share capital	Capital reserves		Unappropriated profit	Total equity
		Capital reserve	Self insurance		
	(Rupees '000)				
Balance at 01 July 2012 - previously reported	43,009,284	836,000	4,070,000	220,449,368	268,364,652
Change in accounting policy for remeasurement of employee retirement benefit plans-note 3.1	-	-	-	(4,981,578)	(4,981,578)
Balance at 01 July 2012 - restated	43,009,284	836,000	4,070,000	215,467,790	263,383,074
Transfer to self insurance reserve	-	-	426,107	(426,107)	-
Charged to self insurance reserve	-	-	(1,107)	1,107	-
Total comprehensive income for the period					
Profit for the period - restated	-	-	-	49,308,043	49,308,043
Other comprehensive loss - restated	-	-	-	(3,453,506)	(3,453,506)
Total comprehensive income for the period	-	-	-	45,854,537	45,854,537
Transactions with owners, recorded directly in equity					
Final dividend 2012: Rs 2.75 per share	-	-	-	(11,827,553)	(11,827,553)
First interim dividend 2013: Rs 1.75 per share	-	-	-	(7,526,625)	(7,526,625)
Total distributions to owners	-	-	-	(19,354,178)	(19,354,178)
Balance at 31 December 2012 - restated	43,009,284	836,000	4,495,000	241,543,149	289,883,433
Balance at 01 July 2013 - previously reported	43,009,284	836,000	4,920,000	274,893,417	323,658,701
Change in accounting policy for remeasurement of employee retirement benefit plans-note 3.1	-	-	-	(11,392,680)	(11,392,680)
Balance at 01 July 2013 - restated	43,009,284	836,000	4,920,000	263,500,737	312,266,021
Transfer to self insurance reserve	-	-	426,517	(426,517)	-
Charged to self insurance reserve	-	-	(1,517)	1,517	-
Total comprehensive income for the period					
Profit for the period	-	-	-	67,226,930	67,226,930
Other comprehensive loss	-	-	-	(1,036,817)	(1,036,817)
Total comprehensive income for the period	-	-	-	66,190,113	66,190,113
Transactions with owners, recorded directly in equity					
Final dividend 2013: Rs 2.75 per share	-	-	-	(11,827,553)	(11,827,553)
First interim dividend 2014: Rs 2.00 per share	-	-	-	(8,601,857)	(8,601,857)
Total distributions to owners	-	-	-	(20,429,410)	(20,429,410)
Balance at 31 December 2013	43,009,284	836,000	5,345,000	308,836,440	358,026,724

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.


Chief Executive


Director

Selected Notes to and Forming Part of the Condensed Interim Financial Information [unaudited]

For the Six Months Ended 31 December 2013

1 LEGAL STATUS AND OPERATIONS

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

2 BASIS OF PREPARATION

This condensed interim financial information of the Company for six months period ended 31 December 2013 has been prepared in accordance with the requirements of International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance 1984 have been followed. The disclosures in this condensed interim financial information, do not include that reported for full audited annual financial statements and should therefore be read in conjunction with the audited annual financial statements for the year ended 30 June 2013. Comparative balance sheet is extracted from the audited annual financial statements as of 30 June 2013, whereas comparative profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity are stated from unaudited condensed interim financial information for the six months period ended 31 December 2012.

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

3 ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The accounting policies, significant judgements made in the application of accounting policies, key sources of estimations, the methods of computation adopted in preparation of this condensed interim financial information and financial risk management policy are the same as those applied in preparation of annual audited financial statements for the year ended 30 June 2013 except as noted in 3.1 below

- 3.1 IAS 19 (as revised in June 2011) "Employees Benefits" became applicable to the Company during the period. The amendments to IAS 19 has changed accounting for employees' pension fund and deferred employee benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. The amendments require the recognition of changes in defined benefit obligation and fair value of plan assets when they occur, and hence eliminate 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income. Furthermore, the interest cost and expected return on plan assets used in previous version of IAS 19 are replaced with a 'net-interest' amount under IAS 19 (as revised in June 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. IAS 19 (as revised in June 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures. Effects of retrospective application of this change in accounting policy are as follows:

