

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.

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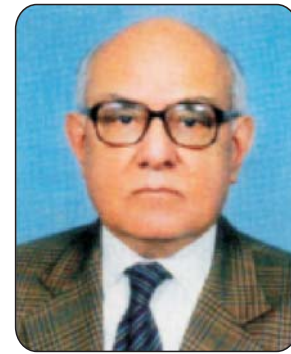
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Board of



Mr. M. Afzal Khan
Chairman



Mr. Muhammad Iqbal Awan



Mr. G. A. Sabri



Mr. Pervaiz Kausar



Mr. Pervez Hanif



Mr. Muhammad Bilal



Directors



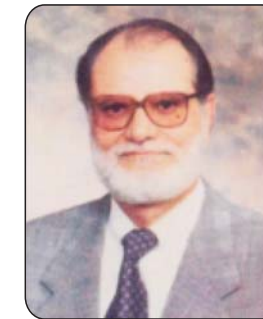
Mr. Najam K. Hyder
Managing Director



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

Tel: (PABX) (051) 9209811-8,

Fax: (051) 9209804-6, 9209708

Email: csec.ogdcl.com

Website: www.ogdcl.com

COMPANY PROFILE

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.

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.

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.

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.

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

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.

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.

Senior Management Team

Mr. Najam K. Hyder
Managing Director

Mr. Khalid Atiq Ghazi
Executive Director
(Finance)

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

Dr. Syed Muhammad Ahmed
Executive Director
(Exploration)

Mr. Mubbashar A. Zafar
Executive Director
(Administration)

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

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

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

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

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

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

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
APPROPRIATIONS		
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
Other financial information		
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 Sinjhoru 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 ¹	28,525 Barrels
White Petroleum Products ¹	2,603 Barrels
Gas ²	761 MMscf
Liquified Petroleum Gas ¹	274 M. Tons
Sulphur ¹	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 MMscfd of gas at a wellhead flowing pressure of 2100 Psi.



OGDCL made an oil/condensate & gas discovery at Chak-07A in the Sinjhoru 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 Sinjhoru 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 MMscfd of gas.

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

Another discovery of Hakeem Daho in Sinjhoru 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 MMscfd 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 Sinjhoru 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:

Oil	
OGDCL operated	131 million barrels
OGDCL share in non-operated JVs	33 million barrels
Total:	164 million barrels

Gas	
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 upgraded 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 its 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.

Sinjhero 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)	(Appointed on 26.06.2003)	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:

- a) 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.
- b) Proper books of account of the Company have been maintained.
- c) 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.
- d) International accounting standards (IAS), as applicable in Pakistan, have been followed in preparation of financial statements.
- e) The system of internal control is being reviewed to ensure that it is being effectively implemented and monitored.
- f) In view of its sound financial position there are no doubts about the Company's ability to continue as going concern.
- g) Key operating and financial data of last ten years is enclosed.
- h) 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

OGDCL Employees Pension & Gratuity Fund Trust Rs 1,968.455 million



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-marketed 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
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.

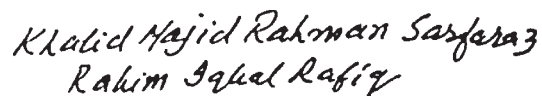
It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an 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)
SHARE CAPITAL AND RESERVES			
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>
		64,096,779	57,239,568
CONTINGENCY RESERVE FUND	5	1,363,968	450,878
LONG TERM LOANS	6	14,751	14,751
LONG TERM PROVISIONS	7	4,808,113	4,099,026
DEFERRED LIABILITIES	8	8,183,119	6,394,698
CURRENT LIABILITIES AND PROVISIONS			
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	—
		6,455,075	7,142,303
CONTINGENCIES AND COMMITMENTS	10	—	—
		<u>84,921,805</u>	<u>75,341,224</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)
FIXED CAPITAL EXPENDITURE			
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		<u>870,749</u>	<u>949,849</u>
		37,535,227	34,571,853
LONG TERM INVESTMENTS	14	491,500	491,500
INVESTMENTS HELD TO MATURITY	15	541,948	428,860
LONG TERM PREPAYMENTS		34,029	32,986
LONG TERM RECEIVABLES	16	2,279,147	3,138,364
CURRENT ASSETS			
Stores and stocks	17	<u>6,057,651</u>	<u>6,380,358</u>
Trade debts—unsecured (considered good)	18	<u>12,995,933</u>	<u>13,084,730</u>
Loans, advances, deposits, prepayments and other receivables	19	<u>5,543,945</u>	<u>2,304,136</u>
Cash and bank balances	20	<u>19,442,425</u>	<u>14,908,437</u>
		44,039,954	36,677,661
		<u>84,921,805</u>	<u>75,341,224</u>


 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
		45,070,198	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
		15,082,620	12,740,324
		29,987,578	27,064,772
Less: Exploration expenditure written off including exploratory dry holes	24	2,526,119	1,195,687
		27,461,459	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
		3,031,775	2,221,555
		24,429,684	23,647,530
Other income	27	1,987,402	2,040,297
PROFIT BEFORE TAXATION		26,417,086	25,687,827
Provision for taxation	28	5,744,000	8,913,000
PROFIT AFTER TAXATION		20,673,086	16,774,827
Unappropriated profit brought forward		31,761,423	25,801,307
		52,434,509	42,576,134
APPROPRIATIONS :			
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	-
		31,347,014	10,814,711
UNAPPROPRIATED PROFIT CARRIED FORWARD		21,087,495	31,761,423
Earnings per share - Basic (Rupees)	30	19.23	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)
Cash flow from operating activities		
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)
	35,830,332	33,394,788
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	35,234,288	30,142,967
Royalty paid	(4,415,848)	(4,311,901)
Staff retirement benefits paid	(140,696)	(171,659)
Taxes paid	(10,944,034)	(5,941,774)
	(15,500,578)	(10,425,334)
	19,733,710	19,717,633
Cash flow from investing activities		
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)
	(4,712,021)	(4,122,386)
Cash flow from financing activities		
Repayment of long term loans	(233,142)	(334,892)
Financial charges paid	(254,901)	(408,685)
Dividend paid	(9,999,659)	(14,730,680)
	(10,487,702)	(15,474,257)
Increase in cash and bank balances	4,533,988	120,990
Cash and bank balances at the beginning of the year	14,908,437	14,787,447
Cash and bank balances at the end of the year	19,442,425	14,908,437

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	<u>10,752,321</u>	<u>-</u>	<u>14,725,824</u>	<u>31,761,423</u>	<u>57,239,568</u>
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><u>10,752,321</u></u>	<u><u>32,256,963</u></u>	<u><u>-</u></u>	<u><u>21,087,495</u></u>	<u><u>64,096,779</u></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
GOVERNMENT OF PAKISTAN				
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
DIRECT LOAN				
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>(109,627)</u>	<u>2,620,617</u>
	<u>1,561,921</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 July 1, 2002 (Rs '000)	As at June 30, 2003 (Rs '000)	Depreciation Charge for the year/ (On deletions) (Rs '000)	Adjustments (Rs '000)	As at July 1, 2002 (Rs '000)	As at June 30, 2003 (Rs '000)	Written Down Value as at June 30, 2003 (Rs '000)
	As at July 1, 2002 (Rs '000)	Additions/(deletions) during the year (Rs '000)								
Freehold land	83,950	1,104	-	-	85,025	-	-	-	-	85,025
Leasehold land	245,079	-	1 - 3.3	245,079	245,079	8,050	-	55,965	64,015	181,064
Buildings / offices on freehold land	794,051	21,287	2.5	778,412	778,412	19,498	(36,926)	108,574	123,876	654,536
Buildings / offices on leasehold land	5,777	-	2.5	5,777	5,777	144	-	486	630	5,147
Buildings / roads in fields on freehold land	234,942	101,037	8	372,905	372,905	24,927	36,926	48,932	78,055	294,850
Buildings / roads in fields on leasehold land	484,856	29,998	8	514,854	514,854	41,181	-	79,128	120,309	394,545
Plant and machinery	24,231,975	3,256,132	10	27,488,136	27,488,136	1,776,381	29	13,354,299	15,130,680	12,357,456
Rigs	637,087	26,617	10	663,704	663,704	13,721	-	575,210	588,931	74,773
Pipelines	3,722,862	25,639	10	3,748,501	3,748,501	374,449	-	1,569,228	1,943,677	1,804,824
Rolling stock	1,693,810	57,527	20	1,748,683	1,748,683	40,885	-	1,572,147	1,610,391	138,292
Office and domestic equipment	296,434	(2,654)	15	311,407	311,407	(2,641)	-	280,648	290,954	20,453
Office and technical data computers	387,037	24,474	30	411,511	411,511	21,912	-	276,576	298,488	113,023
Furniture and fixtures	67,662	8,784	15	76,446	76,446	2,467	-	44,001	46,468	29,978
Aircraft	19,855	-	10	19,855	19,855	-	-	17,869	17,869	1,986
Total	32,905,377	3,567,572		36,470,295	36,470,295	2,333,921	-	17,983,063	20,314,343	16,155,952
		(2,654)				(2,641)				
Decommissioning cost	-	182,145	1 - 10	182,145	182,145	17,147	-	-	17,147	164,998
	32,905,377	3,749,717		36,652,440	36,652,440	2,351,068	-	17,983,063	20,331,490	16,320,950
2002	30,675,831	(2,654)		32,905,377	32,905,377	(2,641)	-	15,564,716	17,983,063	14,922,314
	-	2,293,339		-	-	2,482,091	-	-	-	-
	-	(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 June 30, 2003 (Rs '000)	As at July 1, 2002 (Rs '000)	During the year (Rs '000)	As at June 30, 2003 (Rs '000)
DRILLING COST						
Producing fields-own						
Toot	1,522,632	(44)	1,522,588	1,251,875	16,398	254,315
Dakhni	1,199,135	2,461	1,201,596	434,241	28,191	739,164
Uch	947,035	-	947,035	74,045	19,830	853,160
Loti	784,137	-	784,137	549,896	35,375	198,866
Sadqal	754,289	-	754,289	753,072	178	1,039
Dhodak	555,942	(783)	555,159	508,451	18,170	393,290
Missakeswal	555,120	-	555,120	508,451	38,436	8,233
Nandpur/Sarai Sidhu	599,867	26,021	625,888	145,903	63,225	416,760
Tando Alam	446,408	-	446,408	344,523	20,360	81,525
Railian	703,440	(244)	703,196	253,420	44,822	404,954
Fimkassar	341,198	-	341,198	291,769	1,037	48,392
Panjiir	254,650	-	254,650	73,820	42,547	138,253
Bhal/Syedon	218,661	-	218,661	207,847	2,541	8,273
Lashari Centre	211,881	-	211,881	105,710	18,588	87,583
Sono	166,906	(973)	165,933	140,253	7,492	18,188
Kunmer	190,468	71,814	262,282	75,640	43,478	143,164
Kal	171,244	-	171,244	152,700	3,671	14,873
Sari	60,893	-	60,893	47,659	2,040	11,194
Hundi	18,552	-	18,552	16,732	265	1,555
Pasakhi / Pasakhi North	190,002	(130)	189,872	123,489	30,396	35,987
Daru	109,634	-	109,634	50,737	13,726	45,171
Thora / Thora East	86,317	-	86,317	86,209	22	86
Misan	78,776	(25)	78,751	72,234	2,680	3,837
Sub total	10,167,187	98,097	10,265,284	5,903,924	453,468	3,907,892
Producing fields-Joint ventures						
Kadanwari	1,973,847	228	1,974,075	1,164,927	53,265	755,883
Miano	1,245,150	184,620	1,429,770	28,029	132,642	1,269,099
Pindori	837,643	373,090	1,210,733	297,212	31,051	882,470
Qadirpur	1,078,295	4,395	1,082,690	164,202	40,355	878,133
Adhi	569,932	643,799	1,213,731	338,004	22,506	853,221
Dhurnal	252,463	-	252,463	216,642	2,173	33,648
Ratana	216,221	66,502	282,723	202,793	1,861	78,069
Chak Naurang	203,989	-	203,989	200,533	1,346	2,110
Meyun Ismail	193,436	-	193,436	60,913	33,344	99,179
Zaur	364,433	-	364,433	74,608	75,392	332,388
Shah Dino	146,728	117,955	264,683	14,429	1,429	14,288
Buzdar (UTP)	92,272	7,232	99,504	120,375	3,716	124,091
Paniro	91,870	-	91,870	45,383	3,154	29,869
Jabo	109,037	82,128	191,165	18,624	15,890	43,735
Sara/Suri	48,253	109	48,362	36,066	9,803	139,484
Pir	111,246	-	111,246	41,959	688	63,277
Jagir	38,608	4,724	43,332	43,468	13,851	5,606
Bhangali	197,051	-	197,051	35,692	808	58,651
Bhit	33,109	87,736	120,845	-	13,608	2,108
Sakhi	18,850	4,840	23,690	1,707	1,707	36,242
Keyhole	27,739	27,650	55,389	606	606	44,515
Kato	51,356	(923)	50,433	19,523	465	6,828
Rind	17,819	5,633	23,452	32,973	564	23,452
Muban	7,919,347	(212)	7,919,135	2,482	1,111	14,014
Sub total	18,086,534	1,625,223	19,711,757	3,145,787	461,335	5,937,448
Total producing fields		1,723,320	20,437,041	9,049,711	914,803	9,845,340



	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)
Shut-in-fields-own					
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	-	-
Shut-in-fields-Joint ventures					
Tando Allah Yar	269,687	-	-	-	269,687
Sinjhoru	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
Total shut-in fields	<u>2,298,687</u>	<u>697,509</u>	<u>237,125</u>	<u>-</u>	<u>2,759,071</u>
Total drilling cost	<u>20,385,221</u>	<u>2,420,829</u>	<u>9,286,836</u>	<u>914,803</u>	<u>12,604,411</u>
DECOMMISSIONING COST	<u>4,099,026</u>	<u>526,942</u>	<u>566,359</u>	<u>444,773</u>	<u>3,614,835</u>
Total	<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>
2002	<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)
Wells in progress		
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
Joint Ventures		
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
	1,180,560	1,137,383

Capital work in progress

	2003 (Rs '000)	2002 (Rs '000)
Production facilities at fields		
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
Pasakhi	14,599	7,169
Kunner	12,763	2,115
Missakeswal	8,329	–
Dhodak	3,985	–
Fimkassar	5,505	–
Bhulan Shah	600	–
Toot	495	–
Ghauspur	956	–
	2,896,162	2,896,194
Building for Dhodak 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	–
	47,560	35,060
	2,943,722	2,931,254
	4,124,282	4,068,637
14 LONG TERM INVESTMENTS		
Wholly owned subsidiary company - Un-quoted		
Pirkoh Gas Company (Private) Limited	418,000	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	73,500	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)		
	491,500	491,500



15 INVESTMENTS HELD TO MATURITY	2003 (Rs '000)	2002 (Rs '000)
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)	2,667,000	2,667,000
Less : Allowance for impairment	(559,795)	-
	<u>2,107,205</u>	<u>2,667,000</u>
	<u>2,711,601</u>	<u>3,216,047</u>
Less : Current portion of long term loans (note 19)	(57,095)	(77,683)
Current portion of long term receivable (note 19)	(375,359)	-
	<u>(432,454)</u>	<u>(77,683)</u>
	<u>2,279,147</u>	<u>3,138,364</u>

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

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

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

27 OTHER INCOME	2003 (Rs '000)	2002 (Rs '000)
Interest income	909,685	1,434,192
Interest on delayed payments from customers	594,221	367,436
Dividend income :		
From wholly owned subsidiary company	376,200	125,400
From associated company	14,700	27,563
Profit on sale of fixed assets	69	1,448
Sale of scrap	2,698	22,657
Others	89,829	61,601
	<u>1,987,402</u>	<u>2,040,297</u>
28 PROVISION FOR TAXATION		
Current - for the year (note 28.1)	6,230,126	7,290,000
- for prior years	(1,791,487)	323,000
	<u>4,438,639</u>	<u>7,613,000</u>
Deferred - for the year	248,596	1,300,000
- for prior years	1,056,765	-
	<u>1,305,361</u>	<u>1,300,000</u>
	<u>5,744,000</u>	<u>8,913,000</u>

28.1 Reconciliation of tax charge for the year :

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

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			Total (Rs '000)
	Interest / mark-up less than one year (Rs '000)	mark-up bearing five years (Rs '000)	Total (Rs '000)	Interest / mark-up less than one year (Rs '000)	mark-up bearing five years (Rs '000)	Total (Rs '000)	
Financial assets:							
Trade debts	-	-	12,995,933	-	-	13,084,730	13,084,730
Loans, advances, deposits and other receivables	-	-	697,320	-	-	228,661	228,661
Cash and bank balances	18,975,061	-	19,442,425	14,560,141	-	14,560,141	14,908,437
Long term receivables	-	-	2,279,147	-	-	3,138,364	3,138,364
Loans to employees	10,322	33,601	604,396	9,665	43,042	473,479	549,047
Investments	-	237,338	541,948	-	266,454	428,860	428,860
	18,985,383	355,050	16,949,797	14,569,806	205,448	15,064,569	32,338,099
Financial liabilities							
Long term loans	-	-	14,751	-	-	14,751	14,751
Creditors, accrued and other liabilities	-	-	3,471,048	-	-	3,885,997	3,885,997
Employees' retirement benefits	-	-	1,662,758	-	-	1,179,698	1,179,698
Decommissioning cost	-	-	4,808,113	-	-	4,099,026	4,099,026
	-	-	9,956,670	-	-	9,179,472	9,179,472
Off balance sheet items							
Capital commitments (other than LCs)	-	-	4,122,487	-	-	3,107,421	3,107,421
Letters of credit	-	-	1,589,449	-	-	797,486	797,486
Guarantees	-	-	104,459	-	-	29,418	29,418
	-	-	5,816,395	-	-	3,934,325	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

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

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 :

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

32 NUMBER OF EMPLOYEES

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

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

* 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	Component	Reclassification to Note	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
SEISMIC SURVEY	Kms	4,419	4,941
WELLS DRILLED	Numbers		
Exploratory Wells		10	6
Development Wells		5	12
		15	18
DRILLED DEPTHS	Meters		
Exploratory		26,280	13,186
Development		15,246	24,498
		41,526	37,684
OIL AND GAS DISCOVERIES	Numbers	1	2

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

Crude Oil

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

Gas

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

LPG

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

Sulphur

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

White Petroleum Products

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

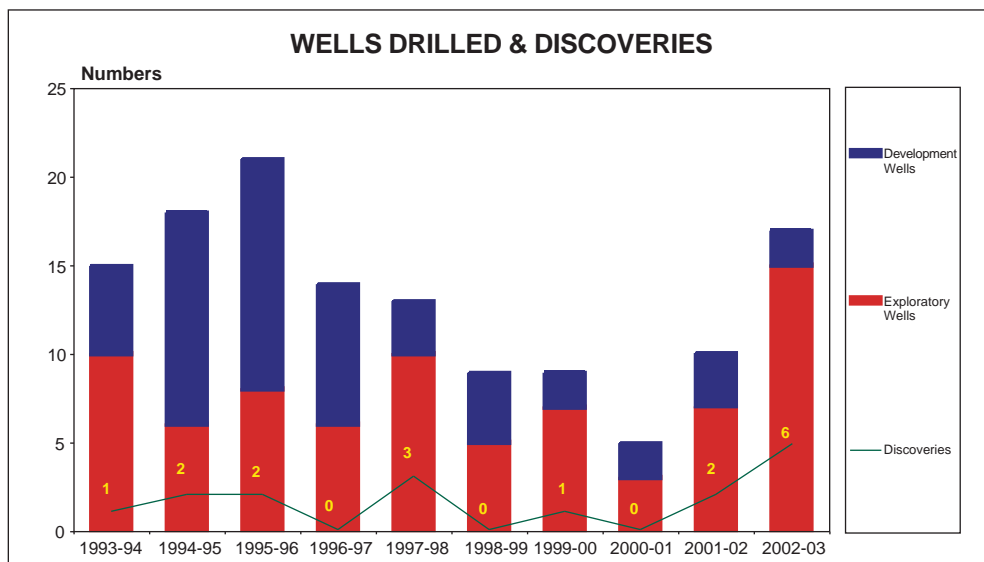
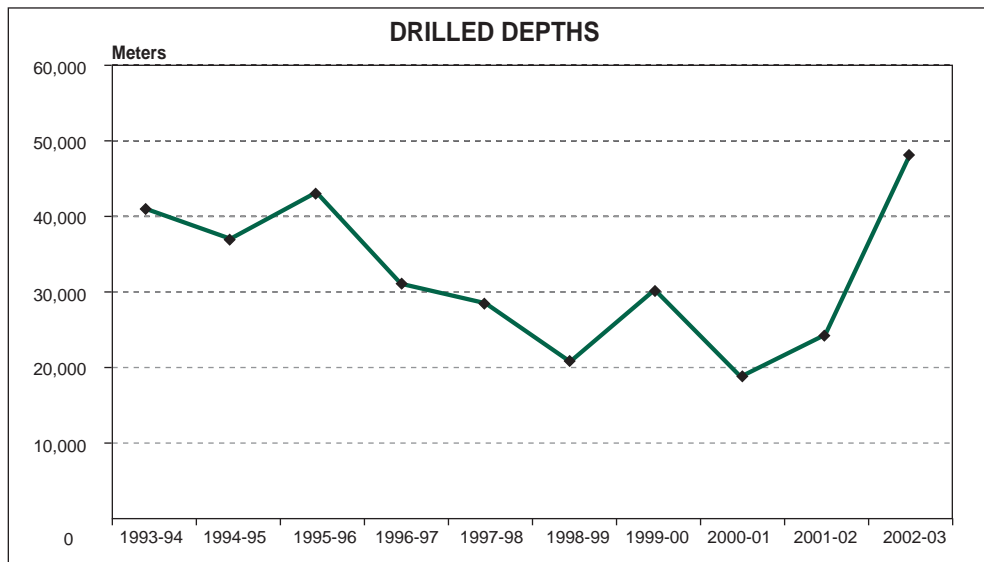
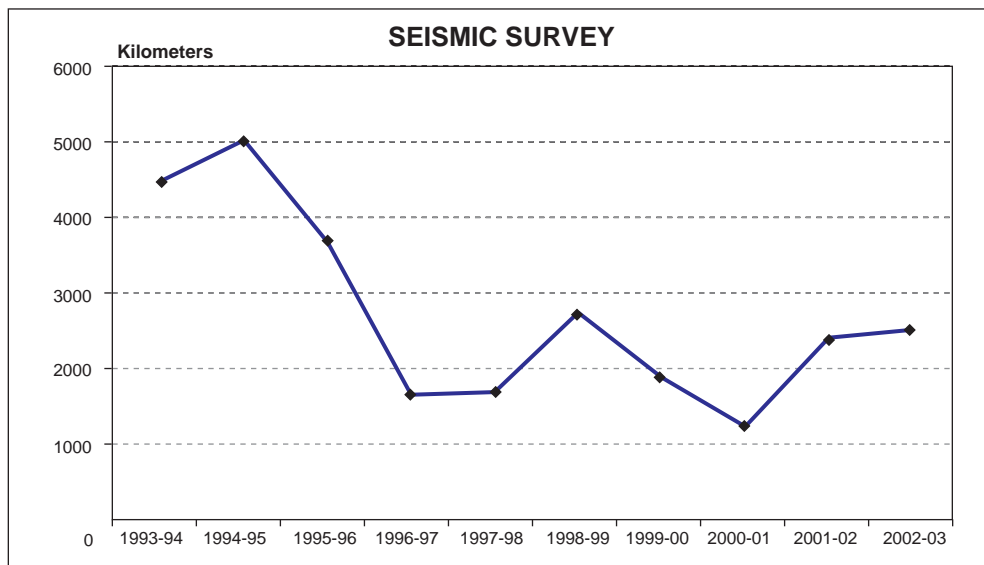
50,587	43,312	40,776	39,360	58,626	96,375	108,699	111,065
141	120	113	109	163	268	302	309
34,548	57,585	60,755	56,720	71,134	88,628	96,312	104,433
96	160	169	158	198	246	268	290
23,159	24,459	22,832	19,887	31,774	32,924	40,526	58,508
64	68	63	55	88	91	113	163
108,294	125,356	124,363	115,967	161,534	217,927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

