بسم اللہ الرحمٰن الرحیم
وَسَخَّرَ لَكُمْ مَّا فِى السَّمٰوٰتِ وَمَا فِى الْاَرْضِ
اور تمہارے لئے مسخر کردیا گیا ہے جو کچھ کہ آسمانوں اور زمین میں ہے
(سورۃ الجاثیۃ)
And has subjected to you all that is in the heavens
and all that is in the earth!

CONTENTS

HIGHLIGHTS
OF THE YEAR

- The Government off loaded a portion of its quity equivalent to 5% of the paid-up capital of the Company through an Initial Public Offering (IPO), in October 2003. The Company is now listed on all the three Stock Exchanges of the Country.

- Achieved all time high net Sales Revenue of Rs 51.294 billion representing 14% growth over last year.

- Profit before tax depicted robust growth of Rs 4.098 billion representing 16% growth over last year.

- Profit after tax increased by Rs 1.741 billion representing 8% increase over last year.

- Earnings per share amounted to Rs 5.21 as compared to Rs 4.81 in the year 2002-03.

- Acquired four new Exploration Licences namely Dhudial, Rachna, Saruna and Zamurdan covering an area of 7,262.20 Sq. Km.

- Acquired 2,060 L. Km of 2D and 148 Sq. Km. of 3D seismic survey.

- Drilled ten new Exploratory / Appraisal wells and seven Development wells and a total of 48,818 meters of drilling was carried out.

- Discovered two new oil and gas / condensate fields at Dars-1 in Tando Allah Yar Concession and at Lala Jamali in Sinjhoro Concession.

COMPANY PROFILE

- Oil and Gas Development Company Limited (OGDCL) was initially created under an Ordinance in 1961, as public sector Corporation which subsequently in pursuance of the Petroleum Policy, 1994 was converted from a statutory Corporation into a public limited joint stock Company on commercial lines w.e.f. 23 October, 1997.

- On conversion all the properties, rights, assets, obligations and liabilities of the Oil and Gas Development Corporation (OGDC) were vested in the Company for having issued ordinary fully paid shares of Rs 10/- each against the capital contribution made by the Government.

- Company's Board of Directors was reconstituted by nominating experts in different fields on its Board.

- In April/May 1999, Government of Pakistan approved privatization of OGDCL and a Financial Advisor was appointed for that purpose.

- In October 2003 Government of Pakistan further decided to disinvest part of its shareholding in the Company after issuing bonus shares at three shares per one share. Initially 2.5% of the equity with an additional green-shoe option upto 2.5% of equity was offered to general public under IPO. The said offer received an overwhelming response from the general public which has been recorded as a landmark transaction in the history of Pakistan's capital market.

- The Company is now listed on all the three Stock Exchanges of Pakistan with highest market capitalization.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Mr. Basharat A. Mirza

AUDITORS

Messers Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq,
(New name Khalid Majid Rehman) Chartered Accountants

Messers Taseer Hadi Khalid & Co., Chartered Accountants

LEGAL ADVISOR

Messers Khokhar Law Chambers

TAX ADVISOR

Messers Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq,
(New name Khalid Majid Rehman) Chartered Accountants

BANKERS

National Bank of Pakistan
Habib Bank Limited
Faysal Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Metropolitan Bank Limited
Askari Commercial Bank Limited
United Bank Limited
Allied Bank Limited
Muslim Commercial 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

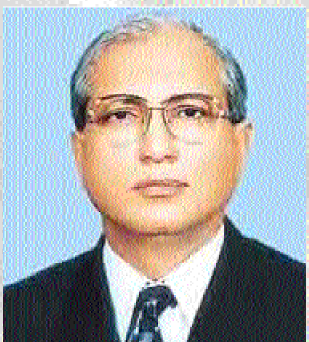
SHARE REGISTRAR DEPARTMENT

Noble Computer Services (Pvt) Limited.
2nd Floor, Sohni Center,
BS 5 & 6, Main Karimabad,
Block – 4, Federal B. Area,
Karachi-75950.
Tel: (021) 6801880 – 82 (3 Lines)
Fax: (021) 6801129