Effect for the half
year ended
31 December 2012
(Rupees '000)

PROFIT AND LOSS ACCOUNT

Decrease in operating expenses	79,249
Decrease in general and administration expenses	8,869
(Increase) in workers' profit participation fund	(4,406)
(Increase) in provision for taxation	(2,204)
Net effect	<u>81,508</u>

STATEMENT OF COMPREHENSIVE INCOME

Remeasurement loss on employee retirement benefit plans	(6,909,776)
Tax credit related to remeasurement loss on employee retirement benefit plans	3,456,270
Net effect	<u>(3,453,506)</u>

Selected Notes to and Forming Part of the Condensed Interim Financial Information [unaudited]

For the Six Months Ended 31 December 2013

	Cumulative effect upto 01 July 2012	Effect for the year ended 30 June 2013	Cumulative effect upto 30 June 2013
BALANCE SHEET	----- (Rupees '000) -----		
(Increase) in trade and other payables			
-Payable to Employees' pension trust	(7,620,040)	(12,015,562)	(19,635,602)
(Increase) in deferred employee benefits	(2,317,148)	(759,550)	(3,076,698)
(Decrease) in other receivables			
-Workers' profit participation fund	(29,955)	(52,222)	(82,177)
Decrease in deferred taxation	4,985,565	6,416,232	11,401,797
Decrease in unappropriated profit	<u>(4,981,578)</u>	<u>(6,411,102)</u>	<u>(11,392,680)</u>

There was no impact on cash flow statement except that certain figures have been reclassified within cash flow from operating activities as a result of the above restatement.

		31 December 2013	30 June 2013 Restated
		----- (Rupees '000) -----	
4 TRADE AND OTHER PAYABLES	Note		
Creditors		112,305	53,440
Accrued liabilities		4,710,191	4,890,813
Royalty payable		5,798,193	5,241,023
Excise duty payable		254,429	301,799
General sales tax payable		1,683,328	1,659,507
Payable to joint venture partners		5,634,567	9,040,238
Retention money		830,892	710,260
Trade deposits		73,478	76,910
Employees' pension trust		20,743,110	20,809,814
Workers' profit participation fund - net		4,845,364	-
Un-paid dividend	4.1	11,132,048	2,468,708
Un-claimed dividend		147,870	397,785
Payable to benevolent fund		905	706
Advances from customers		10,938,673	10,450,172
Other payables		244,739	37,353
		<u>67,150,092</u>	<u>56,138,528</u>

- 4.1 This includes an amount of Rs 3,391 million (30 June 2013: Rs 756 million) payable to OGDCL Employees' Empowerment Trust. The payment of dividend has been withheld pursuant to the instruction from the trustees since the GoP is considering to revamp Benazir Employees' Stock Option Scheme (BESOS) as communicated to the Company by Privatization Commission of Pakistan through letter no 13(4)12/PC(BESOS)/OGDCL dated 17 April 2013.

5 CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

Claims against the Company not acknowledged as debts amounted to Rs 1,411 million at period end (30 June 2013: Rs 967 million).

Selected Notes to and Forming Part of the Condensed Interim Financial Information [unaudited]

For the Six Months Ended 31 December 2013

5.2 Commitments

5.2.1 Commitments outstanding at period end amounted to Rs 29,657 million (30 June 2013: Rs 32,435 million). These include amounts aggregating to Rs 5,445 million (30 June 2013 : Rs 5,239 million) representing the Company's share in the minimum work commitments under Petroleum Concession Agreements.

5.2.2 Letters of credit issued by various banks on behalf of the Company in ordinary course of the business, outstanding at the period end amounted to Rs 24,196 million (30 June 2013 : Rs 23,727 million).

5.2.3 The Company's share of associate commitments for capital expenditure based on the financial information of associate for the period ended 30 September 2013 were Rs 1,699 million (30 June 2013: Rs 1,249 million).