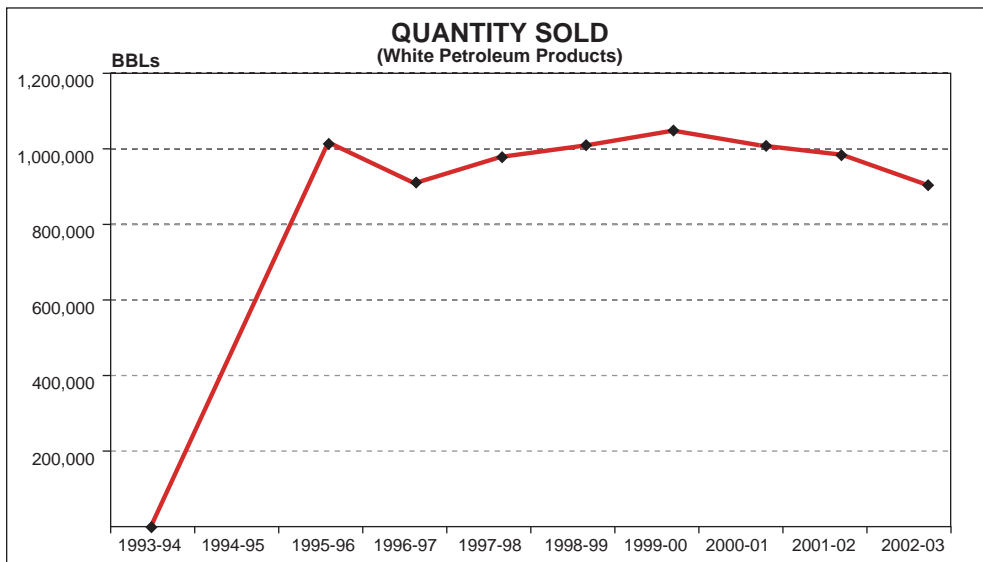
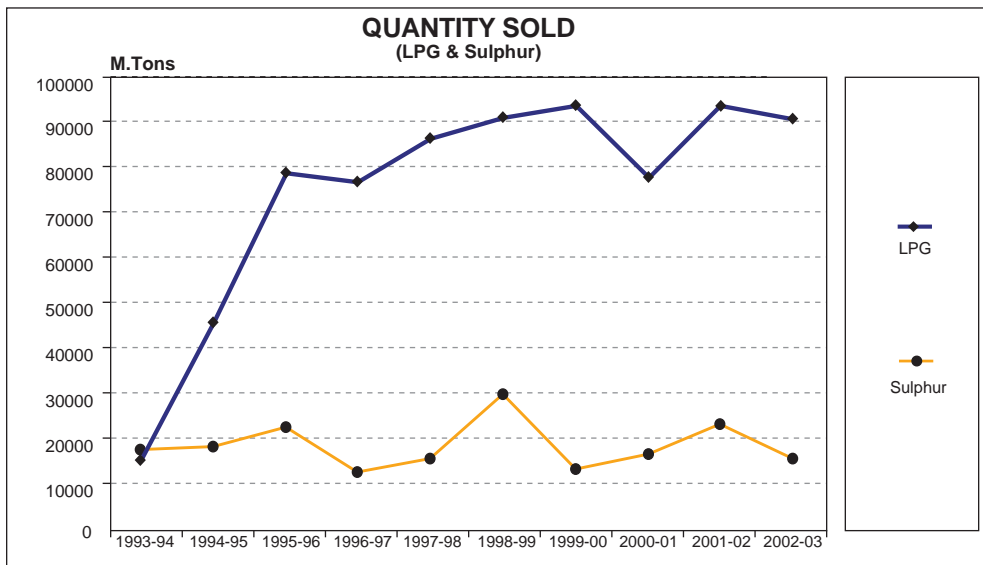
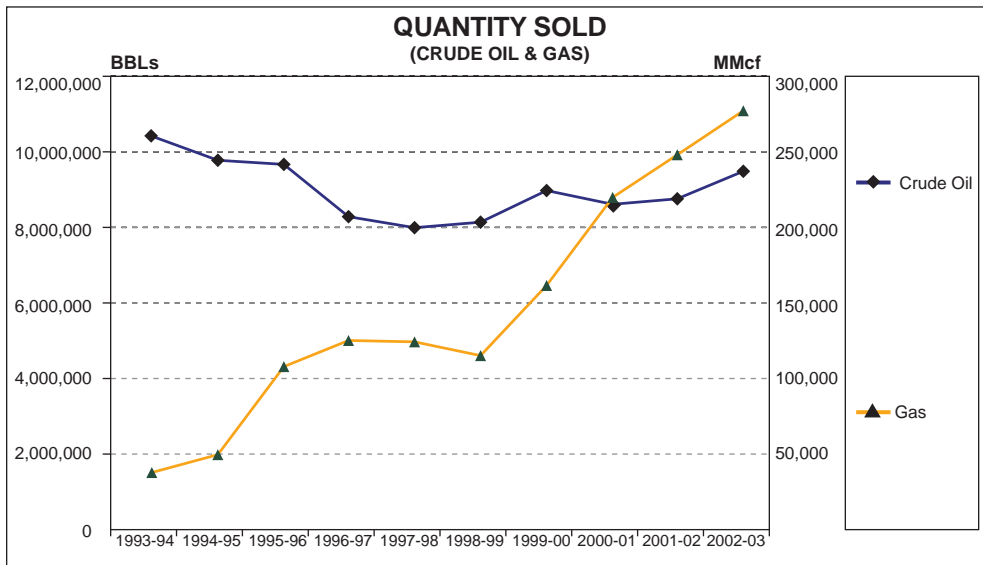
65,728	63,799	69,607	72,929	69,978	56,193	70,044	65,138
199	193	211	221	212	170	212	198
12,621	12,543	16,173	17,496	23,026	21,209	23,092	25,166
38	38	49	53	70	64	70	76
78,349	76,342	85,780	90,425	93,004	77,402	93,136	90,304
237	231	260	274	282	235	282	274

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
GROSS SALES REVENUE	Rs in Million		
Crude Oil		4,974	5,097
Gas		1,268	1,967
LPG		46	190
Sulphur		69	88
White Petroleum Products		-	721
		6,357	8,063
GOVERNMENT LEVIES	Rs in Million		
Excise Duty		317	478
Sales Tax		-	-
Development Surcharge		-	447
		317	925
SOURCES OF INCOME	Rs in Million		
Net Sales Revenue		6,040	7,138
Other Operating Revenue		73	71
Other Income		387	259
		6,500	7,468
UTILIZATION OF INCOME	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)
		5,996	5,486
PROFIT BEFORE TAX	Rs in Million	504	1,982
CORPORATE TAX	Rs in Million	114	108
PROFIT AFTER TAX	Rs in Million	390	1,874
TRANSFER TO CONTINGENCY RESERVE FUND	Rs in Million	23	29
		367	1,845
DIVIDEND DECLARED	Rs in Million	-	-
RETAINED PROFIT	Rs in Million	367	1,845

OGDCL - Profit and Loss Account Performance Indicators

Fiscal Years

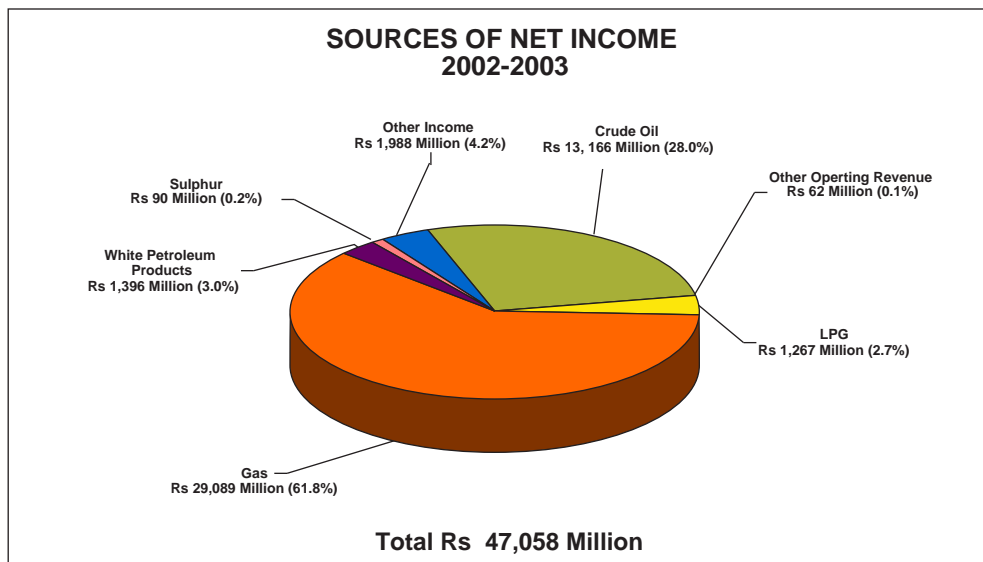
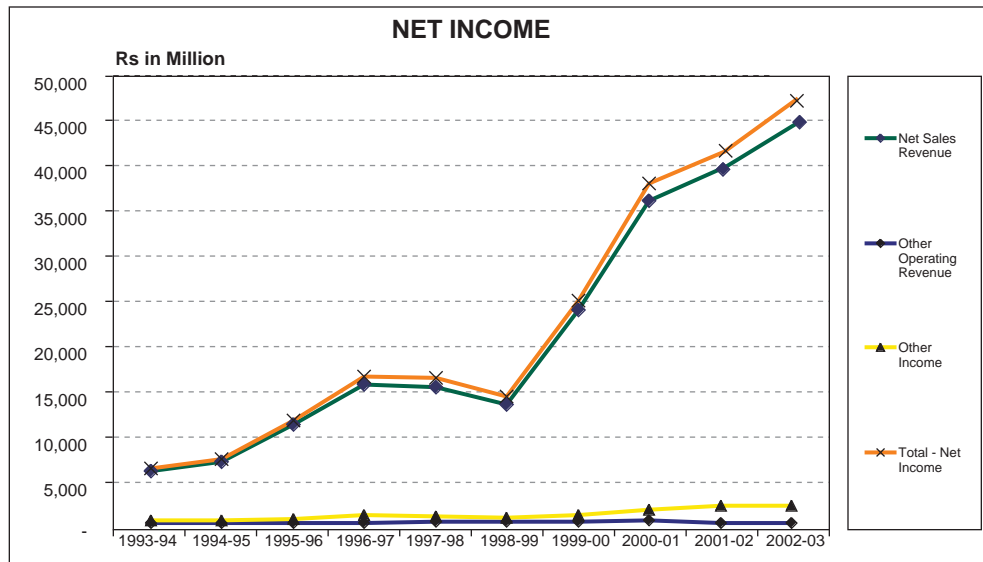
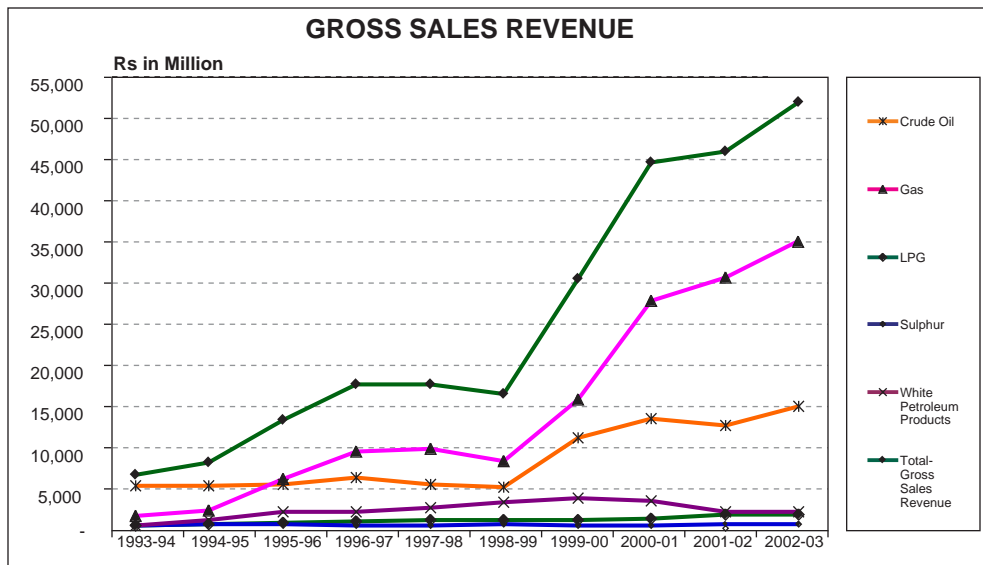
1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
5,180	6,149	5,220	4,845	11,048	13,497	12,714	15,141
5,980	9,331	9,745	8,096	15,924	28,501	31,419	35,075
380	482	612	704	736	787	1,355	1,465
104	74	74	116	78	77	98	104
1,652	1,783	2,254	2,882	3,460	3,199	1,814	1,775
13,296	17,819	17,905	16,643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

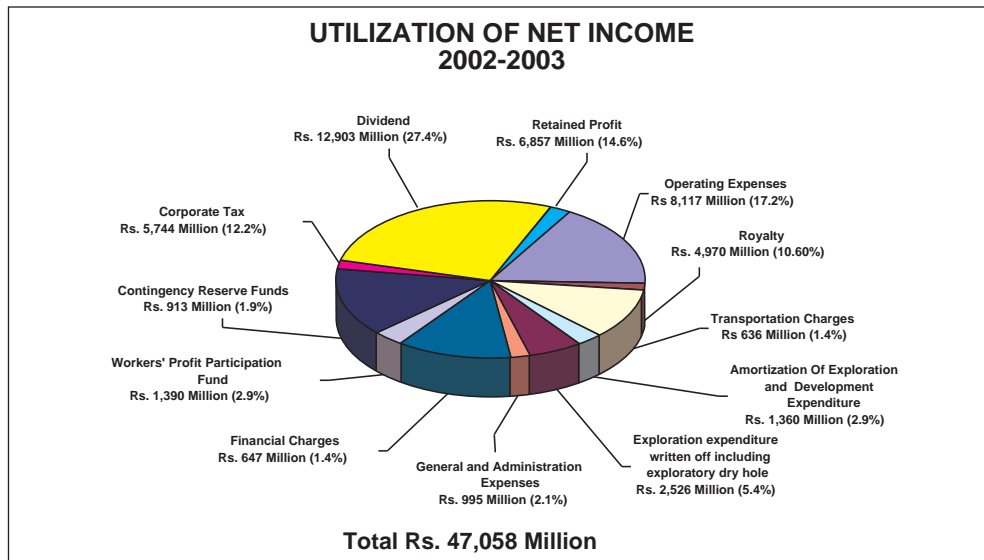
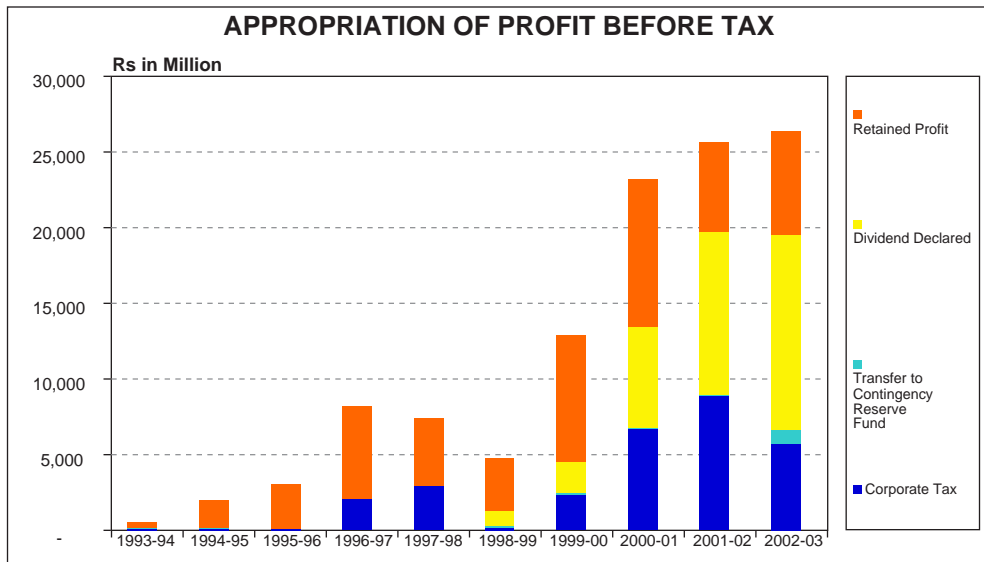
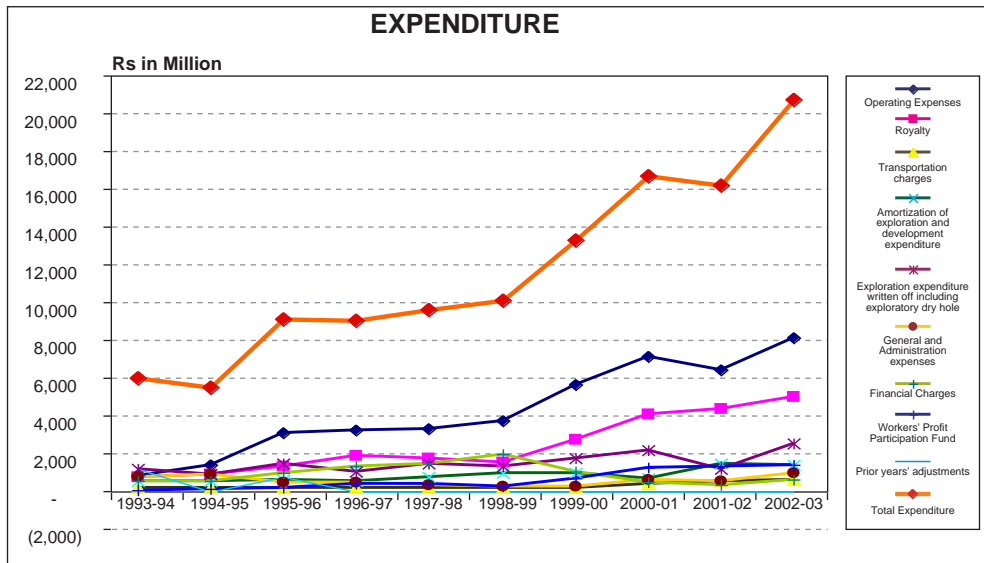
576	679	690	668	1,040	1,455	1,516	1,554
-	-	-	-	3,650	5,706	5,950	6,770
1,125	894	1,197	1,977	1,419	939	195	228
1,701	1,573	1,887	2,645	6,109	8,100	7,661	8,552

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
12,113	17,240	17,034	14,836	26,209	39,892	41,845	47,058

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	-	-	-	-	-
9,051	9,012	9,605	10,068	13,260	16,665	16,157	20,641
3,062	8,228	7,429	4,768	12,949	23,227	25,688	26,417
52	2,084	2,945	216	2,393	6,729	8,913	5,744
3,010	6,144	4,484	4,552	10,556	16,498	16,775	20,673
25	28	32	39	46	52	62	913
2,985	6,116	4,452	4,513	10,510	16,446	16,713	19,760
-	-	-	1,075	2,150	6,666	10,752	12,903
2,985	6,116	4,452	3,438	8,360	9,780	5,961	6,857







Performance Over The Past Decade

BALANCE SHEET PERFORMANCE INDICATORS

		1993-94	1994-95
SHARE CAPITAL AND RESERVES	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
		14,202	16,049
CONTINGENCY RESERVE FUND	Rs in Million	137	166
LONG TERM PROVISIONS	Rs in Million	-	-
DEFERRED LIABILITIES		-	-
LONG TERM LOANS	Rs in Million	3,432	5,249
CURRENT LIABILITIES AND PROVISIONS	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		-	-
		3,725	5,267
Total - Equity and Liabilities		21,496	26,731
FIXED CAPITAL EXPENDITURE	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		-	-
		10,016	14,249
LONG TERM INVESTMENTS	Rs in Million	1,568	1,049
INVESTMENTS HELD TO MATURITY	Rs in Million		
LONG TERM PREPAYMENTS	Rs in Million	19	31
LONG TERM RECEIVABLES	Rs in Million	-	-
CURRENT ASSETS	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
		9,893	11,402
Total - Assets		21,496	26,731

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
19,035	25,153	29,703	33,140	41,499	51,279	57,239	64,097

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
5,731	10,383	14,335	10,814	7,853	10,970	7,142	6,455

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
15,573	24,313	28,599	29,542	29,066	28,756	34,572	37,535