BOARD OF DIRECTORS


M. Afzal Khan
Chairman


Najam K. Hyder
Managing Director


G. A. Sabri


M. Iqbal Awan

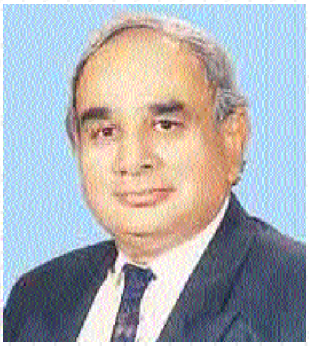

Sikandar Hayat Jamali


Pervaiz Kausar


Azam Faruque


Muhammad Bilal

Maudood Ahmad Lodhi



M. Younas Khan

Pervez Hanif

Laeeq Ahmad

Board of Directors meeting in session

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

Mr. M. Younas Khan	Chairman
Mr. Muhammad Iqbal Awan	Member
Mr. Azam Faruque	Member
Mr. Maudood Ahmad Lodhi	Member
Mr. Muhammad Bilal	Member
Mr. Aftab Hussain, AM (Internal Audit)	Secretary

TECHNICAL AND FINANCE COMMITTEE

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

HUMAN RESOURCES COMMITTEE

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

INVESTMENT COMMITTEE

Mr. M. Younas Khan	Chairman
Mr. Najam K. Hyder	Member
Mr. G. A. Sabri	Member
Mr. Muhammad Iqbal Awan	Member
Mr. Pervaiz Kausar	Member
Mr. Pervaiz Hanif	Member
Mr. Aftab Ahmed, GM (Finance)	Secretary

SENIOR MANAGEMENT TEAM

Mr. Najam K. Hyder	Managing Director
Mr. Mubbashar A. Zafar	Executive Director (Administration)
Dr. Syed Muhammad Ahmed	Executive Director (Exploration)
Mr. Latif Ahmed Rana	Executive Director (Drilling & Allied Services)
Mr. Mukhtar H. Jaffery	Executive Director (Finance)
Mr. Aftab Ahmed	General Manager (Finance / Carporate Affairs / Joint Venture)
Mr. Muhammad Riaz Khan	General Manager (Production & Process)
Mr. M. Zafarullah Ch.	General Manager (Projects)
Mr. Imtiaz Hussain Zaidi	General Manager (Human Resources)
Brig (R) Mukhtar A. Tariq	General Manager (Administration)
Brig (R) M. Humayun Khan	General Manager (Procurement and Stores)
Mr. Afzal Chaudhri	General Manager (Oil & Gas Training Institute)
Mr. Sajjad Ahmad	General Manager (Civil & Engineering Support Services)
Mr. Khalid Jamil Khan	General Manager (Accounts/System Support)

MANAGEMENT COMMITTEES

MANAGEMENT CONSULTATIVE GROUP

Managing Director – Chairman

Executive Director (Administration)	Member	General Manager (Procurement & Store)	Member
Executive Director (Finance)	Member	General Manager (Production & Process)	Member
Executive Director (Exploration)	Member	General Manager (Internal Audit)	Member
Executive Director (Drilling & Allied Services)	Member	General Manager (Human Resources)	Member
General Manager (Corporate Affairs / J.V.)	Member	Company Secretary	Secretary

EXECUTIVE DIRECTORS' COMMITTEE FOR PROCUREMENT

Executive Director (Administration)	Member	General Manager (Projects)	Member
Executive Director (Finance)	Member	General Manager (Production & Process)	Member
Executive Director (Exploration)	Member	General Manager (Procurement & Store)	Member /Secretary
Executive Director (Drilling & Allied Services)	Member		