		31 December 2013 ----- (Rupees '000) -----	30 June 2013 -----
6	PROPERTY, PLANT AND EQUIPMENT		
	Note		
		52,605,226	40,966,441
	Carrying amount at beginning of the period/ year		
	6.1	13,935,540	17,098,842
	Additions during the period/ year		
	Book value of disposals	(11,230)	(17,711)
	Depreciation charge for the period/ year	(2,334,629)	(5,442,346)
	Impairment charge for the period	(135,668)	-
	Carrying amount at end of the period/ year	<u>64,059,239</u>	<u>52,605,226</u>
6.1	Additions during the period/ year		
	Freehold land	914	3,995
	Leasehold land	-	318,600
	Buildings, offices and roads on freehold land	78,264	166,279
	Buildings, offices and roads on leasehold land	458,149	388,615
	Plant and machinery	3,100,718	6,156,815
	Rigs	16,146	116,909
	Pipelines	1,041,026	279,142
	Office and domestic equipment	22,651	52,437
	Office and technical data computers	19,171	300,705
	Furniture and fixture	5,077	13,060
	Vehicles	243,190	497,243
	Decommissioning cost	(347,918)	22,888
	Capital work in progress (net)	8,122,294	9,561,302
	Stores held for capital expenditure (net)	1,175,858	(779,148)
		<u>13,935,540</u>	<u>17,098,842</u>
7	DEVELOPMENT AND PRODUCTION ASSETS - INTANGIBLE		
	Carrying amount at beginning of the period/ year	74,651,460	64,671,505
	Additions during the period/ year	8,934,967	15,650,618
	Transfer from exploration and evaluation assets during the period/ year	769,769	3,577,494
	Amortization charge for the period/ year	(6,357,511)	(9,093,310)
	Impairment charge for the period/ year	(585,192)	(154,847)
	Reversal of impairment during the period	583,758	-
	Carrying amount at end of the period/ year	<u>77,997,251</u>	<u>74,651,460</u>

Selected Notes to and Forming Part of the Condensed Interim Financial Information [unaudited]

For the Six Months Ended 31 December 2013

		31 December 2013	30 June 2013
		----- (Rupees '000) -----	-----
8	EXPLORATION AND EVALUATION ASSETS	Note	
	Balance at beginning of the period/ year	4,811,334	7,530,825
	Additions during the period/ year	4,238,180	8,860,761
		9,049,514	16,391,586
	Cost of dry and abandoned wells during the period/ year	(2,721,350)	(8,002,758)
	Cost of wells transferred to development and production assets during the period/ year	(769,769)	(3,577,494)
		(3,491,119)	(11,580,252)
		5,558,395	4,811,334
	Stores held for exploration and evaluation activities	2,116,249	2,463,995
	Balance at end of the period/ year	7,674,644	7,275,329
9	LONG TERM INVESTMENTS		
	Investment in related party - associate, quoted		
	Mari Petroleum Company Limited (MPCL)	369,060	331,427
	Investments held to maturity		
	Term Deposit Receipts (TDRs)	9.1 5,345,000	4,920,000
	Investment in Pakistan Investment Bonds	9.2 52,917,014	53,165,376
	Investment in Term Finance Certificates	9.3 82,000,000	82,000,000
		140,262,014	140,085,376
		140,631,074	140,416,803

9.1 These represent investments in local currency TDRs. Face value of these investments is Rs 5,345 million (30 June 2013: Rs 4,920 million) and carry effective interest rate of 10.75% (30 June 2013: 9.81%) per annum. These investments are due to mature within next 12 months, however, these have not been classified as current assets based on the management's intention to reinvest them in the like investments for a longer term.

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

9.3 This represents investment in Privately Placed Term Finance Certificates (TFCs) issued by Power Holding (Private) Limited (PHPL). National Bank of Pakistan executed the transaction on 10 September 2012 as Trustee. These TFCs are secured by Sovereign Guarantee, covering the principal, markup, and/or any other amount becoming due for payment in respect of investment in TFCs. TFCs are for a period of seven (7) years including grace period of three (3) years carrying interest rate of KIBOR + 1%, payable semi-annually. The principal portion of these TFCs shall be repaid in eight (8) equal installments starting from 42nd month of date of transaction. The interest due as of 31 December 2013 is Rs 6,901.569 million of which Rs 4,352.785 million is past due as of the balance sheet date.