810 821 775 793 826 858 492 492

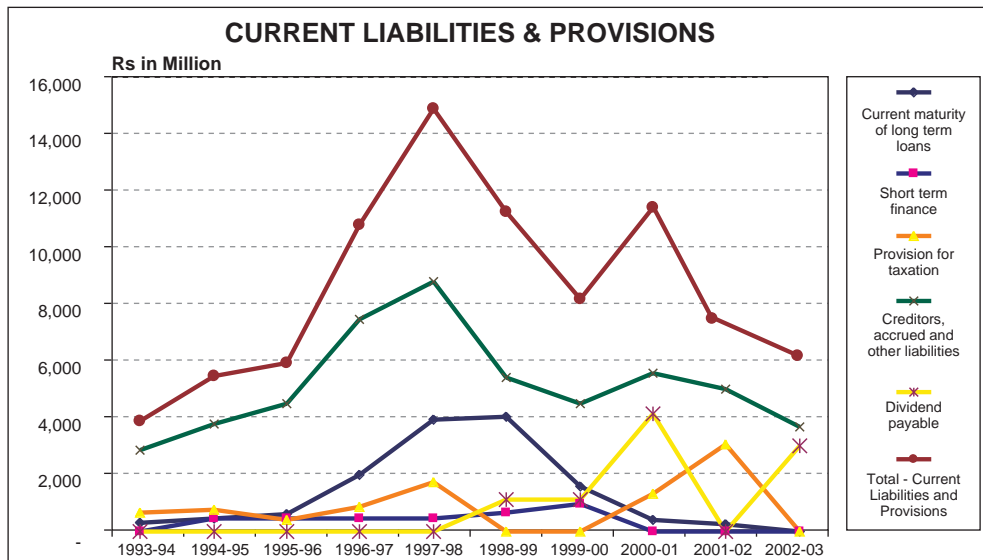
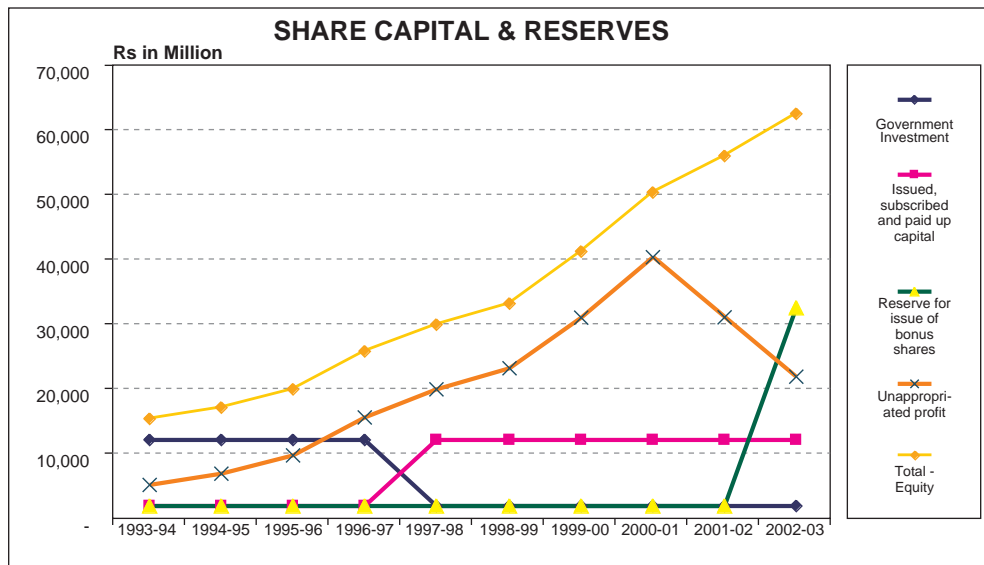
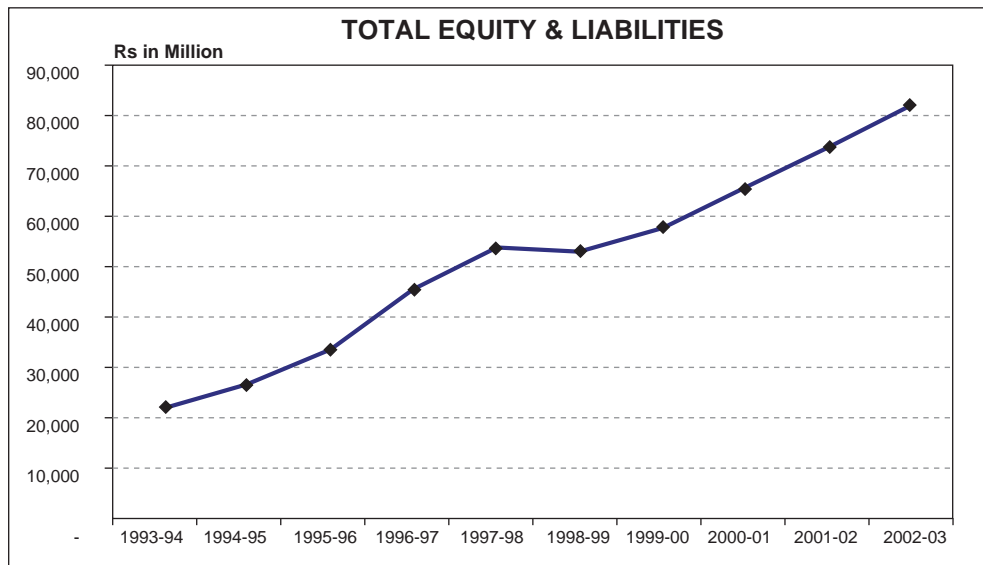
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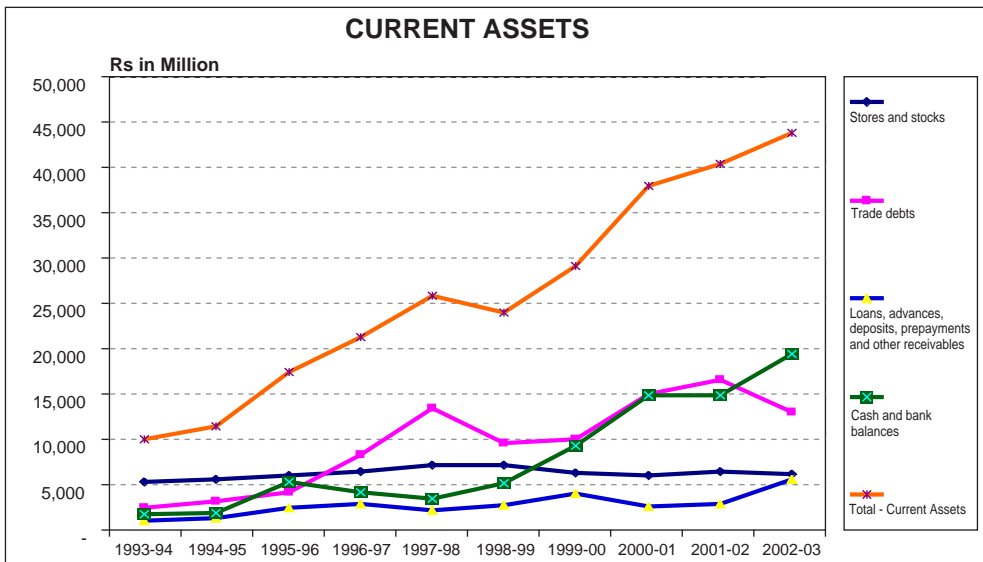
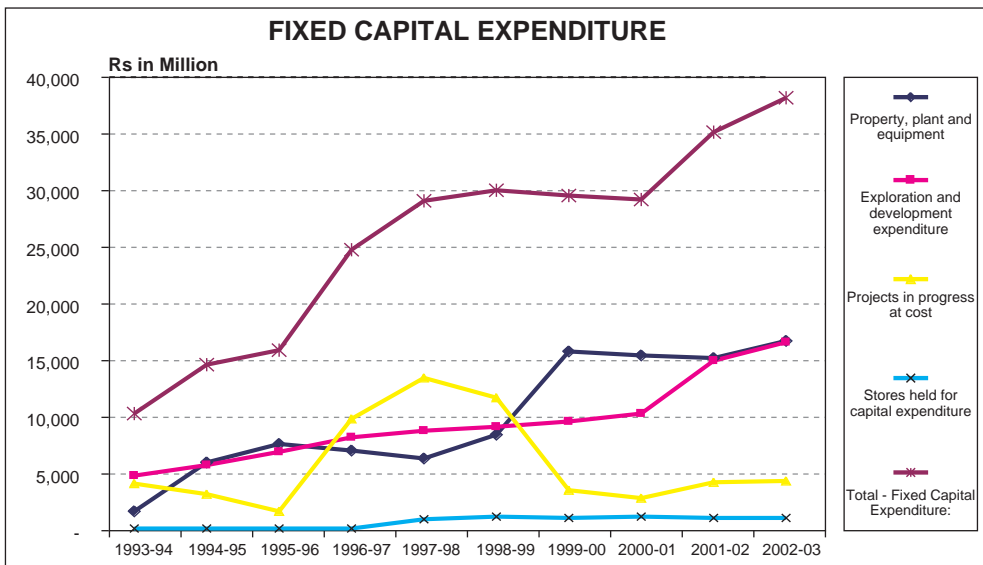
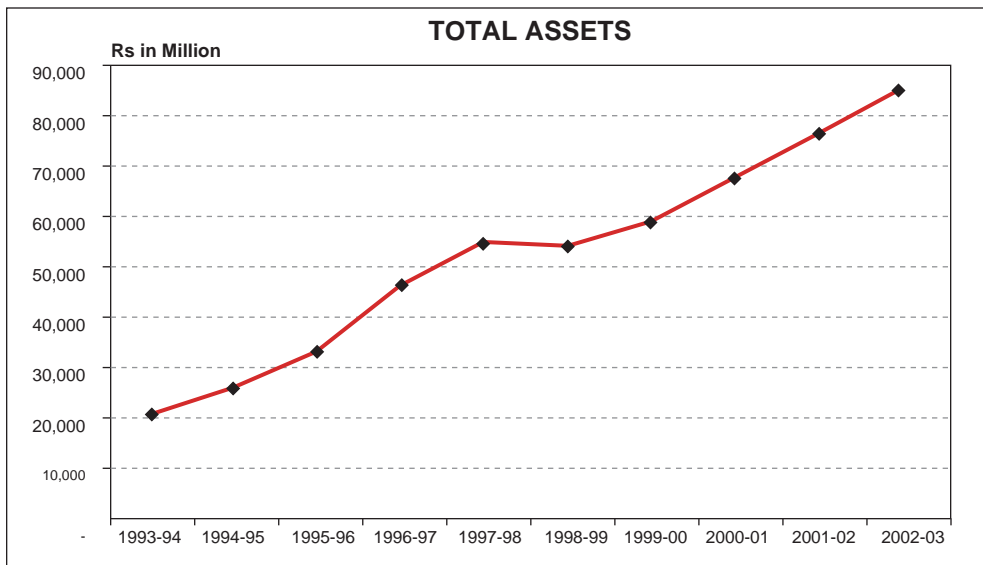
- - - - - - 3,138 2,279

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
17,419	21,364	25,888	24,133	29,291	38,121	36,677	44,040

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







Performance Over The Past Decade

FINANCIAL PERFORMANCE INDICATORS

			1993-94	1994-95
RATIOS				
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
1,703	1,566	1,886	2,661	5,616	7,924	7,803	9,016
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
4,300	6,202	4,604	9,012	16,192	25,809	32,989	34,662

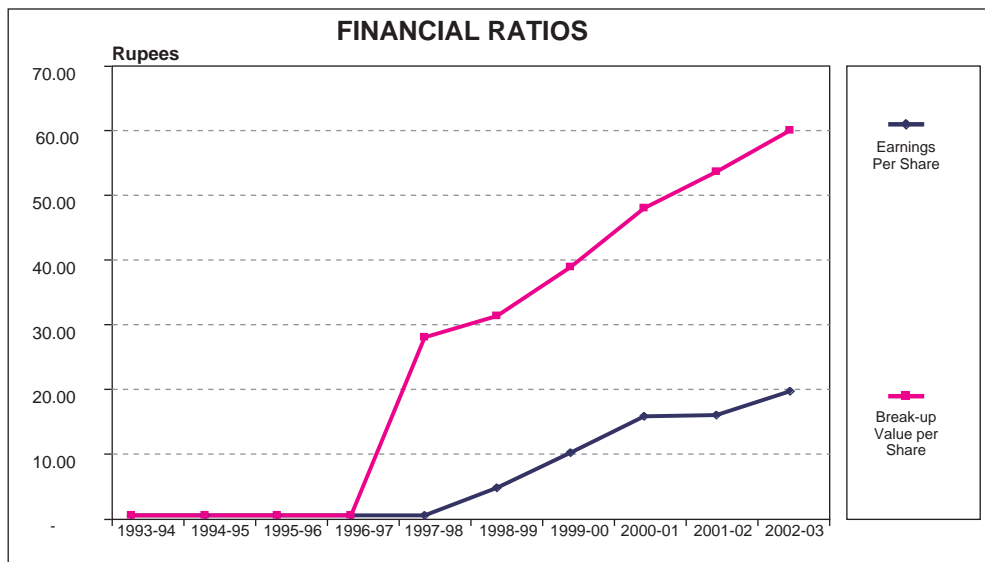
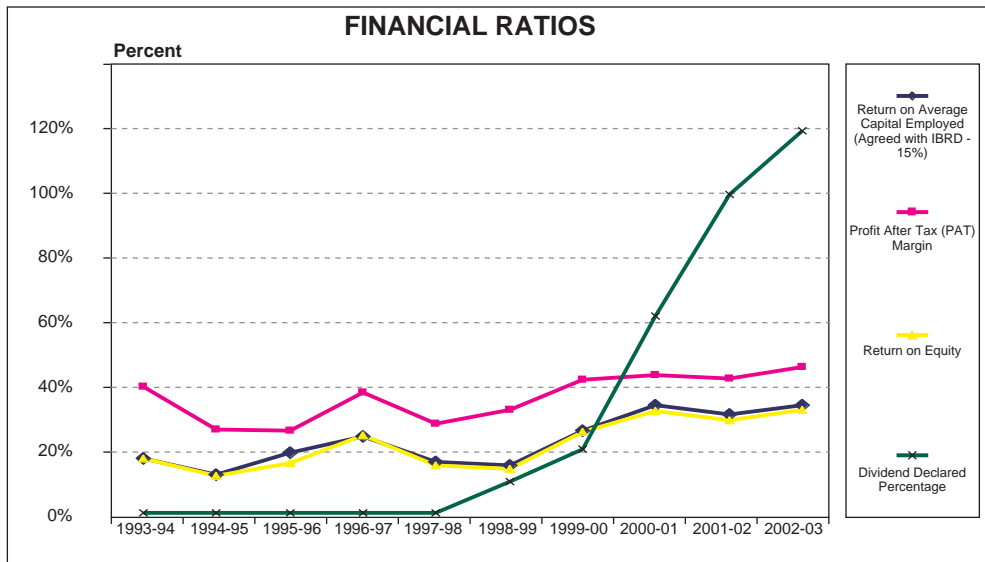
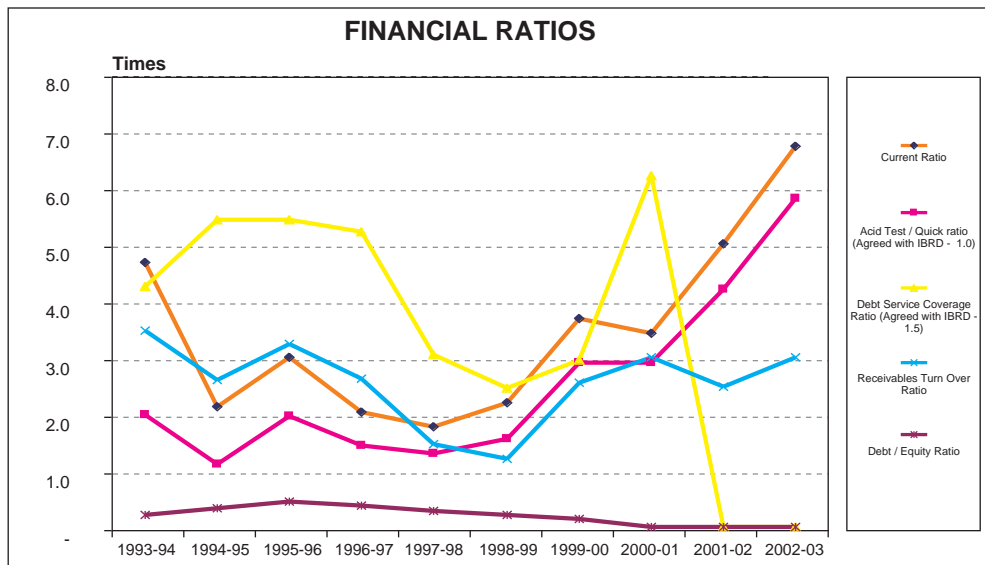
17,419	21,364	25,888	24,133	29,291	38,121	36,677	44,040
(5,731)	(10,383)	(14,335)	(10,814)	(7,853)	(10,970)	(7,142)	(6,455)
11,688	10,981	11,553	13,319	21,438	27,151	29,535	37,585

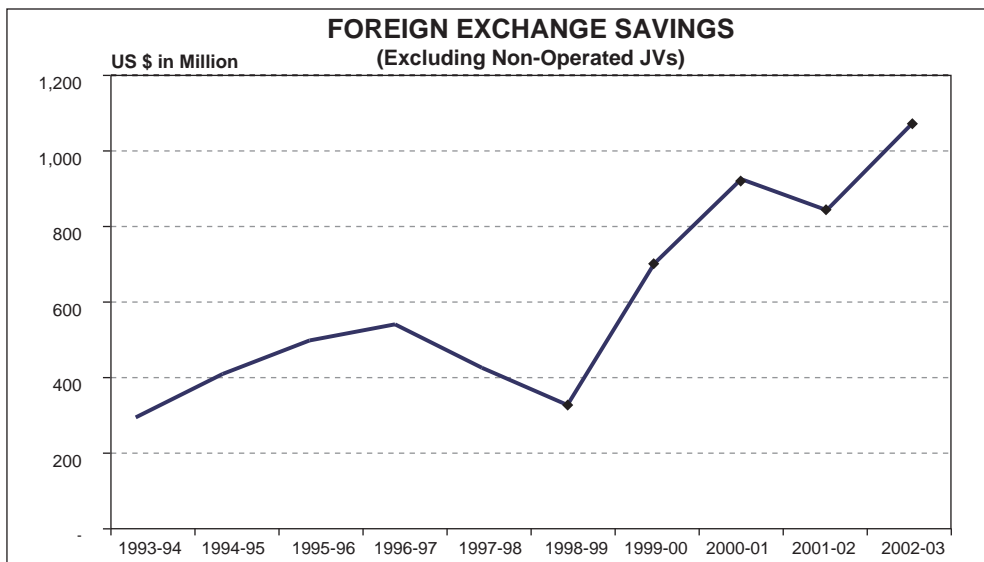
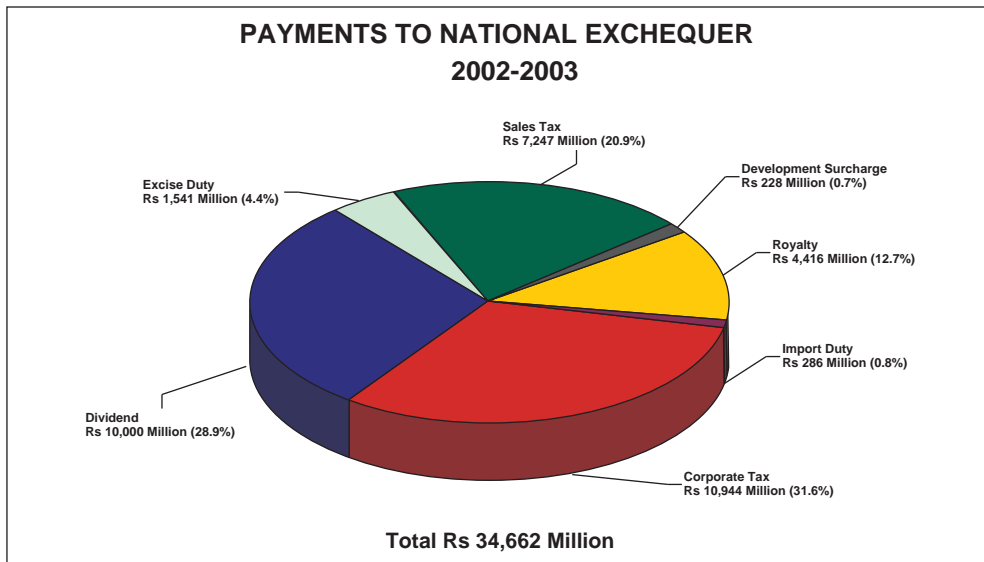
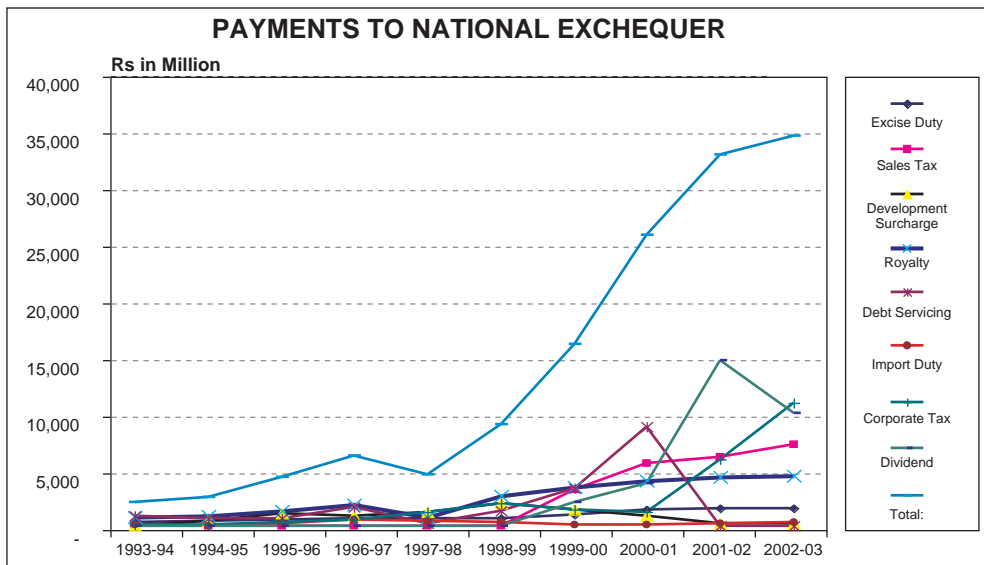
513	557	439	341	719	946	862	1,100
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34.50	40.00	44.30	46.60	52.00	58.50	61.50	58.55
35.31	40.70	46.45	51.90	52.30	64.30	60.22	57.88

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
4,844	6,308	7,135	7,777	7,919	10,166	14,549	16,220
4,779	6,244	7,072	7,715	7,840	9,661	12,566	14,025
4,571	5,750	4,723	3,887	5,790	4,629	4,225	6,525
3,980	4,937	4,198	3,887	5,034	4,007	3,658	5,674
1,642	1,986	2,326	2,881	3,334	3,206	1,834	2,066
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	Sinjhero 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	Gurgalot 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