INFORMATION TECHNOLOGY STEERING COMMITTEE

Managing Director – Chairman

Executive Director (Administration)	Member	General Manager (Projects)	Member
Executive Director (Finance)	Member	General Manager (Procurement & Store)	Member
Executive Director (Exploration)	Member	General Manager (Civil & Engineering Support Services)	Member
Executive Director (Drilling & Allied Services)	Member	General Manager (Oil & Gas Training Institute)	Member
General Manager (Corporate Affairs / J.V.)	Member	General Manager (Human Resources)	Member
General Manager (Production & Process)	Member	General Manager (System)	Secretary

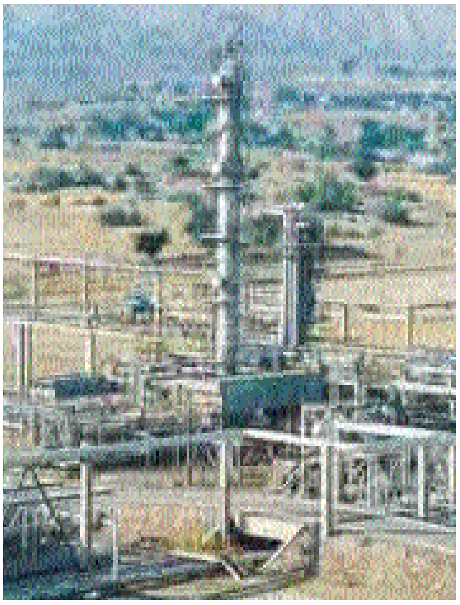
OVERVIEW

Exploration and Development

With a balanced, efficient and competitive structure, OGDCL explores and exploits indigenous resources for optimum production of oil and gas and not only carries out exploration and development activities on its own but also enters into joint ventures for oil and gas exploration. Presently OGDCL is 100% owner in 7 concessions and also holds Siahan as a Reconnaissance Permit.

In addition, OGDCL is operator as well as a working interest owner in 9 concessions and partner in another 7 concessions operated by other oil companies in the country. OGDCLholds the largest acreage for carrying out exploration and development work. OGDCL has 35 Mining and Development & Production leases which are operated by it at the same time having interest ownership in 30 non-operated Mining and Development & Production Leases. OGDCL is undertaking major institutional reforms and improvements have been made in all areas of its operations enabling the Company to take up the challenges of making it a leading energy Company in the Region. OGDCL is presently carrying out survey and drilling activities in all the four provinces of the country and is striving to achieve self-reliance in oil and gas for the national economy.

As of August 2004, OGDCLhas drilled 187 exploratory wells and 239 development wells. On the basis of its activities since inception, the Company has until June 2004 made 60 discoveries with an excellent success ratio of 1:3. In a short span of only 3 years, OGDCL was successful in making 10 discoveries – two oil discoveries and eight gas/condensate discoveries, out of which 9 are in Sindh and 1 in NWFP. Oil and gas discovered in Chanda, District Kohat is the first discovery ever made by a Company in NWFP and will open up a new era for hydrocarbon exploration in the Indus Basin.



OGDCL's financial performance has been consistently improving with sustainable growth since the time it became a self-financing entity. The Company is the single largest contributor of more than Rs 37 billion to the national exchequer of the Government of Pakistan by way of royalty duties, taxes and other payments.

OGDCL now holds the largest share of oil and gas reserves in the country i.e. 48% of total oil and 35% of total gas reserves. Its share in the total oil and gas production has been 34% and 21% respectively in the year 2003-04. Its updated estimates for remaining recoverable oil and gas reserves as on 01 July, 2004 stood at 139.37 standard million barrels of oil and 9,724.39 billion standard cubic feet (bscf) of gas including Company's share in non-operated joint ventures. OGDCL has also implemented a number of major development projects including the recently completed Bobi and Chanda projects which are expected to give 4500 barrels of oil per day and 13 mmcf of gas per day.

Subsidiary Company

Pirkoh Gas Company (Pvt) Limited (PGCL) as 100% owned subsidiary of the Company was established in 1982 to undertake development of Pirkoh Gas Field located in Dera Bugti Agency in Balochistan with the assistance of Asian Development Bank.