		31 December 2013	30 June 2013
		----- (Rupees '000) -----	-----
10	TRADE DEBTS		
	Un-secured, considered good	65,940,462	55,874,924
	Un-secured, considered doubtful	112,782	112,782
		66,053,244	55,987,706
	Provision for doubtful debts	(112,782)	(112,782)
		65,940,462	55,874,924

Selected Notes to and Forming Part of the Condensed Interim Financial Information [unaudited]

For the Six Months Ended 31 December 2013

- 10.1** Trade debts include overdue amount of Rs 39,407 million (30 June 2013: Rs 37,499 million) receivable from oil refineries and gas companies. The settlement of trade debts has been slow due to circular debt issue in the energy sector of Pakistan. However, during the year 2012-2013, trade debts amounting to Rs 137,729 million had been settled under GoP arranged issuance of Pakistan Investment Bonds (PIBs) amounting to Rs 55,729 million and Term Finance Certificates (TFCs) amounting to Rs 82,000 million as partial settlement of circular debt (refer note 9.2 & 9.3). Accordingly, management considers this amount to be fully recoverable. Therefore, no provision has been made in this condensed interim financial information against these debts.

11 LOANS AND ADVANCES

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

12 OTHER RECEIVABLES

This includes an overdue amount of Rs 560 million receivable from Karachi Electric Supply Company Limited (KESC), on account of installments receivable under inter corporate debt adjustment approved by the Government of Pakistan in February, 1999 as decided by Economic Coordination Committee of Cabinet (ECC) in February, 1999. The amount from KESC was receivable in 32 quarterly installments of Rs 46.688 million commencing from February 2004. During the period, KESC has paid 20th installment amounting to Rs 46.688 million in November 2013. For payment of remaining outstanding amount of Rs 560 million, the matter has been taken up with ministry of Water & Power through ministry of Finance. Management considers this amount to be fully recoverable.

		31 December 2013	30 June 2013
	Note	----- (Rupees '000)	-----
13 INCOME TAX PAID IN ADVANCE			
Provision for taxation at beginning of the period / year		(2,238,065)	(2,421,831)
Income tax paid during the period / year		20,172,466	53,639,424
Provision for current taxation for the period / year - profit and loss account		(27,253,815)	(42,567,340)
Tax credit related to remeasurement loss on employee retirement benefit plans for the period / year - other comprehensive income		12,439,444	-
Reversal of provision / (provision) for taxation - prior years		3,339,307	(10,888,318)
Income tax paid in advance / (Provision for taxation) at end of the period / year		<u>6,459,337</u>	<u>(2,238,065)</u>
14 OTHER FINANCIAL ASSETS			
Investments:			
At fair value through profit or loss - NIT units		225,834	192,554
Investment in Term Deposits	14.1	58,740,590	39,704,597
		<u>58,966,424</u>	<u>39,897,151</u>

- 14.1** This represents foreign currency TDRs amounting to USD 369.353 million (30 June 2013: USD 304.309 million), carrying interest rate ranging from 2.85% to 5.00% (30 June 2013: 1.55% to 2.45%) per annum, these TDRs are having maturities between one month to six months. These also includes local currency TDRs amounting to Rs 19,670 million (30 June 2013: Rs 9,343.712 million), carrying interest rate of 9.52% to 10.75% (30 June 2013: 9.25% to 9.81%) per annum having maturities upto three months.