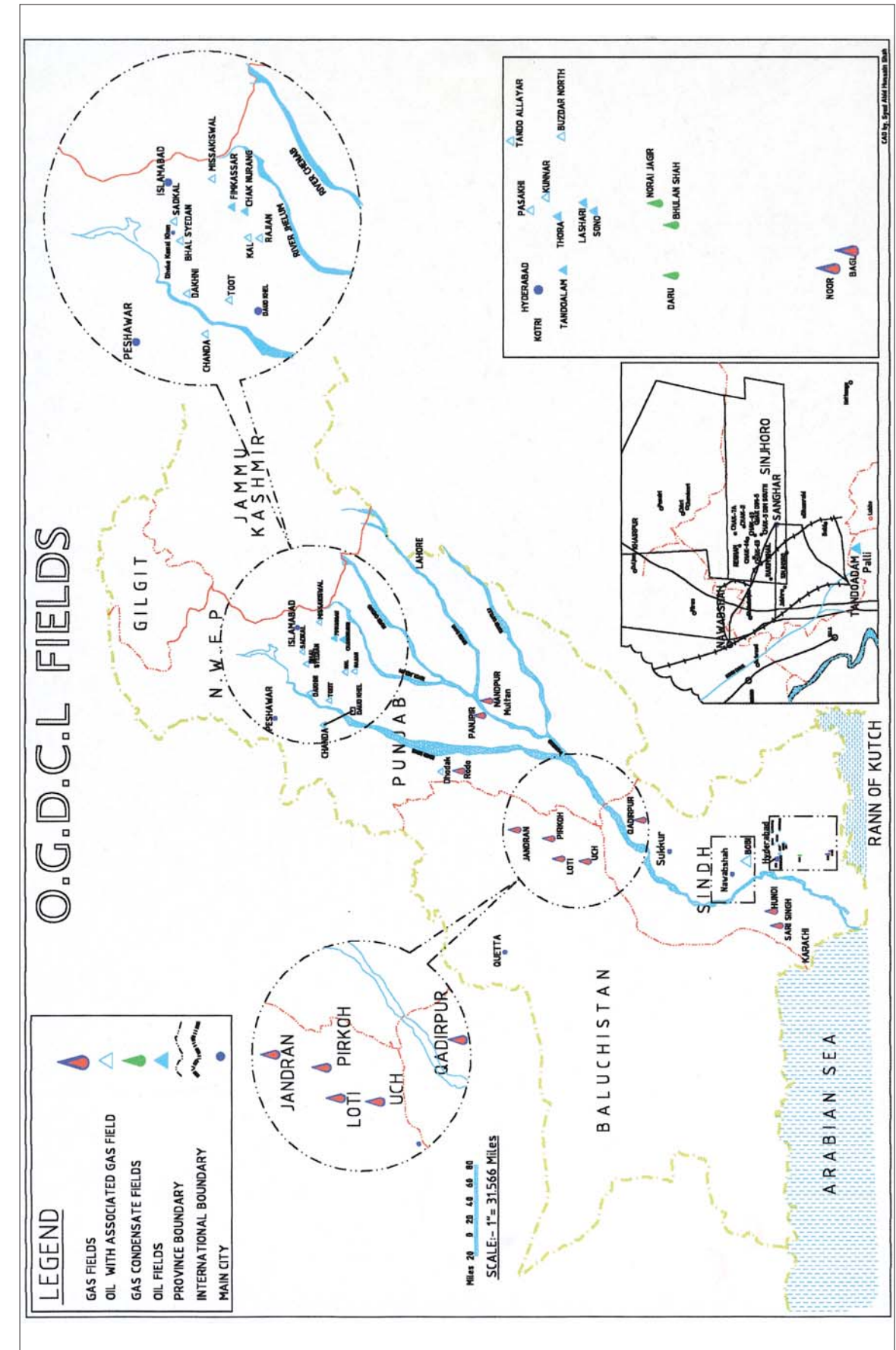
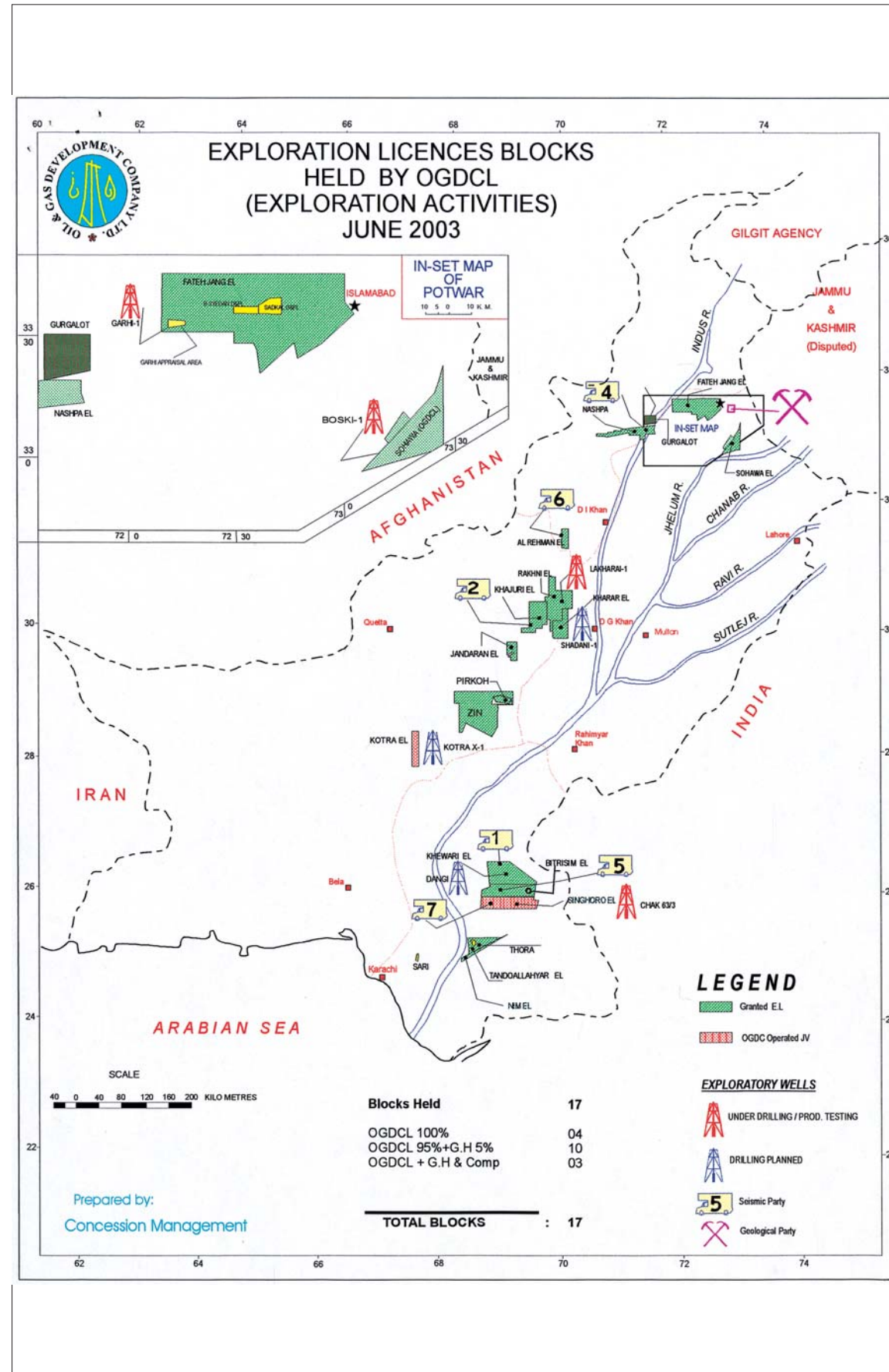
S.No.	Name of Concessions	Area (Sq. Kms)	District /Province	Operator	Company	Partnership % Share		Date of Grant
						Pre-Discovery	Post-Discovery	
1	Khushalgarh Block # 3372-10	703.28	Attock & Kohat Punjab and NWFP	POL	POL OGDCL GHPL	47.50% 47.50% 5.00%	41.25% 41.25% 17.50%	11/06/1999
2	Block # 28	5,856.71	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

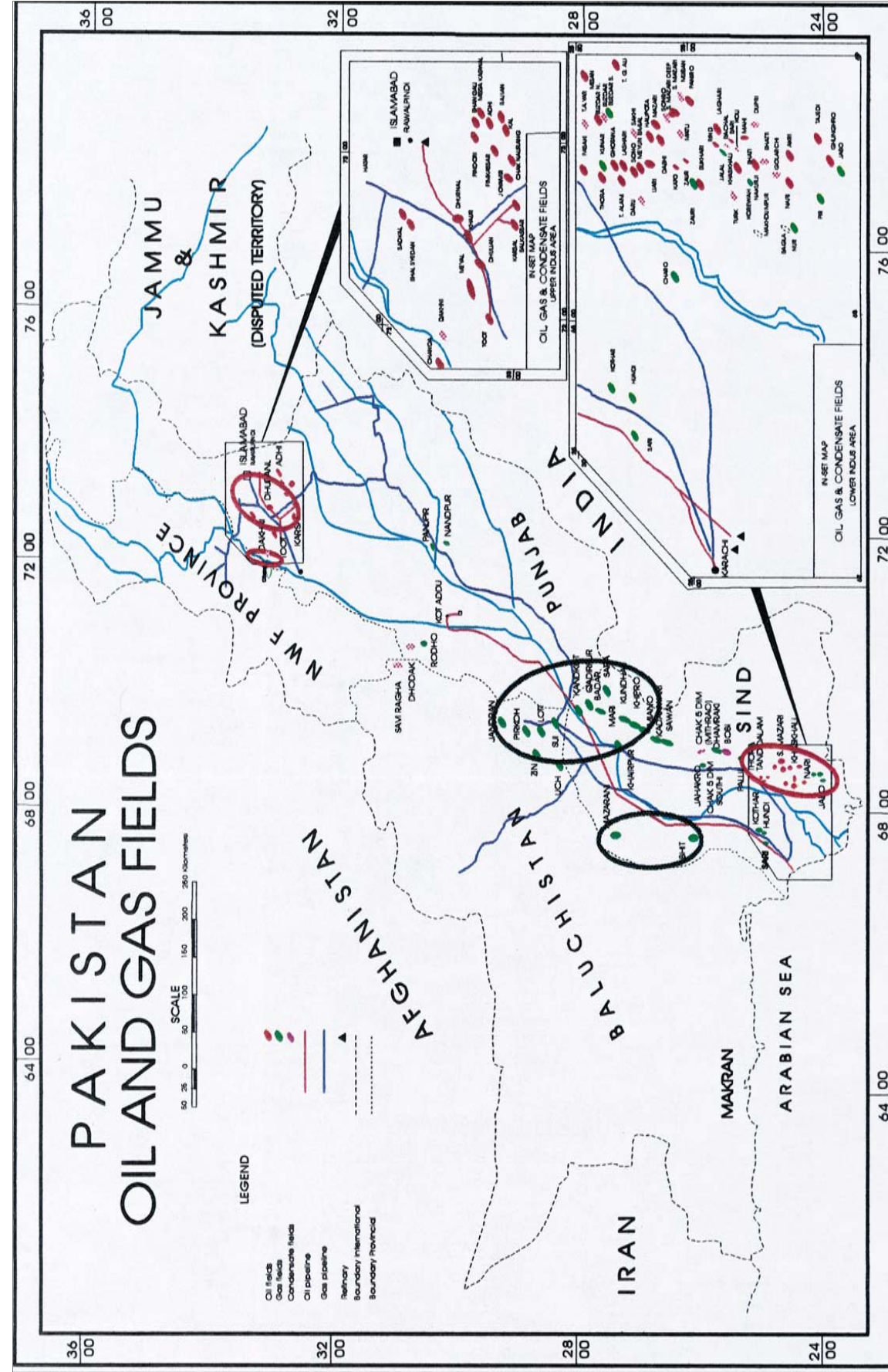
MINING / DEVELOPMENT & PRODUCTION LEASES As Of June 30, 2003

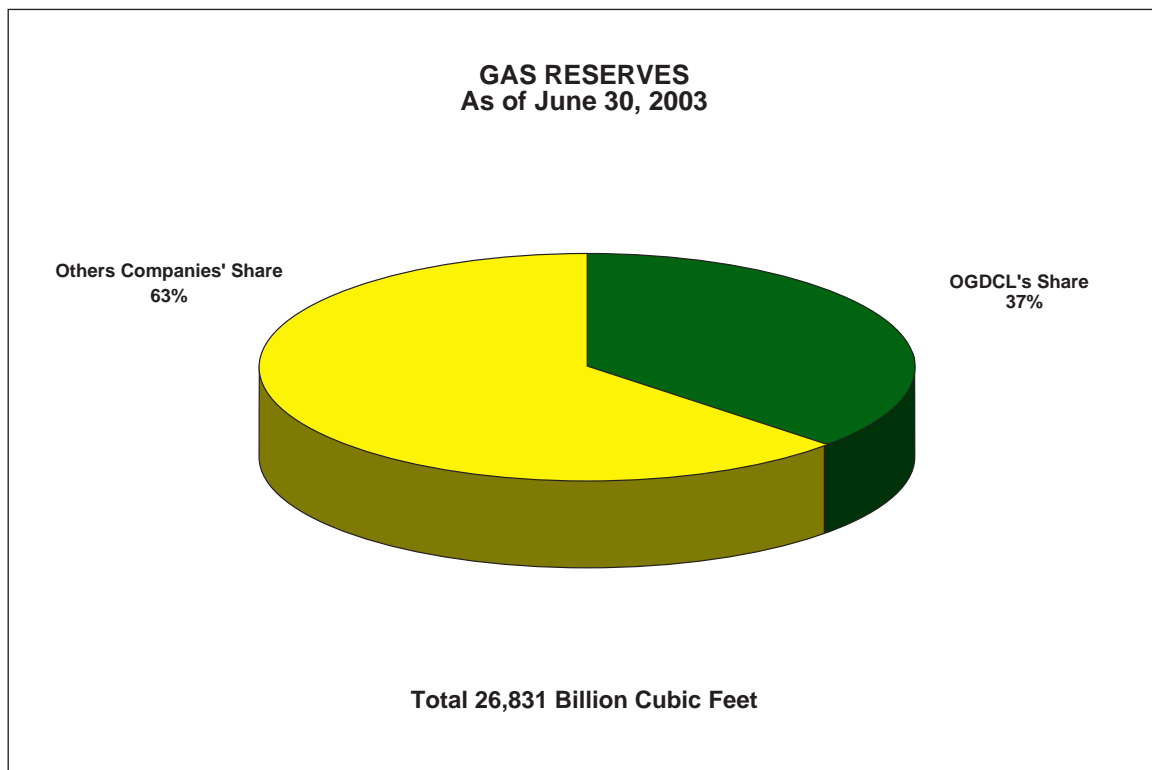
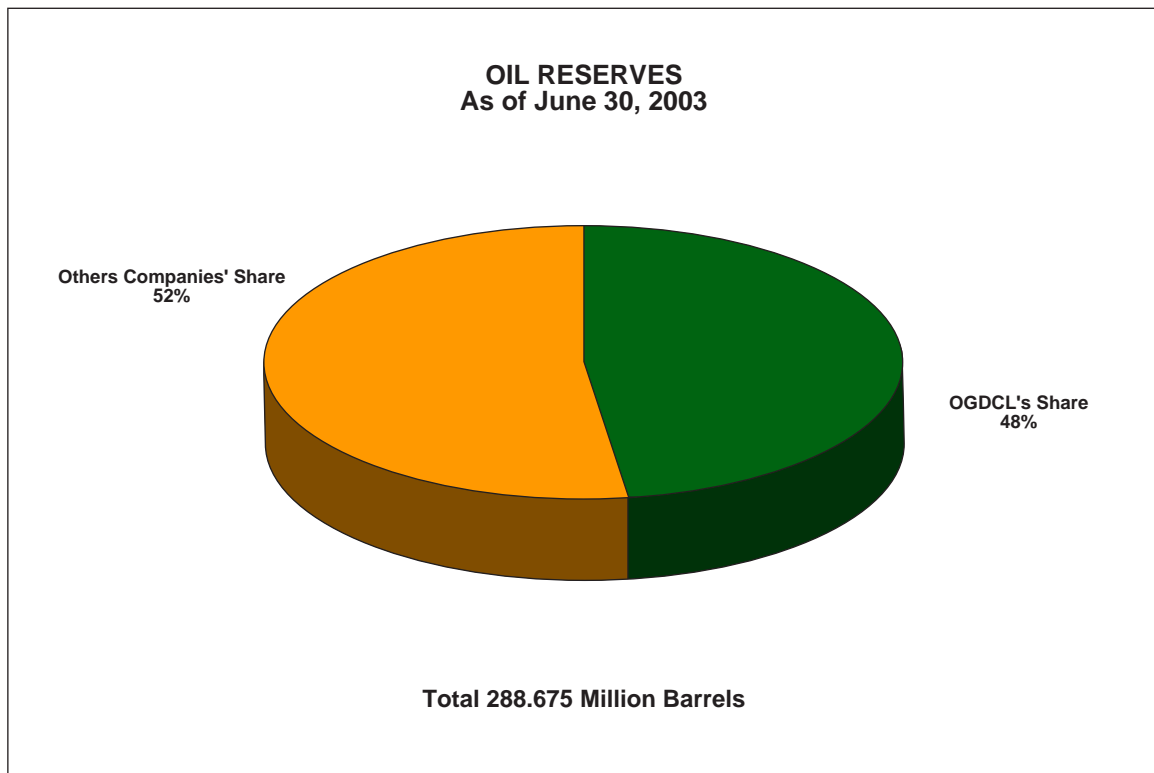
A. OGDCL - 100% OWNED MINING / D&P LEASES										B. OGDCL - OPERATED JOINT VENTURE MINING / D&P LEASES									
S. No.	Name of Lease	Area (Sq. Kms)	Date of Grant	S. No.	Name of Lease	Area (Sq. Kms)	Date of Grant	S. No.	Name of Lease	Area (Sq. Kms)	Date of Grant	Operator	Company	Partnership (% share)	Post Commerciality				
1	Pasahki & North	27.95	27-01-1990	17	Tando Alam	38.60	30-07-1985	1	Chak Naurang	72.70	14-11-1988	OGDCL	OGDCL	88.00%					
2	Misary West	23.43	01-04-1995	18	Daro	10.26	07-04-1980					POL	POL	15.00%					
3	Dhodak	41.92	01-02-1995	19	Bhal Syedan	16.41	30-06-2002					OGDCL	OGDCL	76.00%					
4	Dhakeni	257.83	23-04-1984	20	Sadkal & Thera Est	28.77	24-01-1984					PPL	PPL	7.00%					
5	Finkassar	27.88	19-12-1992	21	Nur	30.64	27-02-1985	2	Qadirpur	389.16	16-10-1990	RKP	RKP	9.50%					
6	Nandipur	45.05	12-03-1996	22	Bagla	29.70	27-02-1985					KUPPEC	KUPPEC	8.50%					
7	Pikpur	13.89	12-07-1986	23	Chak-5	13.09	24-02-1986					OGDCL	OGDCL	72.00%					
8	Pikpur Additional	13.89	12-07-1986	24	Chak-5 Dim	41.96	18-03-1986	3	Chianda	32.32	01-06-2002	ZAVR	ZAVR	10.00%					
9	Pikoh	141.69	08-08-2002	25	Kal	15.32	13-08-1996					GHPL	GHPL	17.50%					
10	Loiti	204.20	14-11-1986	26	Chak-5 Dim	18.43	17-11-2001												
11	San	26.04	30-07-1989	27	Buzdar	6.58	31-12-1989												
12	Hundi	15.50	21-09-1972	28	Jakhro	35.05	13-02-2002												
13	Kumar	34.21	23-01-1990	29															