Human Resource Base

During the last 43 years the Company has grown into a technically sound and commercially viable organization. It has developed a highly qualified pool of professionals who can undertake and supervise almost all phases of oil and gas exploration and production starting from preliminary geological surveys and culminating in the operation of oil and gas processing plants. The Company thus has the largest professional / technical human resource base in the Country's oil industry.

Equipment and Operational Base

The Company also has developed a sound equipment and operational base for attaining self-sufficiency in oil and gas which includes 7 drilling rigs, 2 work over rigs, a Geological Field Party, 4 Seismic Parties, 4 Engineering Field Parties, 2 Gas Gathering and Pipeline Construction Parties, Seismic Data Processing Center, Geological Analysis Laboratory, Wire line Logging Unit, Cementing Units and Data Logging Unit. The Company also has its own Oil and Gas Training Institute (OGTI) located in Islamabad for catering the needs of training for OGDCL staff, in particular, and that of the petroleum industry in general.

Concession Activities

Concessions 100% Owned By OGDCL:

Al-Rehman Exploration Licence Area (Block NO.3170-1)

Al-Rehman Exploration Licence ("EL") covering an area of 2,063.93 Sq.Km is located in South Waziristan Agency, D.I. Khan NWFP & Musa Khel Bazar, and Zhob of Balochistan Province. The area was granted to OGDCL w.e.f. 05 November, 2002 for a period of three years. Seismic data acquisition program of about 284 L. Km was started in April 2003. Seismic data of 229.50 L. Km has been acquired. Processing and interpretation is in progress. Reprocessing of 134 L. Km has been completed.

Dhudial Exploration Licence Area (Block No.3372-17)

The Dhudial Exploration Licence ("EL") covering an area of 313.53 Sq. Km is located in Chakwal and Rawalpindi districts of Punjab Province. The concession was granted to OGDCL w.e.f. 08 November, 2003 for a period of three years. About 162 L. km 2D seismic data has been acquired, 20% processing of the acquired data has been completed and interpretation is in progress. Reprocessing of 122 L. Km seismic data has been completed upto PSTM level.

Fateh Jang Exploration Licence Area (Block No.3372-14)

The Fateh Jang Exploration Licence ("EL") covering 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 05 November, 2002 for a period of three years. About 300 L. Km of previous seismic data has been reviewed over the leads in Fateh Jang E.L. and 239 L. Km 2D seismic has been acquired. Processing and interpretation is in progress. Reprocessing of 87 L. Km seismic data is in progress.

Jandran Exploration Licence Area

Jandran Exploration Licence ("EL") covering an area of 408 Sq.Km is located in Loralai District and Kohlu Agency of Balochistan Province. OGDCL carried out 150 L. km geological fieldworks and acquired 87.20 L. km. In the initial term of the licence OGDCL drilled 1st exploratory well Jandran X-1.The well was declared plugged and suspended. In 1st and 2nd renewal period OGDCL drilled Jandran X-2 and Jandran X-3 respectively. Jandran X-2 was Gas discovery, while X-3 is temporarily suspended. Third renewal was granted with effect from 13 November, 1999 with an obligation to drill an exploratory well. Due to its structural complexities additional seismic survey was planned. OGDCL acquired 33 L. km seismic. However due to operational difficulties in the area, further work was stopped and the area is under Force Majeure since 7 May, 2000.

Rachna Exploration Licence Area (Block No.3071-2)

The Rachna Exploration Licence ("EL") covering an area of 2,436.47 Sq. Km is located in Leiah, Jhang, Toba Tek Singh, Khanewal & Muzafargarh, in Punjab Province. The concession was granted to OGDCL w.e.f 08 November, 2003 for a period of three years. OGDCL has acquired 283. L. km. Processing and interpretation of data is in progress.

Saruna Exploration Licence Area (Block No.2567-4)

The Saruna Exploration Licence ("EL") covering an area of 2,431.62 Sq. Km is located in Khuzdar and Lasbela districts of Balochistan Province. The concession was granted to OGDCLw.e.f. 17 February, 2004 for a period of three years. OGDCL has purchased 415 L. Km of seismic data from LMKR, interpretation of the same is under progress. Seismic data of 104 L. Km is handed over to the Operation Department for acquisition subject to the security clearance.