Selected Notes to and Forming Part of the Condensed Interim Financial Information [unaudited]

For the Six Months Ended 31 December 2013

		Three months ended 31 December		Six months ended 31 December	
		2013	2012	2013	2012
(Rupees '000)					
15 SALES - net	Note				
Gross sales					
Crude oil		35,002,632	31,221,349	66,722,353	58,864,452
Gas		33,197,884	29,413,193	68,628,509	59,976,490
Liquefied petroleum gas		1,465,387	2,378,104	2,675,343	4,441,802
Sulphur		-	275,870	252,362	308,656
Other operating revenue		16,170	9,855	28,844	20,106
		<u>69,682,073</u>	<u>63,298,371</u>	<u>138,307,411</u>	<u>123,611,506</u>
Effect of price discount on crude oil-net of government levies	15.1	-	(1,313,803)	-	(2,528,481)
Government levies					
Excise duty		(839,175)	(762,963)	(1,743,997)	(1,593,466)
General sales tax		(5,089,123)	(4,391,302)	(10,393,214)	(8,863,556)
Discount on crude oil price		-	-	-	(479)
		<u>(5,928,298)</u>	<u>(5,154,265)</u>	<u>(12,137,211)</u>	<u>(10,457,501)</u>
		<u>63,753,775</u>	<u>56,830,303</u>	<u>126,170,200</u>	<u>110,625,524</u>

- 15.1** Kunnar crude oil price was provisionally fixed by the Ministry of Petroleum and Natural Resources (MPNR) vide letter no. PL-NPA(4)2000-Kun dated 17 June 2002 on the basis of pricing formula of Badin-II (Revised) concession having no price discounts, subject to retrospective adjustment on finalization of Kunnar Crude Oil Sale Purchase Agreement ("the COSA"). As advised by the MPNR vide letter No.PL-Misc.(6)/2005/Bobi dated 30 October 2008 the Kunnar COSA was submitted on the basis of aforementioned pricing formula. Later on, the MPNR advised that the Kunnar COSA may be resubmitted on the basis of Badin-I pricing formula which contains discounts and the Company was also advised vide MPNR letter No. PL-NPA(4)2009-Kunnar dated 30 April 2011, to revise invoices for the period starting January 2007. The Company is pursuing the matter with the concerned authorities. Being prudent the Company has already made an adjustment of Rs 25,199 million.

		Three months ended 31 December		Six months ended 31 December	
		2013	2012	2013	2012
(Rupees '000)					
16 OTHER INCOME					
Interest income		4,599,526	3,229,067	9,026,619	5,263,026
Dividend income from NIT units		-	-	17,026	15,891
Un-realized gain on investments at fair value through profit or loss		41,907	14,256	33,280	13,303
Exchange gain - net		455,397	907,489	2,819,902	1,409,796
Others		(402,290)	90,003	222,755	144,104
		<u>4,694,540</u>	<u>4,240,815</u>	<u>12,119,582</u>	<u>6,846,120</u>

Selected Notes to and Forming Part of the Condensed Interim Financial Information [unaudited]
For the Six Months Ended 31 December 2013

	Three months ended 31 December		Six months ended 31 December	
	2013	2012	2013	2012
		Restated		Restated
	(Rupees '000)			
17 TAXATION				
Current				
- for the period	14,988,306	10,559,647	27,253,815	21,304,825
- for prior period	(3,339,307)	2,527,950	(3,339,307)	2,365,314
	11,648,999	13,087,597	23,914,508	23,670,139
Deferred				
- for the period	289,370	1,171,672	486,919	1,347,383
- for prior period	(1,127,801)	-	(1,127,801)	-
	(838,431)	1,171,672	(640,882)	1,347,383
	10,810,568	14,259,269	23,273,626	25,017,522
18 EARNINGS PER SHARE - BASIC AND DILUTED				
Profit for the period (Rupees '000)	33,638,435	23,652,338	67,226,930	49,308,043
Average number of shares outstanding during the period ('000)	4,300,928	4,300,928	4,300,928	4,300,928
Earnings per share - basic (Rupees)	7.82	5.50	15.63	11.46