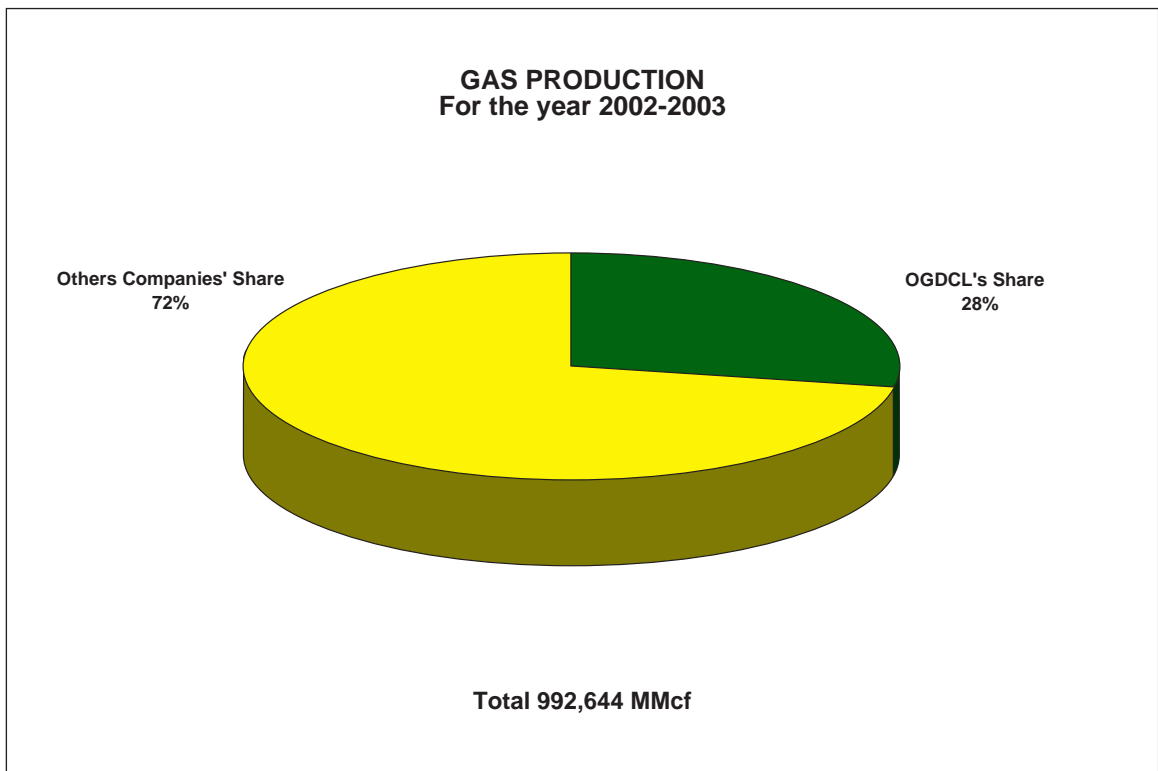
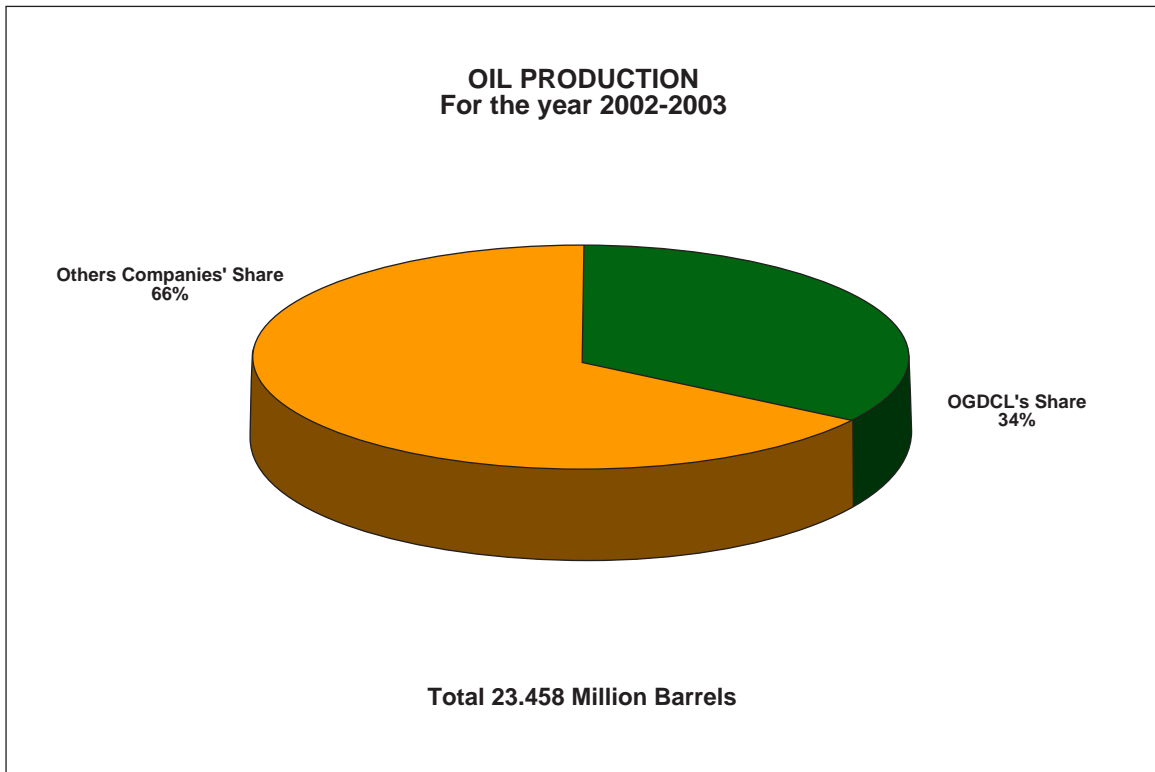
C. OGDCL - NON - OPERATED JOINT VENTURE MINING / D&P LEASES															
S. No.	Name of Lease	Area (Sq. Kms)	Date of Grant	Operator	Company	Partnership (% share)	Post Commerciality	S. No.	Name of Lease	Area (Sq. Kms)	Date of Grant	Operator	Company	Partnership (% share)	Post Commerciality
1	Kadanwari	457.82	02-12-1992	ENI PAKISTAN	ENI PAKISTAN	18.42%	15.75%	15	Pir	43.84	07-07-1992	BP	BP	25.50%	
2	Bhit	250.08	21-09-2000	ENI PAKISTAN	KUPPEC	15.75%	50.00%	16	M. Ismail & Deep	8.00	15-01-1995	BP	BP	25.50%	
3	Miano	814.02	01-08-1996	OMV	ENI PAKISTAN	40.00%	12.00%	17	Zaur	15.71	20-11-1994	BP	BP	25.50%	
4	Ratana	214.50	17-04-1994	OPI	ENI PAKISTAN	20.00%	20.00%	18	Kato	20.40	07-07-1992	BP	BP	25.50%	
5	Bhangali	45.30	28-06-1990	OPI	OGDCL	52.00%	52.00%	19	Jabo	16.13	07-07-1992	BP	BP	25.50%	
6	Dhurnal	64.10	01-04-1985	OPI	OGDCL	50.00%	7.00%	20	Panito	10.00	07-07-1992	BP	BP	25.50%	
7	Pikdori	86.58	12-04-1995	POL	OGDCL	70.00%	5.00%	21	Jagir	1.36	02-01-1998	BP	BP	25.50%	
8	Badar	123.00	13-05-2002	PEL	OGDCL	50.00%	5.00%	22	Junathi South	5.00	11-08-2001	BP	BP	25.50%	
9	Adhi	199.68	13-11-1984	PPL	OGDCL	50.00%	5.00%	23	Keyhole G-1	4.20	30-11-1998	BP	BP	25.50%	
10	Sara	82.72	07-07-1996	TULLOW	OGDCL	50.00%	5.00%	24	Buzdar South & Deep	25.13	31-12-1999	BP	BP	25.50%	
11	Suri	23.82	30-06-2000	TULLOW	OGDCL	50.00%	5.00%	25	Raj	21.70	21-01-1998	BP	BP	25.50%	
12	Sara West	168.41	08-06-2001	TULLOW	OGDCL	50.00%	5.00%	26	Muban	1.91	21-01-1999	BP	BP	25.50%	
13	Jelal	34.25	31-08-1995	BP	OGDCL	50.00%	5.00%	27	Sakhi Deep	4.71	01-06-1998	BP	BP	25.50%	
14	Rind	18.00	07-07-1992	BP	OGDCL	50.00%	5.00%	28	Jhabari South	4.13	27-03-2003	BP	BP	25.50%	



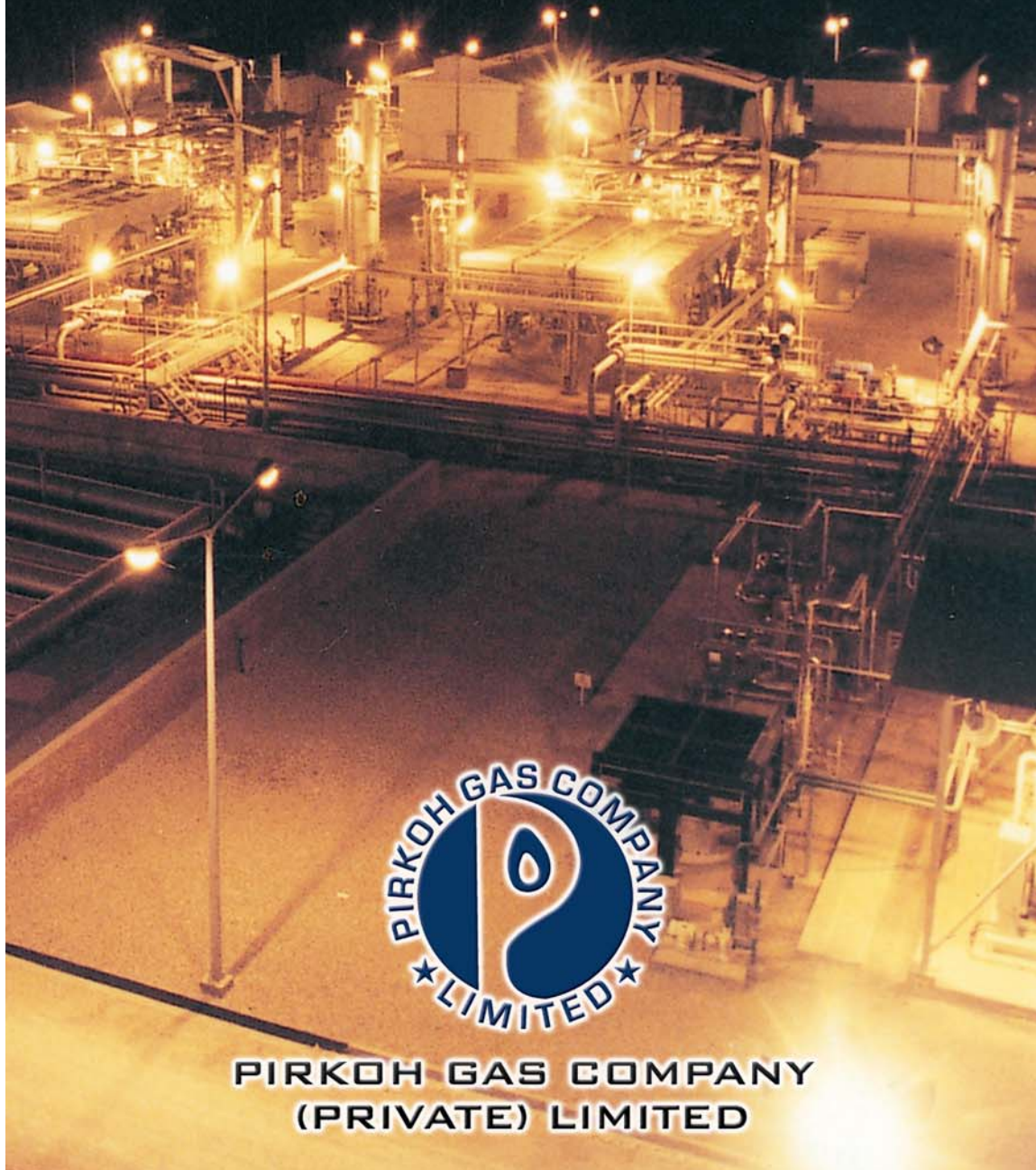








ANNUAL REPORT 2003



**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.

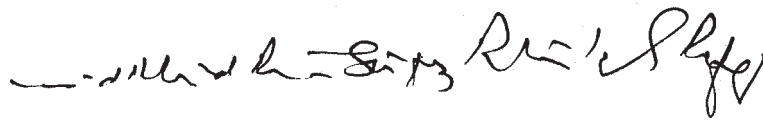
AUDITORS' REPORT TO THE MEMBERS

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.



KHALID MAJID RAHMAN SARFARAZ
RAHIM IQBAL RAFIQ
Chartered Accountants

October 3, 2003
Islamabad



BALANCE As At

		2003 (Rs.'000)	2002 (Rs.'000)
	Note		
SHARE CAPITAL AND RESERVES			
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>
		7,082,742	6,732,601
LONG TERM PROVISION	5	844,060	844,060
DEFERRED LIABILITIES	6	204,855	329,298
DEFERRED REVENUE	7	-	175,000
CURRENT LIABILITIES			
Creditors, accrued and other liabilities	8	88,311	148,098
Proposed dividend		-	188,100
		88,311	336,198
CONTINGENCIES AND COMMITMENTS	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)
FIXED CAPITAL EXPENDITURE			
Property, plant and equipment	10	1,103,475	1,338,690
Project in progress		-	1,793
Exploration and development expenditure	11	<u>1,648,620</u>	<u>1,689,870</u>
		2,752,095	3,030,353
LONG TERM RECEIVABLES			
	12	1,816,867	2,135,000
CURRENT ASSETS			
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
		3,651,006	3,251,804
		8,219,968	8,417,157


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)
		(1,101,645)	(1,065,976)
Operating profit		518,835	1,129,558
General and administrative expenses	18	(91,301)	(65,218)
		427,534	1,064,340
Other income	19	376,525	207,679
		804,059	1,272,019
Financial charges	20	(99,471)	(988)
Workers' profit participation fund		(35,229)	(63,552)
		(134,700)	(64,540)
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)
		(188,100)	(188,100)
Unappropriated profit carried forward		5,828,742	5,478,601
Basic earnings per share	23	Rs. 429.22	Rs. 697.98

The annexed notes form an integral part of these accounts.


CHIEF EXECUTIVE

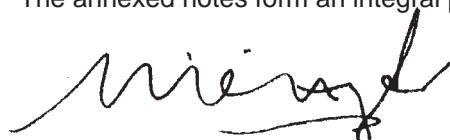

DIRECTOR

CASH FLOW STATEMENT

For The Year Ended June 30, 2003

	2003 (Rs.'000)	2002 (Rs.'000)
CASH FLOW FROM OPERATING ACTIVITIES		
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)
	311,419	512,685
Cash flow before working capital changes	980,778	1,720,164
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
	285,126	438,919
Cash generated from operations	1,265,904	2,159,083
Payments for:		
Royalty	(202,275)	(284,287)
Financial charges	(660)	(297)
Income tax	(8,453)	(571,635)
	(211,388)	(856,219)
Net cash inflow from operating activities	1,054,516	1,302,864
CASH FLOW FROM INVESTING ACTIVITIES		
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	83,828	96,747
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(376,200)	(125,400)
Net cash (outflow) from financing activities	(376,200)	(125,400)
Net increase in cash and cash equivalents	762,144	1,274,211
Cash and cash equivalents at the beginning of the year	1,870,721	596,510
Cash and cash equivalents at the end of the year	2,632,865	1,870,721

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)
4. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL		
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	%	Charge for the year	Adjustments	As at June 30, 2003	
Building at well sites	89,128	-	-	89,128	8	7,128	-	28,763	60,365
Approach roads	10,623	-	-	10,623	8	802	-	7,591	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	2,768	-	20,163	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	81	(966)	25,490	467
- Other plant and equipment	1,857,223	19,586	-	1,876,809	10	174,705	19,557	986,680	890,129
	1,902,832	19,586	(967)	1,921,451		174,786	18,591	1,030,844	890,607
Communication and other equipment	115,394	-	(28)	115,366	15	16,638	(27)	69,819	45,547
Laboratory and workshop equipment	16,469	-	-	16,469	15	1,722	-	11,729	4,740
Electrical and mechanical equipment	210,231	-	-	210,231	15	29,074	-	130,731	79,500
Hoisting and lifting equipment	22,530	-	-	22,530	20	-	-	22,518	12
Furniture and office equipment	7,800	210	-	8,010	15	107	-	7,270	740
Computers	3,730	41	(25)	3,746	30	598	(25)	3,674	72
Vehicles	42,581	2,298	(3,143)	41,736	20	4,165	(3,140)	40,876	860
Year ended June 30, 2003	2,615,696	22,135	(4,163)	2,633,668		237,788	15,399	1,530,193	1,103,475
Year ended June 30, 2002	2,633,498	3,104	(20,906)	2,615,696		239,975	(19,145)	1,277,006	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
	3,580,312	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)	–
	(1,890,442)	(1,788,512)
Charge for the year-		
Exploration and development cost	(21,205)	(79,028)
Decommissioning cost	(20,045)	(22,902)
	(41,250)	(101,930)
Accumulated amortization at the end of the year-	(1,931,692)	(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
	1,648,620	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)	–
	2,000,458	2,135,000
Less: Current portion of long term receivables	(183,591)	–
	1,816,867	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.

	2003 (Rs.'000)	2002 (Rs.'000)
13 STORES AND SPARES		
In hand	657,855	728,850
In transit	–	1,920
	657,855	730,770
Less: Provision for obsolete, damaged, slow moving items and other adjustments	(380,892)	(183,317)
	276,963	547,453
13.1 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	380,892	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
	<u>2,631,170</u>	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)
	<u>(377,910)</u>	<u>(504,081)</u>
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	2002
18. GENERAL AND ADMINISTRATIVE EXPENSES	(Rs.'000)	(Rs.'000)
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>
19. OTHER INCOME		
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)
20. FINANCIAL CHARGES		
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>
20.1 Net loss on impairment of long term receivables		
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>
21. Provision for taxation		
Current- for the year	255,561	448,373
Deferred	(124,443)	(116,164)
	<u>131,118</u>	<u>332,209</u>
Tax charge reconciliation		
Accounting profit for the year	669,359	1,207,479
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		

Financial assets

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>

Financial liabilities

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.

23. Basic earnings per share	2003 (Rs.'000)	2002 (Rs.'000)
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
GROSS SALES REVENUE	Rs in Million		
Gas		1,842	2,165
GOVERNMENT LEVIES	Rs in Million		
Excise Duty		192	338
Sales Tax		-	-
		192	338
SOURCES OF INCOME	Rs in Million		
Net Sales Revenue		1,650	1,827
Other Income		98	237
		1,748	2,064
EXPENDITURE	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	-
		1,262	1,244
PROFIT BEFORE TAX	Rs in Million	486	820
CORPORATE TAX	Rs in Million	109	260
PROFIT AFTER TAX	Rs in Million	377	560
DIVIDEND DECLARED	Rs in Million	-	105
RETAINED PROFIT	Rs in Million	377	455

Fiscal Years

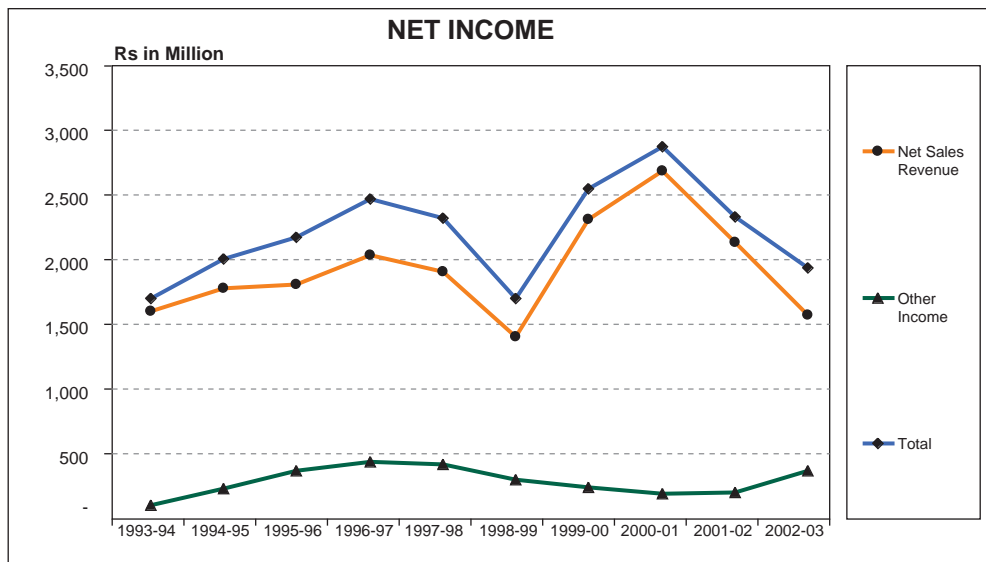
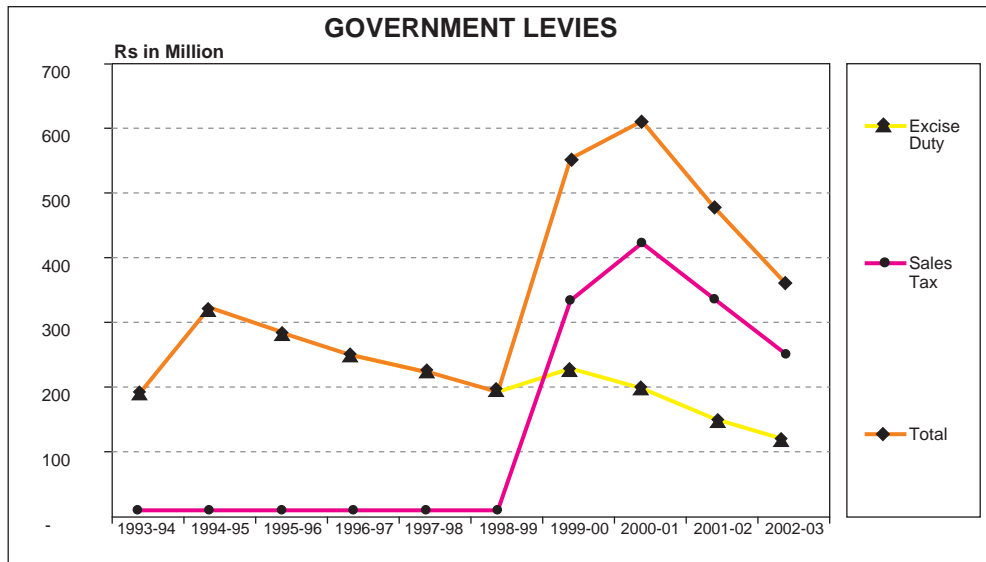
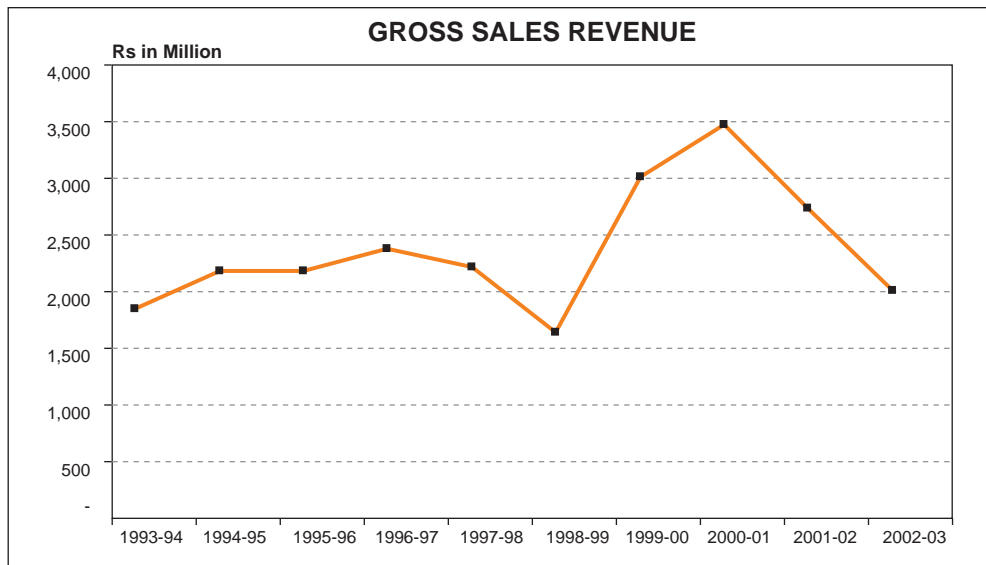
1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
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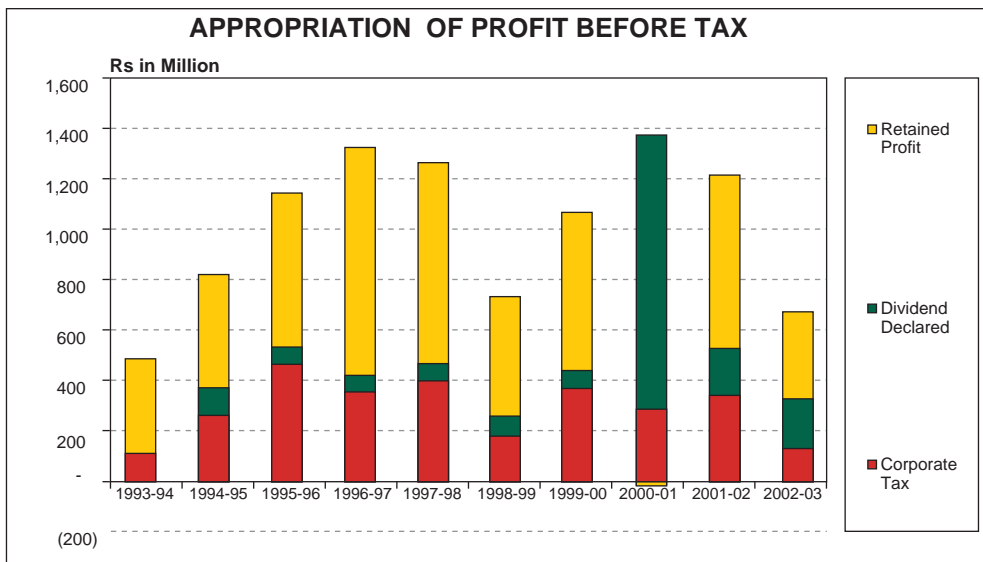
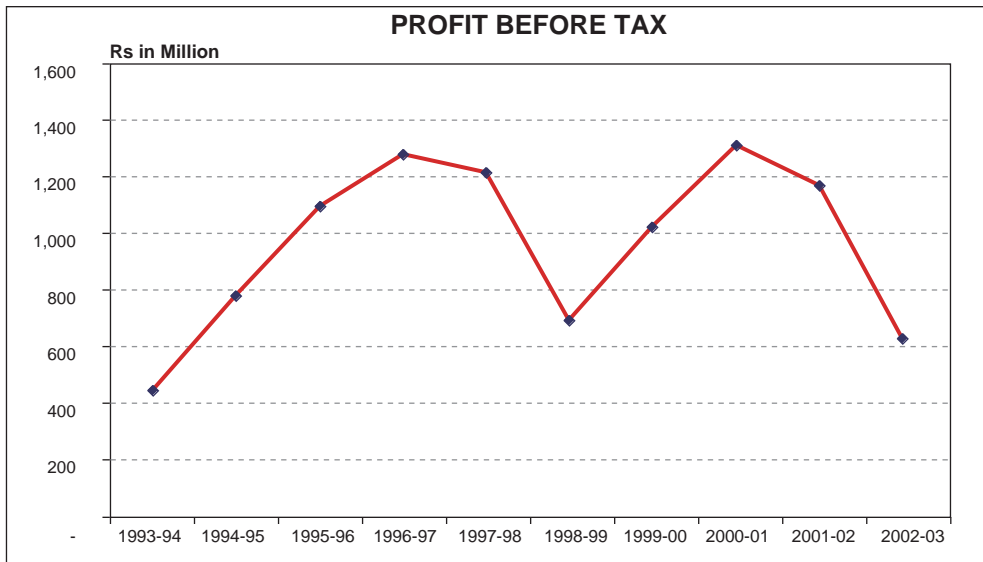
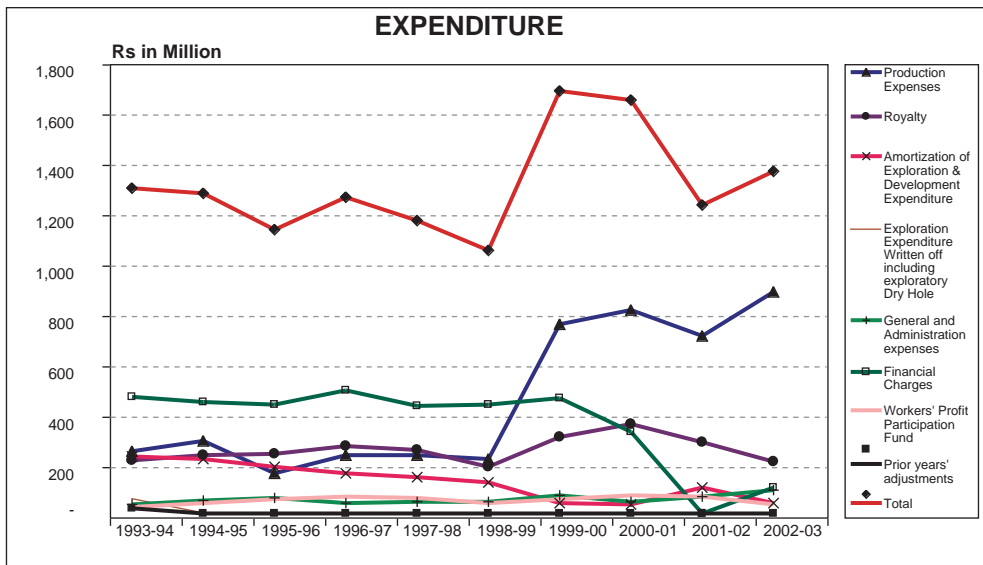
2,163 2,351 2,196 1,641 2,965 3,413 2,700 1,998