Zamurdan Exploration Licence Area (Block No.2869-12)

The Zamurdan Exploration Licence ("EL") covering an area of 2,080.58 Sq. Km is located in D.G. Khan & Rajanpur in Punjab Province. The concession was granted to OGDCL w.e.f. 17 February, 2004 for a period of three years. OGDCL has acquired approximately 117 L. km. Acquisition is in progress. Acquired data is being processed and interpreted.

OGDCL Operated Joint Ventures

OGDCL holds 95% working interest in the following concessions areas, the remaining 5% (carried) working interest is held by Government Holdings (Pvt) Ltd (GHPL).

Bitrisim Exploration Licence Area (Block No.2568-4)

Bitrisim Exploration Licence ("EL") covering an area 1,819.72 Sq. Km is located in Districts Nawabshah, Khairpur and Sanghar of Sindh Province. The area was granted with effect from 27 September, 1997 for a period of three years. OGDCL reprocessed 795 L. km of seismic data and 1,335 L. km data was acquired, processed and interpreted, but only 1 structure was delineated and drilled in December 1999, which was 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. M/s Schlumberger in Pakistan interpreted the data and identified 2 leads and 1 drillable prospect, Fateh-1, which was drilled, found dry and hence abandoned. Another extension was granted to spud Bitrisim X-1 (Chak-43), was drilled and found dry and hence abandoned. Later, Kashmiri Goth in lieu of Chandesari-1 was spudded and completed on 03 March, 2003. The well was tested for hydrocarbons in the Goru Formation sands with negative results. OGDCL obtained 1st one year renewal with commitment of drilling of one exploratory well upto top of Lower Goru Formation or 3,000 meters whichever is earlier. The committed exploratory well Dhubi-1 is currently under drilling. Proposed TD of the well is 3,100 M. OGDCL has applied for 2nd renewal.

Khewari Exploration Licence Area (Block No.2568-3)

The block Exploration Licence ("EL") covering an area of 1,625.36 Sq.Km is located in Khairpur & Nawabshah Districts of Sindh province, the area was granted on 29 December, 1999. 988 L. km seismic data was reprocessed and 793 L. km 2 D seismic data acquired processed and interpreted. As a result, 2 prospects were identified. In order to fulfill the commitment 2 months extension was granted upto 28 February, 2003. The first prospect, Khabar Well No.1 was spudded, which was declared dry and hence abandoned. Further 6 months extension was granted upto 31 August, 2003, with condition that OGDCLwill complete acquisition of 450 L. km 2D seismic and spud well. The second exploratory well Dangi-1 was drilled and found dry and hence abandoned. OGDCL awarded contract of 2D seismic acquisition of 208 L. km to BGP on 13 March, 2004. M/s BGP acquired 209 L. km by 20 May, 2004 and OGDCL acquired 241 L. km. Total commitment of extension period 450 L. km completed. In order to establish tie with old seismic 235 L. km data has been reprocessed.

First one year renewal application has been submitted to DGPC for grant.

Nim Exploration Licence Area (Block No.2568-9)

The Nim Exploration Licence ("EL") covering an area of 295.03 Sq.Km, is in Hyderabad and Tharparkar Districts of Sindh Province, and was granted to OGDCL on 29 December, 1999. So far 100 Sq. Km 3-D seismic data and 146 L. km 2-D seismic data have been acquired processed and interpreted. 2D 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, Began and Bahadur were identified. Norai Jagir and Bhulan shah proved productive for hydrocarbons, while Began-1 and Bahadur-1 wells were dry and abandoned. Presently Licence is in 1st renewal phase with a commitment to drill one exploratory well to a depth of 1,500 M or top of sand of Lower Goru Formation, whichever is earlier. Area covers 295.03 Sq.Km. 117.3 L. km 2D seismic data was acquired processed and interpreted. As a result, Aulia-1 exploratory well was spudded on 28 March, 2004. The well is under drilling at present. The first one-year licence is extended upto completion of drilling of Aulia-1. OGDCL has submitted 2nd renewal application to DGPC for grant.