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

19 RELATED PARTIES TRANSACTIONS

Government of Pakistan owns 74.97% (31 December 2012: 74.97%) shares of the Company. Therefore, all entities owned and controlled by the Government of Pakistan are related parties of the Company. Other related parties comprise associated company, major shareholders, directors, companies with common directorship, key management personnel and employees pension trust. The Company in normal course of business pays for electricity, gas and telephone to entities controlled by Government of Pakistan which are not material, hence not disclosed in this condensed interim financial information. Transactions of the Company with related parties and balances outstanding at the period end are as follows:

	Six months ended 31 December	
	2013	2012
	(Rupees '000)	
Associated company		
Share of profit in associate - net of taxation	56,008	53,228
Major shareholders		
Government of Pakistan		
Dividend paid	8,867,488	8,867,488
OGDCL Employees' Empowerment Trust (OEET)		
Dividend paid	-	1,074,165
Related parties by virtue of common directorship and GoP holdings		
Government Holdings (Private) Limited (GHPL)		
GHPL share (various fields)	45,933	34,063
Receivable as at 31 December	459,140	286,413

Selected Notes to and Forming Part of the Condensed Interim Financial Information [unaudited]
For the Six Months Ended 31 December 2013

	Six months ended 31 December	
	2013	2012
	----- (Rupees '000) -----	
RELATED PARTY TRANSACTIONS- Continued		
Power Holding (Private) Limited (PHPL)		
Purchase of investment (Term Finance Certificate)	-	82,000,000
Markup earned	4,228,392	2,720,603
Receivable as at 31 December	6,901,569	2,720,603
State Bank of Pakistan		
Interest earned on Pakistan Investment Bonds (PIBs)	2,943,426	-
Receivable as at 31 December	2,655,482	-
Pak Arab Refinery Company Limited		
Sale of crude oil	3,463,749	11,078,887
Trade debts as at 31 December	-	15,717,893
Advance received as at 31 December	3,492,367	3,020,046
Sui Northern Gas Pipelines Limited		
Sale of natural gas	31,281,309	27,274,673
Purchase of high BTU value gas	1,349,672	1,402,275
Trade debts as at 31 December	11,744,196	13,708,423
Payable as at 31 December	1,098	1,100
Sui Southern Gas Company Limited		
Sale of natural gas	29,753,692	26,885,029
Pipeline rental charges	28,029	7,928
Trade debts as at 31 December	43,600,771	48,932,114
Payable as at 31 December	-	3,055
Pakistan State Oil Company Limited		
Sale of liquefied petroleum gas	-	23,418
Purchase of petroleum, oil and lubricants	2,194,827	2,050,306
Trade debts as at 31 December	1,867	1,946
National Insurance Company Limited		
Insurance premium paid	178,965	508,136
Payable as at 31 December	-	16,840
National Logistic Cell		
Crude transportation charges paid	625,470	962,612
Payable as at 31 December	433,204	792,371
Enar Petrotech Services Limited		
Consultancy services	85,662	43,229
Sale of crude oil	6,992,026	1,753,003
Trade debts as at 31 December	2,137,875	330,194
Payable as at 31 December	1,761	6,801

Selected Notes to and Forming Part of the Condensed Interim Financial Information [unaudited]
For the Six Months Ended 31 December 2013

	Six months ended 31 December 2013	2012
RELATED PARTY TRANSACTIONS- Continued		
Other related parties		
Contribution to staff benefit funds	4,502,712	1,507,976
Remuneration including benefits and perquisites of key management personnel	230,374	218,601

----- (Rupees '000) -----

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

20 RISK MANAGEMENT

Financial risk management objectives and policies are consistent with that disclosed in the annual audited financial statements for the year ended 30 June 2013.

21 CORRESPONDING FIGURES

Certain corresponding figures have been changed as a result of restatement of prior year figures as referred in note 3.1

22 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors approved interim cash dividend at the rate of Rs 2.00 per share (30 June 2013: Rs 2.75 per share) in its meeting held on 25 February 2014.

23 DATE OF AUTHORIZATION FOR ISSUE


This condensed interim financial information was authorized for issue by the Board of Directors of the Company on 25 February 2014.

24 GENERAL

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



Chief Executive



Director



Oil & Gas Development Company Limited

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