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

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

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
-	-	-	-	-	-	-	-
1,104	1,228	1,136	1,018	1,562	1,605	1,197	1,327
1,135	1,316	1,253	732	1,063	1,351	1,207	670
462	349	393	181	359	278	332	131
673	967	860	551	704	1,073	875	539
63	63	63	70	69	1,087	188	188
610	904	798	482	634	(14)	687	351





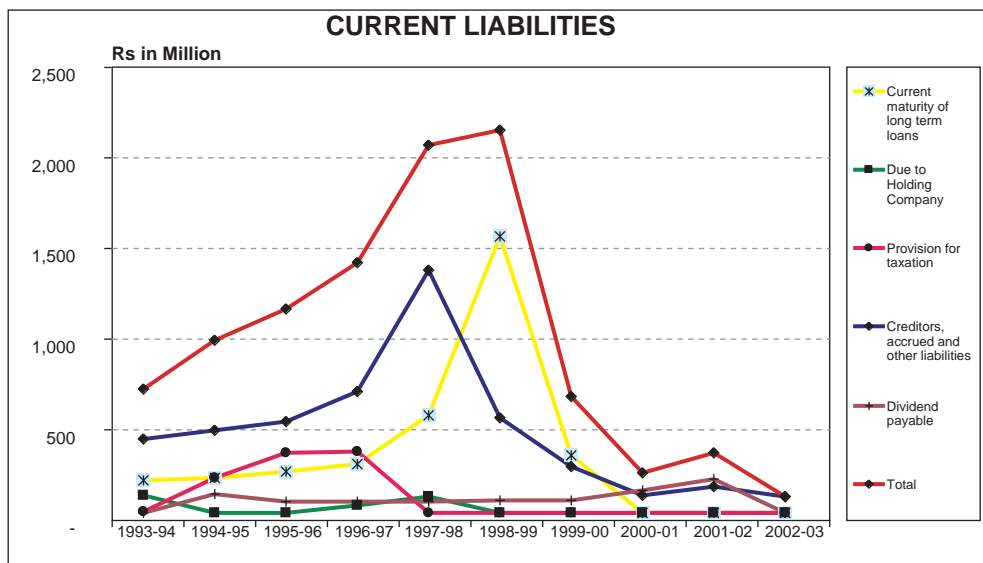
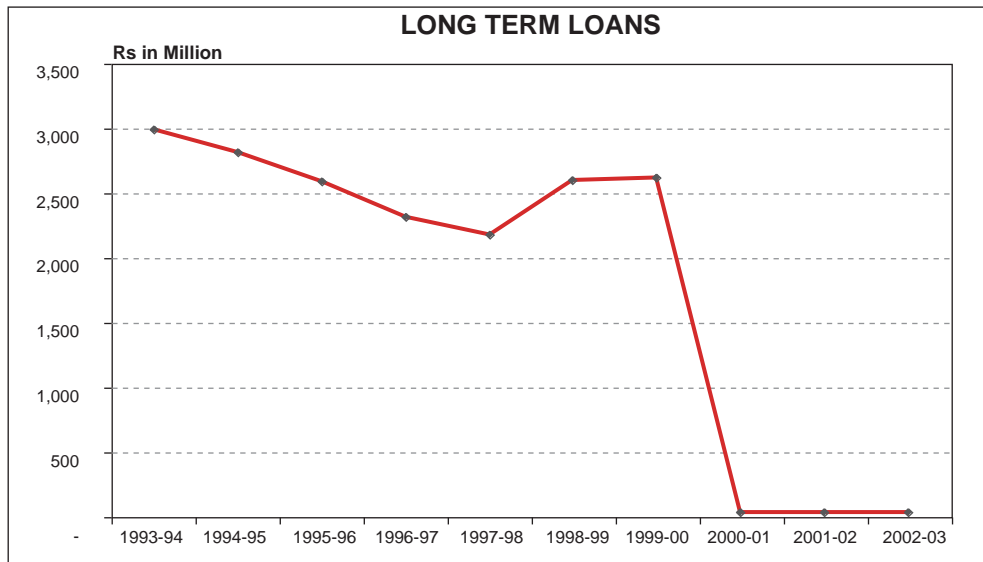
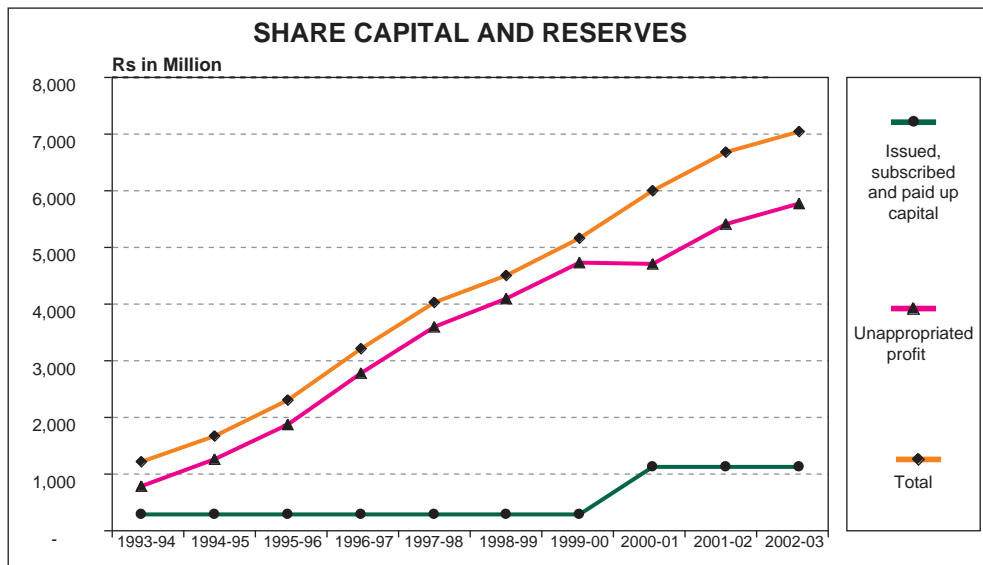
Performance Over The Past Decade

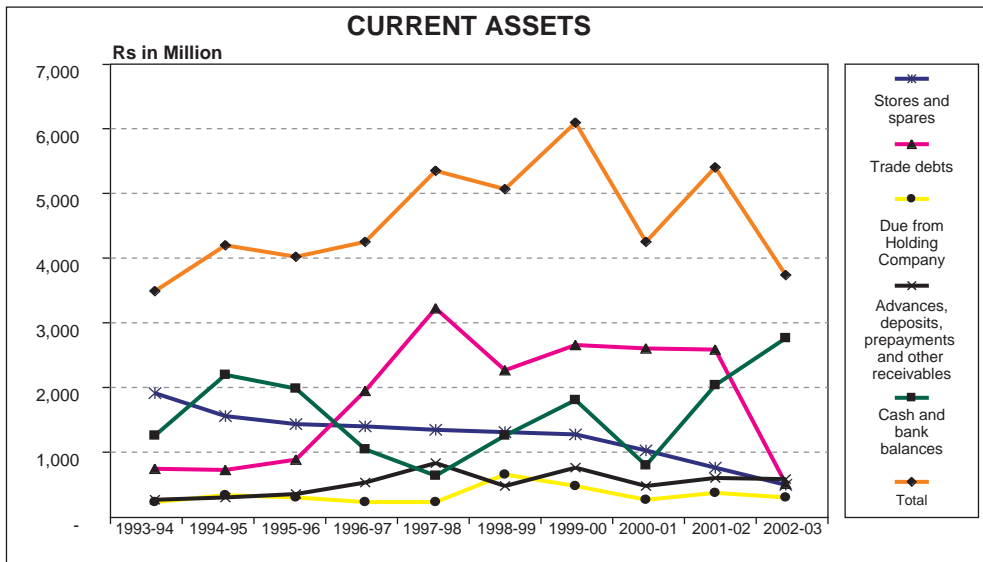
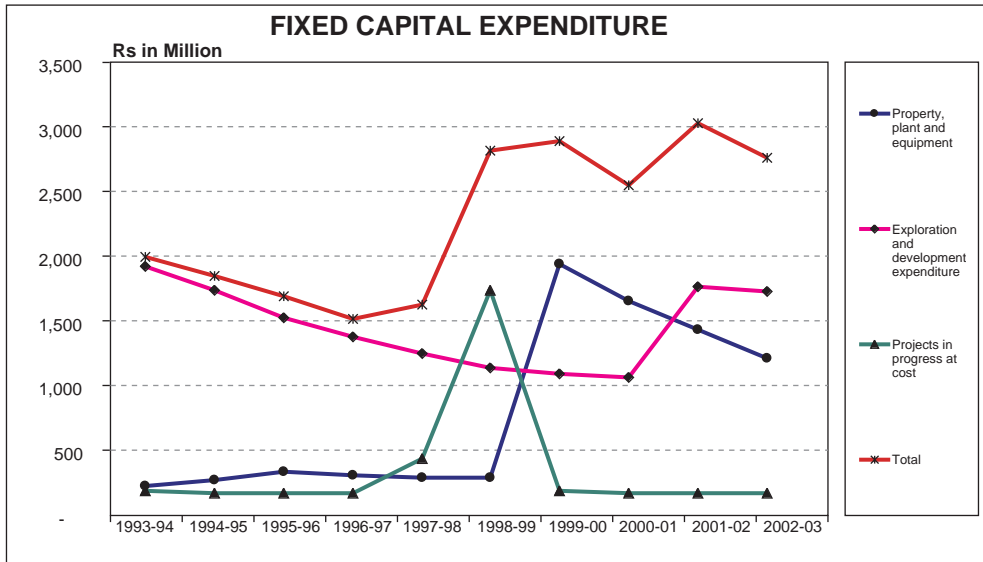
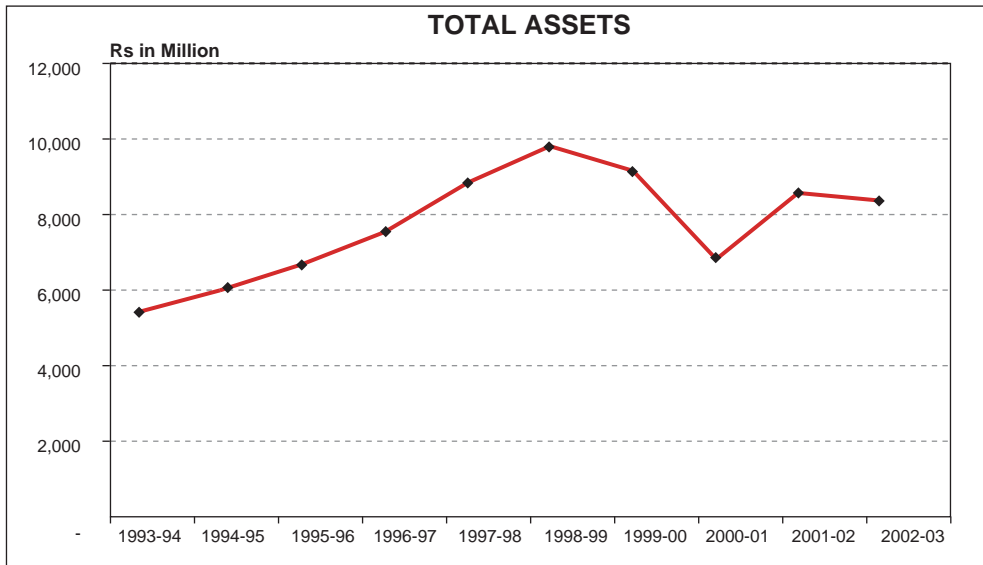
BALANCE SHEET PERFORMANCE INDICATORS

		1993-94	1994-95
SHARE CAPITAL AND RESERVES	Rs in Million		
Issued, subscribed and paid up capital		418	418
Unappropriated profit		923	1,378
		1,341	1,796
LONG TERM LOANS	Rs in Million	3,016	2,832
LONG TERM PROVISION		-	-
DEFERRED LIABILITIES	Rs in Million	274	315
DEFERRED REVENUE	Rs in Million	-	-
CURRENT LIABILITIES	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
		692	963
Total - Equity and Liabilities		5,323	5,906
FIXED CAPITAL EXPENDITURE	Rs in Million		
Property, plant and equipment		55	108
Exploration and development expenditure		1,858	1,665
Projects in progress at cost		22	5
		1,935	1,778
LOAN TO HOLDING COMPANY	Rs in Million	-	-
LONG TERM RECEIVABLES		-	-
CURRENT ASSETS	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
		3,388	4,128
Total - Assets		5,323	5,906

Fiscal Years

1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
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
2,406	3,310	4,108	4,589	5,224	6,045	6,733	7,083
2,601	2,326	2,187	2,608	2,629	-	-	-
-	-	-	-	-	-	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	-
1,132	1,393	2,049	2,133	645	220	336	88
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	-
1,609	1,425	1,547	2,803	2,883	2,525	3,031	2,752
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
3,945	4,174	5,327	5,023	6,091	4,186	3,251	3,651
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)			
GAS	MMcf	74,685	69,822
	<i>MMcf/Day</i>	<i>207</i>	<i>194</i>
REALIZED PRICE			
GAS	GROSS	24.66	31.01
	<i>Net of Government Levies</i>	<i>22.09</i>	<i>26.16</i>
	Rs/Mcf		
	<i>Rs/Mcf</i>		

FINANCIAL PERFORMANCE INDICATORS

RATIOS:

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

PAYMENTS TO NATIONAL EXCHEQUER

	Rs in Million	
Excise Duty	184	338
Sales Tax	-	-
Sub-Total Government Levies on Sales	184	338
Royalty	206	228
Debt Servicing	615	617
Corporate Tax	109	219
	1,114	1,402

WORKING CAPITAL

	Rs in Million	
Current Assets	3,388	4,127
(Current Liabilities)	(692)	(963)
Net Working Capital	2,696	3,164

Fiscal Years

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

61,464	53,256	47,490	40,961	48,956	42,069	31,394	24,224
171	148	132	114	136	117	87	67

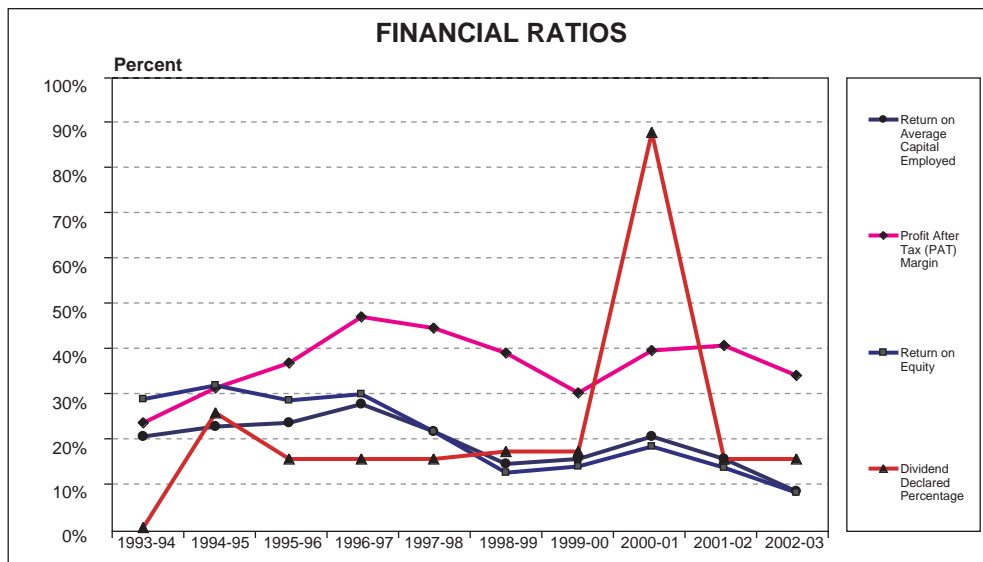
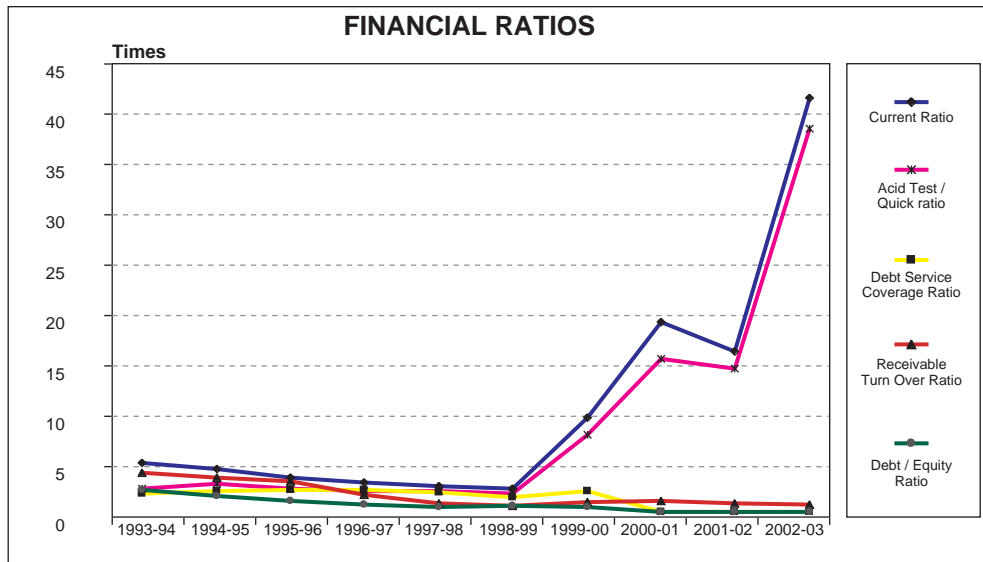
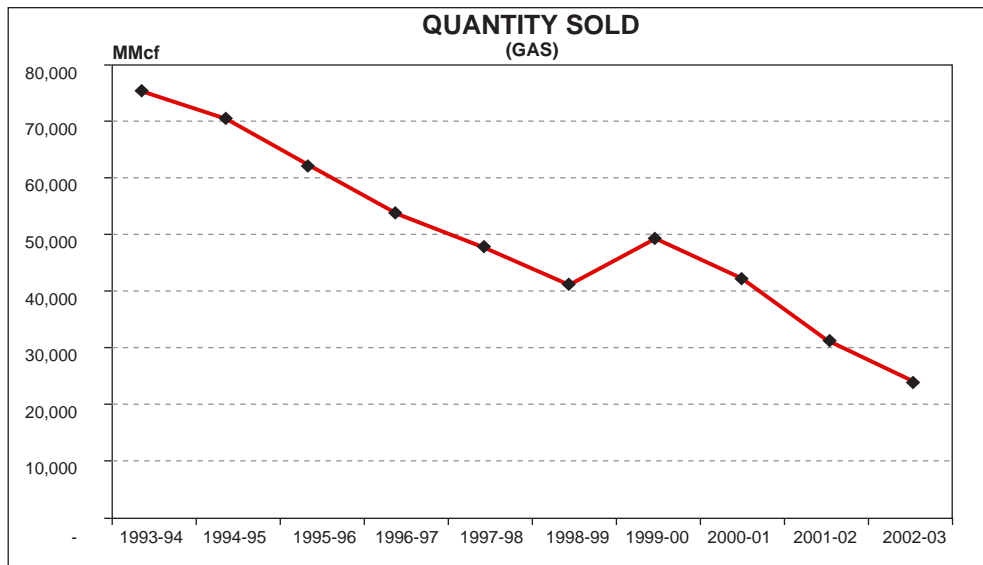
35.19	44.15	46.25	40.05	60.56	81.13	85.99	82.50
30.34	39.30	41.41	35.21	48.58	65.71	69.93	66.90

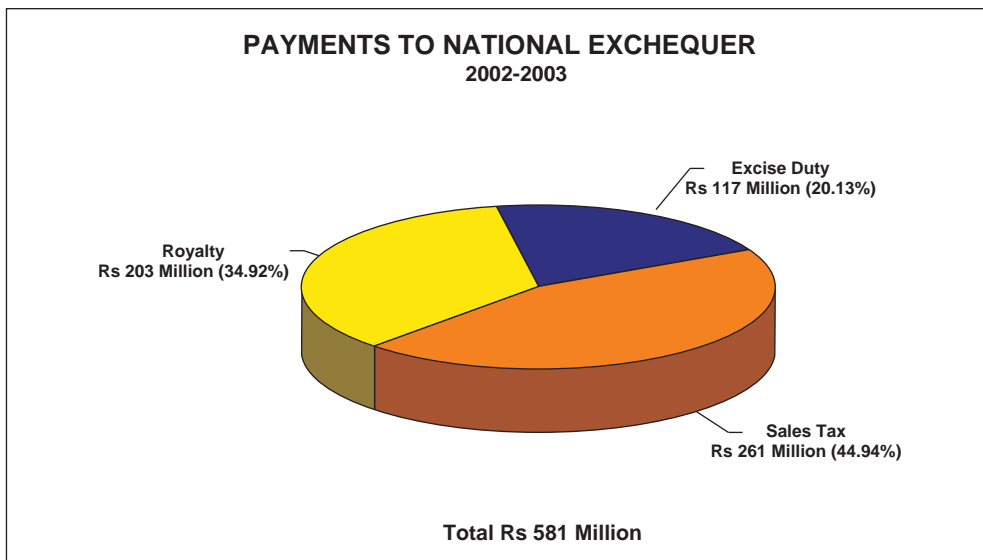
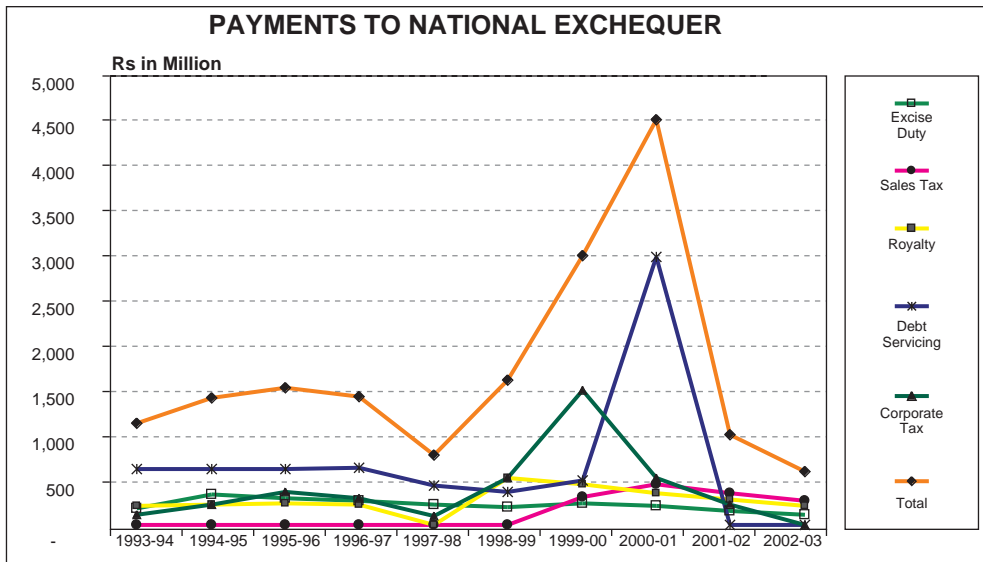
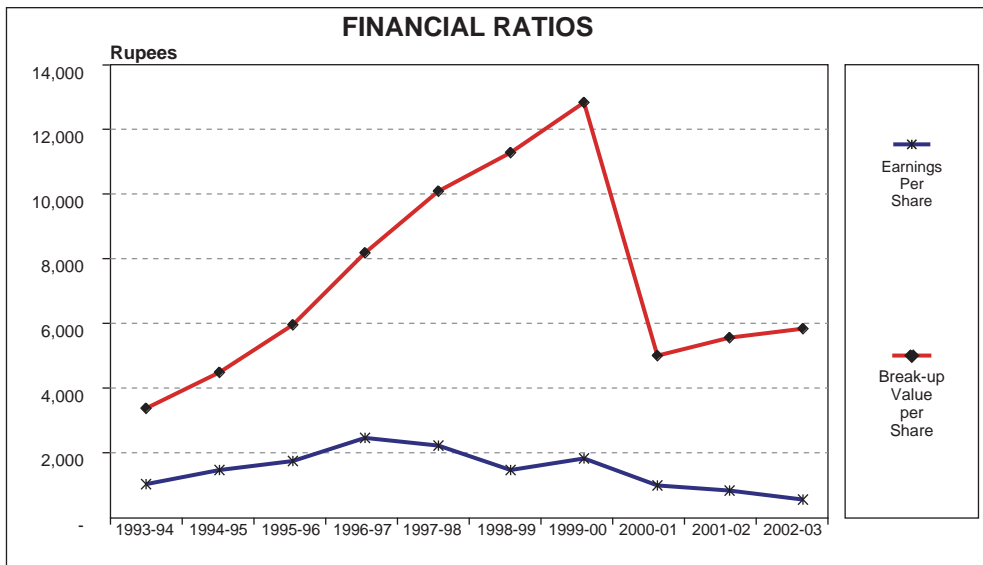
3.5	3.0	2.6	2.4	9.4	19.0	9.67	41.3
2.4	2.1	2.0	1.8	7.7	15.3	8.04	38.2
2.2	2.2	2.0	1.5	2.1	-	-	-
3.1	1.7	0.8	0.6	1.0	1.1	0.9	0.7
1.08	0.70	0.53	0.57	0.50	-	-	-
23%	27%	21%	14%	15%	20%	15%	7.8%
36%	46%	44%	38%	30%	39%	40%	33%
28%	29%	21%	12%	12%	18%	13%	7.6%
15%	15%	15%	17%	17%	87%	15%	15%
1,608.62	2,313.51	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.

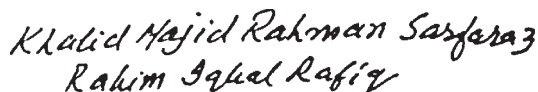
It is the responsibility of the Parent Company's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express 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

		2003 (Rs '000)	2002 (Rs '000)
SHARE CAPITAL AND RESERVES			
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>
		70,793,541	63,761,132
CONTINGENCY RESERVE FUND	5	1,363,968	450,878
LONG TERM LOANS	6	14,751	14,751
LONG TERM PROVISIONS	7	5,652,173	4,943,086
DEFERRED LIABILITIES	8	8,387,974	6,723,996
CURRENT LIABILITIES AND PROVISIONS			
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>	-
		6,476,620	6,775,952
CONTINGENCIES AND COMMITMENTS	10	-	-
		<u>92,689,027</u>	<u>82,669,795</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)
FIXED CAPITAL EXPENDITURE			
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
		40,287,322	37,602,206
LONG TERM INVESTMENTS	14	105,520	92,363
INVESTMENTS HELD TO MATURITY	15	541,948	428,860
LONG TERM PREPAYMENTS		34,029	32,986
LONG TERM RECEIVABLES	16	4,096,014	5,273,364
CURRENT ASSETS			
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
		92,689,027	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	<u>10,758</u>	<u>44,264</u>
		46,639,517	41,979,275
Less: Operating expenses	23	<u>8,812,957</u>	<u>6,990,071</u>
Royalty		<u>5,173,038</u>	<u>4,604,475</u>
Transportation charges		<u>635,524</u>	<u>529,658</u>
Amortization of exploration and development expenditure	12	<u>1,400,826</u>	<u>1,574,338</u>
		16,022,345	13,698,542
		30,617,172	28,280,733
Less: Exploration expenditure written off including exploratory dry holes	24	<u>2,526,119</u>	<u>1,195,687</u>
		28,091,053	27,085,046
Less: General and administration expenses	25	<u>1,086,031</u>	<u>637,307</u>
Financial charges	26	<u>746,542</u>	<u>284,108</u>
Workers' Profit Participation Fund		<u>1,425,602</u>	<u>1,415,543</u>
		3,258,175	2,336,958
		24,832,878	24,748,088
Other income	27	<u>1,877,367</u>	<u>2,021,818</u>
Share of profit of associated company		<u>13,157</u>	<u>4,353</u>
PROFIT BEFORE TAXATION		26,723,402	26,774,259
Provision for taxation	28	<u>5,875,118</u>	<u>9,245,209</u>
PROFIT AFTER TAXATION		20,848,284	17,529,050
Unappropriated profit brought forward		<u>37,446,987</u>	<u>30,732,648</u>
		58,295,271	48,261,698
APPROPRIATIONS :			
Transfer to contingency reserve fund		<u>913,089</u>	<u>62,390</u>
Transfer to reserve for issue of bonus shares		<u>17,531,139</u>	<u>-</u>
Interim dividend @ Rs 9.30 per share (2002: Rs 10 per share)		<u>9,999,659</u>	<u>10,752,321</u>
Proposed dividend @ Rs 2.70 per share (2002: Nil)		<u>2,903,127</u>	<u>-</u>
		31,347,014	10,814,711
UNAPPROPRIATED PROFIT CARRIED FORWARD		26,948,257	37,446,987
Earnings per share - Basic (Rupees)	31	<u>19.39</u>	<u>16.30</u>

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)
Cash flow from operating activities		
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)
	37,182,178	35,252,390
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	(952,437)	(316,419)
Cash generated from operations	36,498,686	32,267,488
Royalty paid	(4,618,123)	(4,596,188)
Staff retirement benefits paid	(140,696)	(171,659)
Taxes paid	(10,952,487)	(6,513,409)
	(15,711,306)	(11,281,256)
	20,787,380	20,986,232
Cash flow from investing activities		
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)
	(5,000,234)	(4,130,141)
Cash flow from financing activities		
Repayment of long term loans	(233,142)	(334,892)
Financial charges paid	(258,213)	(395,318)
Dividend paid	(9,999,659)	(14,730,680)
	(10,491,014)	(15,460,890)
Increase in cash and bank balances	5,296,132	1,395,201
Cash and bank balances at the beginning of the year	16,779,158	15,383,957
Cash and bank balances at the end of the year	22,075,290	16,779,158

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 (Rs '000)	Pre- incorporation profit (Rs '000)	Capital Reserve (Rs '000)	Reserve for issue of bonus shares (Rs '000)	Unappropriated Profit (Rs '000)	Total (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	2002
	Effective holding	Direct holding
Pirkoh Gas Company (Private) Limited ("PGCL")/ Susidiary Company")	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 the 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.

Subsidary 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
GOVERNMENT OF PAKISTAN				
1	USSR Credit 2-553/A	14,751	14,751	Mar 31, 1998
2	IDB Loan (US \$ nil ; 2002 : US \$ 1,841,750)	-	111,058	Dec 31, 2002
DIRECT LOAN				
3	Sicon Oil and Gas (s.r.l.) (US \$ nil; 2002 : US \$ 2,136,700)	-	128,843	Mar 4, 2003
		<u>14,751</u>	254,652	
	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)
Decommissioning cost of fields and production facilities		
Opening balance	4,943,086	-
Provisions made during the year	709,087	4,943,086
	<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	182,145	-
	<u>5,652,173</u>	<u>4,943,086</u>

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

8.1 Taxation

Credit/(debit) balances arising on account of:

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

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	1,286,027	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	As at		Cost		Rate of depreciation (%)	As at July 1, 2002 (Rs '000)	Adjustments (Rs '000)	As at June 30, 2003 (Rs '000)	Depreciation Charge for the year/ (On deletions) (Rs '000)	Adjustments (Rs '000)	As at June 30, 2003 (Rs '000)	Written Down Value as at June 30, 2003 (Rs '000)
	July 1, 2002 (Rs '000)	June 30, 2003 (Rs '000)	Additions/(deletions) during the year (Rs '000)	As at June 30, 2003 (Rs '000)								
Freehold land	83,950		1,104	85,025	-	-		-	-	-	85,025	
Leasehold land	245,079		-	245,079	1 - 3.3	55,965		8,050			64,015	181,064
Buildings / offices on freehold land	794,051		21,287	778,412	2.5	108,574	(36,926)	19,498	(4,196)		123,876	654,536
Buildings / offices on leasehold land	5,777		-	5,777	2.5	486		144			630	5,147
Buildings / roads in fields on freehold land	234,942		101,037	372,905	8	77,356	36,926	24,927	4,196		106,479	266,426
Buildings / roads in fields on leasehold land	584,607		29,998	614,605	8	79,128		49,111			128,239	486,366
Plant and machinery	26,655,654		3,274,723	29,930,406	10	14,535,371	29	1,997,608	19,557		16,552,536	13,377,870
Rigs	637,087		26,617	663,704	10	575,210		13,721			588,931	74,773
Pipelines	3,761,017		25,639	3,786,656	10	1,586,623		377,217			1,963,840	1,822,816
Rolling stock	1,736,391		56,682	1,790,419	20	1,611,998		41,910			1,651,267	139,152
			(2,654)					(2,641)				
Office and domestic equipment	296,434		14,973	311,407	15	280,648		10,306			290,954	20,453
Office and technical data computers	390,767		24,490	415,257	30	279,677		22,485			302,162	113,095
Furniture and fixtures	75,462		8,994	84,456	15	51,164		2,574			53,738	30,718
Aircraft	19,855		-	19,855	10	17,869		-			17,869	1,986
Total	35,521,073		3,585,544	39,103,963		19,260,069		2,567,551	19,557		21,844,536	17,259,427
			(2,654)					(2,641)				
Decommissioning cost	-		182,145	182,145	1 ~ 10	-		17,147			17,147	164,998
	35,521,073		3,767,689	39,286,108		19,260,069		2,584,698	19,557		21,861,683	17,424,425
			(2,654)					(2,641)				
2002	33,309,329		2,275,537	35,521,073		16,620,892		2,701,168	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)	Mode of sale	Particular of buyers
1	SUZUKI.IDE-2963	124,000	123,000	1,000	10,457	9,457	As per Company policy	MR.MUHAMMAD YOUSAF.(OG-0205) EX.A.MANAGER(EXPLORATION)
2	SUZUKI.IDB-5642	170,500	169,500	1,000	5,829	4,829	As per Company policy	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	As per Company policy	MR.K.A.MUFTI.(OG-0230) EX-MANAGER (WELL SERVICES)
4	MITSUBAISHI.IDB-4087	217,500	216,500	1,000	6,456	5,456	As per Company policy	MR.CH.M. BANARAS.(OG-4087) EX.AGM(PF/CA)
5	SUZUKI.IDB-9571	214,500	213,500	1,000	8,593	7,593	As per Company policy	MR.NASEEM A.KHAN.(OG-1317) EX.MANAGER.(PF/CA)
6	SUZUKI.IDE-2964	124,000	123,000	1,000	9,728	8,728	As per Company policy	MR.MAQBOOL ALAM.(OG-0203) EX.DY.MANAGER.(DTL)
7	SUZUKI.IDE-2954	124,000	123,000	1,000	9,827	8,827	As per Company policy	MR.MUMTAZ UDIN KHAN.(OG-0195) EX.DY.MANAGER.(OGTI)
8	SUZUKI.IDE-4922	378,800	377,800	1,000	17,462	16,462	As per Company policy	MR.MUHAMMAD RAFIQUE.(OG-209-C) EX.MANAGER.(PROJECTS)
9	SUZUKI.IDA-7834	305,000	304,000	1,000	7,818	6,818	As per Company policy	MR.M.AFZAL CHAUHAN.(OG-209-C) EX.MANAGER INSTRUCTOR.(OGTI)
10	SUZUKI.IDB-5648	170,500	169,500	1,000	-	(1,000)	As per Company policy	MR.SHAMIM AHMED CHUGHTAI.(OG-179-F) EX.MANAGER EXPLORATION.(PG)
11	MARGALLA.IDF-6943	320,500	319,500	1,000	-	(1,000)	As per Company policy	MR.NAZEER ABBAS NAQVI.(OG-154-C) EX.AGM.(GEO SERVICE).
12	SUZUKI.IDE-4047	13,900	12,900	1,000	-	(1,000)	As per Company policy	MR.SHAUKAT ULLAH.(OG-239-E) EX.DY.M.(G&R LABS).
13	MARGALLA.IDG-2071	320,000	319,000	1,000	-	(1,000)	As per Company policy	MR.MUHAMMAD ATHAR.(OG-138-G) EX.MANAGER.(J.V).
	2003	<u>2,653,700</u>	<u>2,640,700</u>	<u>13,000</u>	<u>82,000</u>	<u>69,000</u>		
	2002	<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

	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)	
DRILLING COST					
Producing fields-own					
Toot	1,522,632	(44)	1,251,875	16,398	254,315
Pirkoh	2,736,251	-	1,867,540	21,205	847,506
Dakhni	1,199,135	2,461	434,241	28,191	739,164
Uch	947,035	-	74,045	19,830	853,160
Loti	784,137	-	549,896	35,375	198,866
Sadqal	754,289	-	753,072	178	1,039
Dhodak	555,942	(783)	143,699	18,170	393,290
Missakeswal	555,120	-	508,451	38,436	8,233
Nanopur/Sarai Sidhu	599,867	26,021	145,903	63,225	416,760
Tando Alam	446,408	-	344,523	20,360	81,525
Rajian	703,440	(244)	253,420	44,822	404,954
Firkassar	341,198	-	291,769	1,037	48,392
Panpir	254,650	-	73,820	42,547	138,283
Bhal Syedan	218,661	-	207,847	2,541	8,273
Lashari Centre	211,881	-	105,710	18,588	87,583
Sono	166,906	(973)	140,253	7,492	18,188
Kunner	190,468	71,814	75,640	43,478	143,164
Kal	171,244	-	152,700	3,671	14,873
Sari	60,893	-	47,659	2,040	11,194
Hundi	18,552	-	16,732	265	1,555
Pasahki / Pasahki North	190,002	(130)	123,489	30,396	35,987
Daru	109,634	-	50,737	13,726	45,171
Thora / Thora East	86,317	-	86,209	22	86
Misan	78,776	(25)	72,234	2,680	3,837
Sub total	<u>12,903,438</u>	<u>98,097</u>	<u>7,771,464</u>	<u>474,673</u>	<u>4,755,398</u>
					<u>8,246,137</u>

	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 June 30, 2003 (Rs '000)	As at July 1, 2002 (Rs '000)	During the year (Rs '000)	As at June 30, 2003 (Rs '000)	
Producing fields--Joint ventures							
Kadanwari	1,973,847	228	1,974,075	1,164,927	53,265	1,218,192	755,883
Miano	1,245,150	184,620	1,429,770	28,029	132,642	160,671	1,269,099
Pindori	837,643	373,090	1,210,733	297,212	31,051	328,263	882,470
Qadirpur	1,078,295	4,395	1,082,690	164,202	40,355	204,557	878,133
Adhi	569,932	643,799	1,213,731	338,004	22,506	360,510	853,221
Dhurnal	252,463	-	252,463	216,642	2,173	218,815	33,648
Ratana	216,221	66,502	282,723	202,793	1,861	204,654	78,069
Chak Naurang	203,989	-	203,989	200,533	1,346	201,879	2,110
Meyun Ismail	193,436	-	193,436	60,913	33,344	94,257	99,179
Zaur	364,433	117,955	482,388	74,608	75,392	150,000	332,388
Shah Dino	-	15,717	15,717	-	1,429	1,429	14,288
Buzdar (UTP)	146,728	7,232	153,960	120,375	3,716	124,091	29,869
Paniro	92,272	-	92,272	45,383	3,154	48,537	43,735
Jabo	91,870	82,128	173,998	18,624	15,890	34,514	139,484
Sara/Suri	109,037	109	109,146	36,066	9,803	45,869	63,277
Pir	48,253	-	48,253	41,959	688	42,647	5,606
Jagir	111,246	4,724	115,970	43,468	13,851	57,319	58,651
Bhangali	38,608	-	38,608	35,692	808	36,500	2,108
Bhit	197,051	87,736	284,787	-	13,608	13,608	271,179
Sakhi	33,109	4,840	37,949	-	1,707	1,707	36,242
Keyhole	18,850	27,650	46,500	1,379	606	1,985	44,515
Kato	27,739	(923)	26,816	19,523	465	19,988	6,828
Rind	51,356	5,633	56,989	32,973	564	33,537	23,452
Muban	17,819	(212)	17,607	2,482	1,111	3,593	14,014
Sub total	<u>7,919,347</u>	<u>1,625,223</u>	<u>9,544,570</u>	<u>3,145,787</u>	<u>461,335</u>	<u>3,607,122</u>	<u>5,937,448</u>
Total producing fields	<u>20,822,785</u>	<u>1,723,320</u>	<u>22,546,105</u>	<u>10,917,251</u>	<u>936,008</u>	<u>11,853,259</u>	<u>10,692,846</u>

	COST			AMORTIZATION			WRITTEN
	As at	Additions/(deletions)	As at	As at	During the year	As at	DOWN VALUE
	July 1, 2002 (Rs '000)	during the year (Rs '000)	June 30, 2003 (Rs '000)	July 1, 2002 (Rs '000)	(Rs '000)	June 30, 2003 (Rs '000)	As at June 30, 2003 (Rs '000)
Shut-in-fields-own							
Jandran	295,272	(118,272)	177,000	-	-	-	177,000
Chak 5 Dim South	126,130	-	126,130	-	-	-	126,130
Palli	130,659	-	130,659	22,101	-	22,101	108,558
Buzdar North	26,701	-	26,701	4,717	-	4,717	21,984
Bobri	505,397	-	505,397	105,362	-	105,362	400,035
Jakhro	87,073	32	87,105	-	-	-	87,105
Mithrao	63,291	-	63,291	-	-	-	63,291
Nur	51,622	-	51,622	51,622	-	51,622	-
Dhamraki	34,022	-	34,022	-	-	-	34,022
Buzdar	22,087	-	22,087	22,087	-	22,087	-
Shut-in-fields-Joint ventures							
Tando Allah Yar	269,687	-	269,687	-	-	-	269,687
Sinjhero	117,715	251,667	369,382	-	-	-	369,382
Nim	-	174,219	174,219	-	-	-	174,219
Jalal	27,567	-	27,567	27,070	-	27,070	497
Chanda	535,338	-	535,338	4,166	-	4,166	531,172
Badar	6,126	119,901	126,027	-	-	-	126,027
Tal Block	-	269,962	269,962	-	-	-	269,962
Total shut-in fields	2,298,687	697,509	2,996,196	237,125	-	237,125	2,759,071
Total drilling cost	23,121,472	2,420,829	25,542,301	11,154,376	936,008	12,090,384	13,451,917
DECOMMISSIONING COST	4,943,086	526,942	5,470,028	589,261	464,818	1,054,079	4,415,949
Total	28,064,558	2,947,771	31,012,329	11,743,637	1,400,826	13,144,463	17,867,866
2002	21,171,207	6,893,353	28,064,560	10,169,299	1,574,338	11,743,637	16,320,923

13 PROJECTS IN PROGRESS-AT COST

	2003 (Rs '000)	2002 (Rs '000)
Wells in progress		
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
Joint Ventures		
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
	1,180,560	1,137,383

Capital work in progress

	2003	2002
	(Rs '000)	(Rs '000)
Production facilities at fields		
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	–
	2,896,162	2,897,987
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	–
	47,560	35,060
	2,943,722	2,933,047
	4,124,282	4,070,430

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)

	92,363	88,010
Share of profit	27,857	31,916
Less: dividend received	(14,700)	(27,563)
	13,157	4,353
	105,520	92,363

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	2002
	(Rs '000)	(Rs '000)
Stores and spares in hand	7,129,442	7,512,768
Stores and spares in transit	<u>921,325</u>	<u>540,684</u>
	8,050,767	8,053,452
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	<u>55,491</u>	<u>98,164</u>
	<u><u>6,334,614</u></u>	<u><u>6,927,811</u></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><u>13,298,499</u></u>	<u><u>13,215,571</u></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
	<u>6,512,865</u>	<u>2,334,799</u>
Less : Provision for impairment of receivables	<u>(597,074)</u>	<u>(17,323)</u>
	<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:

	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	<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	409,609	310,323
deposit accounts	21,601,687	16,425,708
(includes foreign currency deposits of US \$ 30,620,129 ; 2002 : US \$ 36,646,184).		
Cash in hand	34,113	26,249
Cash in transit	29,881	16,878
	<u>22,075,290</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	2002	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	<u>55,558,760</u>	<u>1,671,627</u>	<u>227,882</u>	<u>7,030,492</u>	<u>46,628,759</u>	<u>41,935,011</u>			
2002	<u>50,099,734</u>	<u>1,667,964</u>	<u>194,957</u>	<u>6,301,802</u>	<u>-</u>	<u>41,935,011</u>			

22 OTHER OPERATING REVENUE

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

23 OPERATING EXPENSES

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

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

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	<u>(290,216)</u>	<u>(265,158)</u>
Capitalized	<u>(288,436)</u>	<u>(222,714)</u>
	<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
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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

1,800	185	1,985	1,978
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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

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

27 OTHER INCOME

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

28 PROVISION FOR TAXATION

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

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 :

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

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			Total (Rs '000)
	Interest / mark-up bearing with maturity less than one year (Rs '000)	Interest / mark-up bearing with maturity one to five years (Rs '000)	Total (Rs '000)	Interest / mark-up bearing with maturity less than one year (Rs '000)	Interest / mark-up bearing with maturity one to five years (Rs '000)	Total (Rs '000)	
Financial assets:							
Trade debts	302,566	-	302,566	13,298,499	-	13,298,499	13,215,571
Loans, advances, deposits and other receivables	-	-	-	932,335	-	932,335	230,458
Cash and bank balances	21,601,687	-	21,601,687	22,075,290	16,425,708	38,500,998	16,779,158
Long term receivables	-	-	-	4,086,014	-	4,086,014	5,273,364
Loans to employees	10,322	50,440	60,762	604,396	43,042	647,438	549,047
Investments	-	304,610	304,610	541,948	162,406	704,354	428,860
	<u>21,914,575</u>	<u>355,050</u>	<u>22,540,564</u>	<u>41,548,482</u>	<u>205,448</u>	<u>42,801,136</u>	<u>36,476,458</u>
Financial liabilities							
Long term loans	-	-	-	14,751	-	14,751	14,751
Creditors, accrued and other liabilities	-	-	-	3,492,593	-	3,492,593	3,895,323
Employees' retirement benefits	-	-	-	1,662,758	-	1,662,758	1,179,698
Decommissioning cost	-	-	-	5,652,173	-	5,652,173	4,943,086
Proposed dividend	-	-	-	2,903,127	-	2,903,127	-
	-	-	-	<u>13,725,402</u>	-	<u>13,725,402</u>	<u>10,032,858</u>
Off balance sheet items							
Capital commitments (other than LCs)	-	-	-	4,122,487	-	4,122,487	3,107,421
Letters of credit	-	-	-	1,589,449	-	1,589,449	797,486
Guarantees	-	-	-	104,459	-	104,459	29,418
	-	-	-	<u>5,816,396</u>	-	<u>5,816,396</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

	2003 (Rs '000)	2002 (Rs '000)
Net profit for the year	<u>20,848,284</u>	<u>17,529,050</u>
Average number of shares outstanding-Nos	1,075,232,100	1,075,232,100
Earnings per share (Rupees)	<u>19.39</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	14,700	27,563

33 NUMBER OF EMPLOYEES

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

	June 30, 2003	June 30, 2002
Regular	9,282	9,985
Contract *	2,572	2,753
	<u>11,854</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 Note	Component	Reclassification to Note	Component	Nature	(Rs '000)
6.2	Other investments	15	Investments held to maturity	Required by IAS 39	428,860
10	Loans, advances, deposits prepayments and other receivables	16	Long term receivables	Required by IAS 1	471,364
-	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

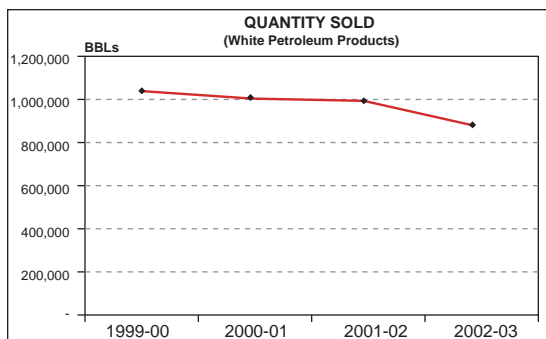
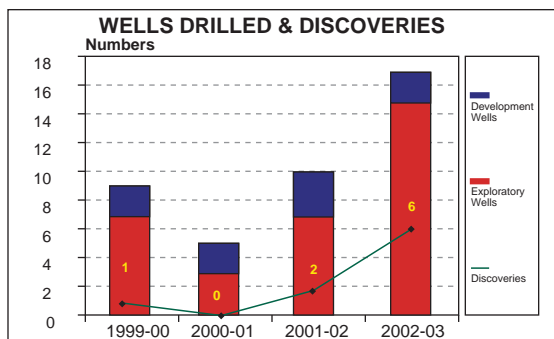
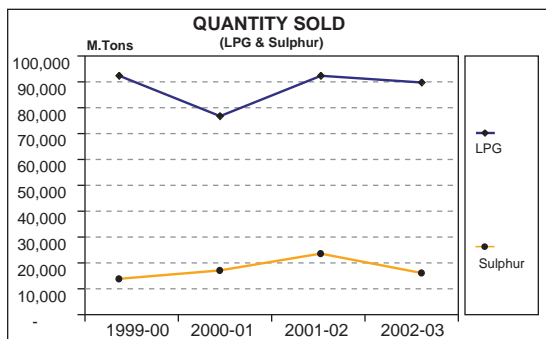
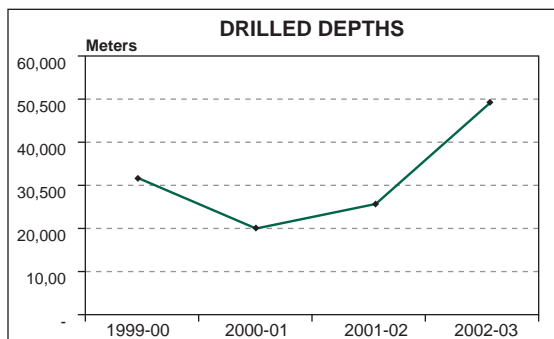
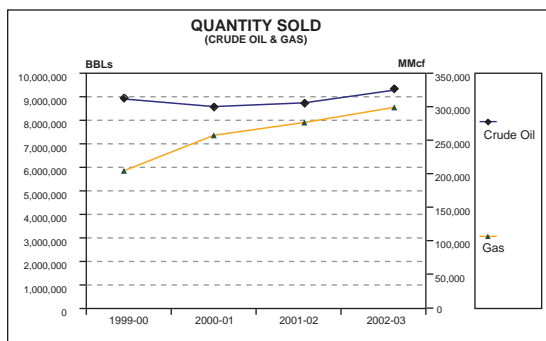
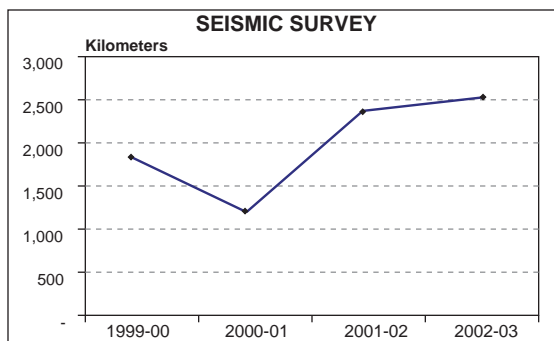
Director


Managing Director

OPERATIONAL PERFORMANCE INDICATORS

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

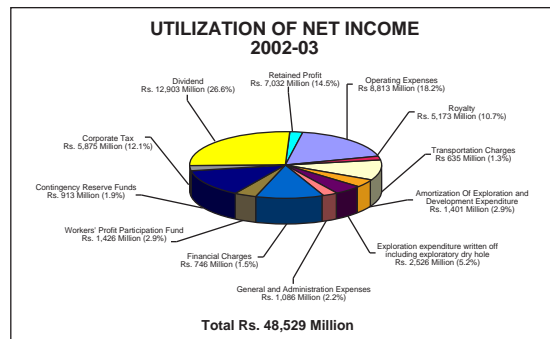
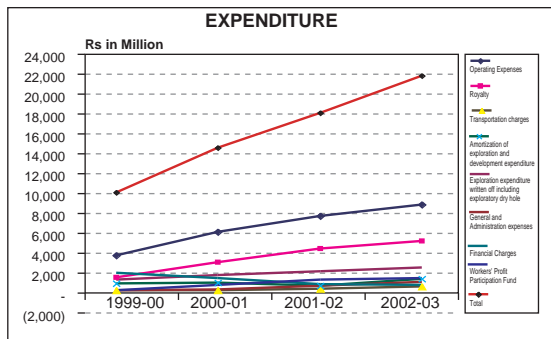
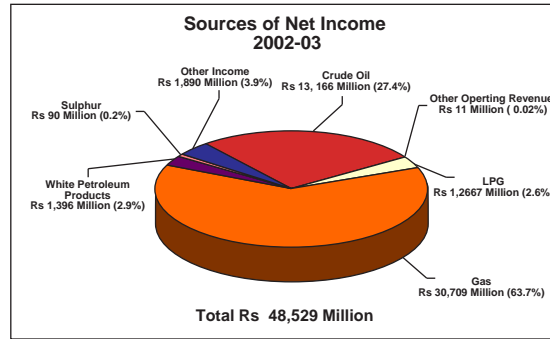
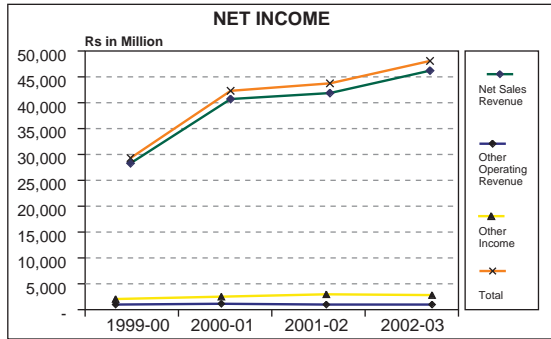
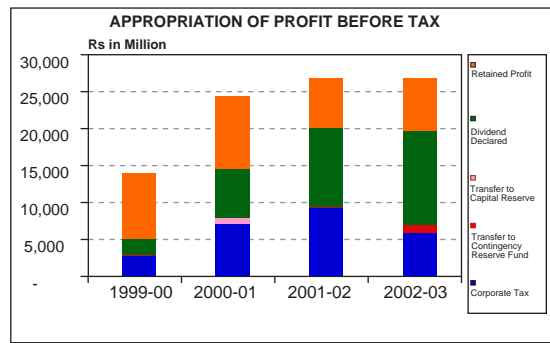
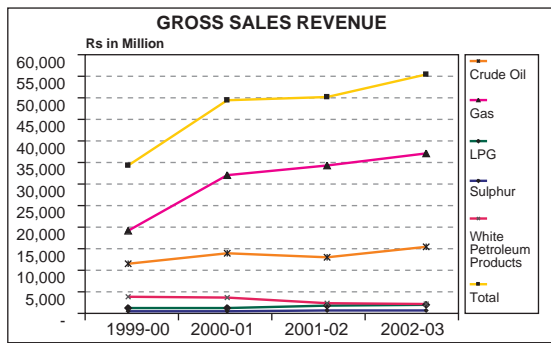
OGDCL - Consolidated Accounts - Operational Performance Indicators



PROFIT AND LOSS ACCOUNT PERFORMANCE INDICATORS

		Fiscal Years			
		1999-00	2000-01	2001-02	2002-03
GROSS SALES REVENUE	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
		34,211	49,474	50,100	55,558
GOVERNMENT LEVIES	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
		6,696	8,849	8,165	8,930
SOURCES OF INCOME	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
		28,553	42,459	44,005	48,529
UTILIZATION OF INCOME	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
		14,608	18,074	17,231	21,806
Profit Before Tax	Rs in Million	13,945	24,385	26,774	26,723
Corporate Tax	Rs in Million	2,752	7,007	9,245	5,875
Profit After Tax	Rs in Million	11,193	17,378	17,529	20,848
Transfer to Contingency Reserve Fund	Rs in Million	46	52	62	913
Transfer to Capital Reserve	Rs in Million	-	836	-	-
		11,147	16,490	17,467	19,935
Dividend Declared	Rs in Million	2,150	6,666	10,752	12,903
Retained Profit	Rs in Million	8,997	9,824	6,715	7,032

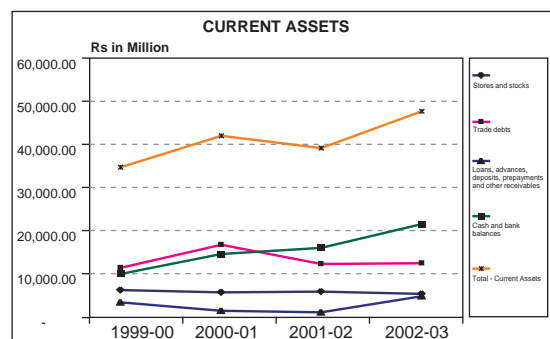
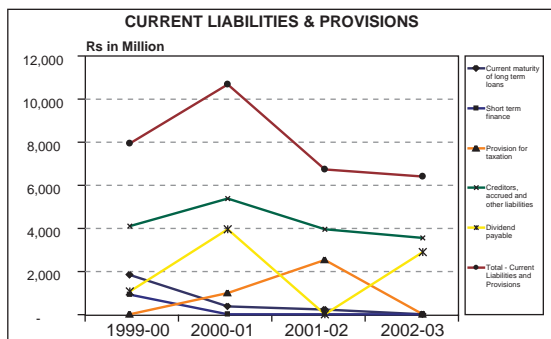
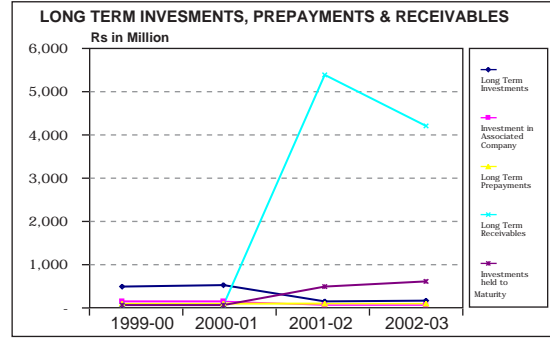
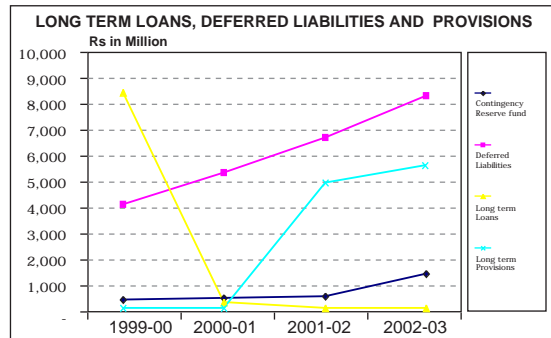
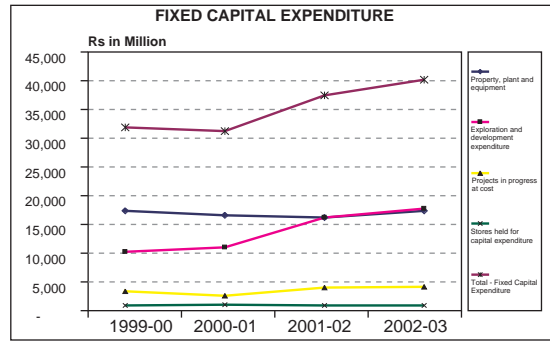
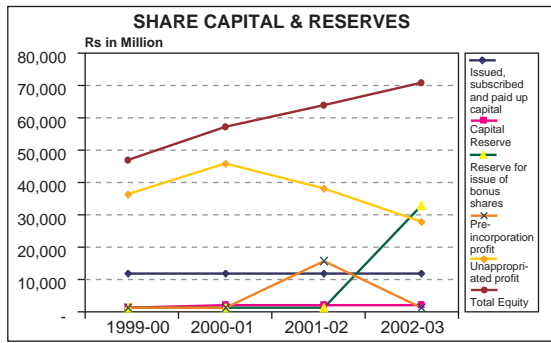
OGDCL - Consolidated Accounts - Profit And Loss Account Performance Indicators



BALANCE SHEET PERFORMANCE INDICATORS

		Fiscal Years			
		1999-00	2000-01	2001-02	2002-03
SHARE CAPITAL AND RESERVES	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		-	-	14,726	0
Unappropriated profit		35,634	45,459	37,447	26,948
		46,386	57,047	63,761	70,793
CONTINGENCY RESERVE FUND	Rs in Million	336	388	451	1,364
LONG TERM LOANS	Rs in Million	8,528	239	15	15
LONG TERM PROVISIONS	Rs in Million	-	-	4,943	5,652
DEFERRED LIABILITIES	Rs in Million	4,106	5,331	6,724	8,388
CURRENT LIABILITIES AND PROVISIONS	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
		7,994	10,778	6,776	6,477
Total - Equity and Liabilities		67,351	73,783	82,670	92,689
FIXED CAPITAL EXPENDITURE	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
		31,949	31,281	37,602	40,287
LONG TERM INVESTMENTS	Rs in Million	419	455	92	106
INVESTMENT IN ASSOCIATED COMPANY	Rs in Million	85	88	-	-
INVESTMENTS HELD TO MATURITY	Rs in Million	-	-	429	542
LONG TERM PREPAYMENTS	Rs in Million	35	27	33	34
LONG TERM RECEIVABLES	Rs in Million	-	-	5,273	4,096
CURRENT ASSETS	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
		34,948	42,020	39,241	47,624
Total - Assets		67,351	73,783	82,670	92,689

OGDCL - Consolidated Accounts - Balance Sheet Performance Indicators



FINANCIAL PERFORMANCE INDICATORS

		Fiscal Years				
		1999-00	2000-01	2001-02	2002-03	
RATIOS						
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	
PAYMENTS TO NATIONAL EXCHEQUER						
		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	
		19,153	30,271	33,987	35,243	
WORKING CAPITAL						
		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		26,954	31,242	32,464	41,147	
FOREIGN EXCHANGE SAVINGS						
		US \$ in Million				
(excluding Non-Operated JVs)		719	946	862	1,100	
RUPEE TO US DOLLAR PARITY RATE						
		Rs per US \$ (Avg)				
		52.00	58.50	61.50	58.55	
		Rs per US \$ @ 30th June				
		52.30	64.30	60.22	57.88	
REALIZED PRICE						
Crude Oil	Gross	Rs/Barrel	1,240	1,581	1,461	1,608
	Net of Government Levies	Rs/Barrel	1,093	1,375	1,273	1,399
Gas	Gross	Rs/Mcf	90	123	123	124
	Net of Government Levies	Rs/Mcf	81	102	102	103
LPG	Gross	Rs/M.Ton	7,914	10,168	14,549	16,223
	Net of Government Levies	Rs/M.Ton	7,840	9,661	12,566	14,025
Sulphur	Gross	Rs/M.Ton	5,790	4,629	4,225	6,525
	Net of Government Levies	Rs/M.Ton	5,034	4,007	3,658	5,674
White Petroleum Products	Gross	Rs/Barrel	3,334	3,206	1,834	2,066
	Net of Government Levies	Rs/Barrel	1,490	1,748	1,351	1,626