Tando Allah Yar Exploration Licence Area (Block No.2568-8)

Tando Allah Yar Exploration Licence ("EL") covering an area of 403.34 Sq. Km is located in Districts Hyderabad and Tharparker of Sindh. The area was granted on 27 September, 1997. OGDCL discharged reprocessing of 387 L. km and acquisition of 44 Sq. km 3D seismic data against the contractual commitment of reprocessing of 1,500 L. km. Tando Allah Yar #1 drilled and declared Gas Condensate. Mir Well No.1, Miranabad Well No.1 and Khokhar South Well No.1 were drilled, found declared dry and hence abandoned. OGDCL also drilled three Appraisal wells namely T.A.Yar-2, T.A.Yar-3, and T.A.Yar-4. All these three wells are producer. 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. 27 September, 2000 and 01 July, 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 spudded on 22 June, 2003. Dars-1 was drilled down to the depth of 2,170 M and was declared Gas/condensate discovery. Third one year renewal was granted from 05 September, 2003 to 03 September, 2004, with commitment to drill one exploratory well, which was fulfilled by drilling of Dars West-1 exploratory well, spudded on 23 April, 2004. Dars West-1 reaches T.D of 2,102 M on 26 May, 2004. Currently the well is under testing. So far a total of 129.4 L. km seismic data has been acquired processed and interpreted.

Zin Exploration Licence Area (Block No.2868-1)

Zin Exploration Licence ("EL") located in Mari and Bugti agencies, Districts Nasirabad and Kacchi, Balochistan covering an area of 5,559.74 Sq. Km was granted w.e.f. 23 June, 1996. Force Majeure over the block was declared w.e.f. 23 June, 1996 due to security reasons, which was lifted w.e.f. 15 August, 1999. OGDCL under took exploratory activities in southern part of the area and approximately 190 L. Km seismic data has been acquired processed and interpreted. A drillable structure was delineated and the well location was marked on ground. However, work on access road to the location had to be stopped on 15 April, 2001 due to security problems and the licence is still under Force Majeure.

OGDCL Operated Joint Ventures (Joint Ventures With Government Holdings Private Limited And Other E & P Companies)

Gurgalot Exploration Licence Area (Block No.3371-5)

The Gurgalot Exploration Licence ("EL") covering an area of 385.84 Sq. km is located in the Kohat and Attock Districts of NWFP and Punjab provinces. The area was granted on 28 June, 2000. OGDCL holds 75%, Pakistan Oilfields Limited (POL) 20% and Government Holdings (Private) Limited (GHPL) 5% working interest in the block. 108 L. Km seismic data acquired processed and interpreted. Exploratory well Drabo Kas -1 was spudded in on 27 June, 2004. The well is currently under drilling.

Kotra Exploration Licence Area (Block No. 2867-2)

Kotra Exploration Licence ("EL") covering an area of 836.83 Sq. Km, is located in Kacchi, Khuzdar and Jhal Magsi Districts of Balochistan Province and, granted to POLand GHPLon 16 December, 2000. As a part of an understanding between OGDCL and POL, on 21 February, 2002 work was assigned and transferred to OGDCL. 138 L. km of 2D seismic data has been acquired processed and interpreted. In addition, 460 L. km of existing seismic data was reprocessed. As a result of this work an exploratory well-named Jhal Magsi South-1 was spudded in on 18 November, 2003. Presently the well is under drilling.

Nashpa Exploration Licence Area (Block No. 3370-10)

Nashpa Exploration Licence ("EL") located in Districts Mianwali and Attock of Punjab Province and Districts Kohat, Karak and North Waziristan Agency of NWFP. Licence was granted w.e.f 16 April,2002 OGDCL is an operator with 65%, working interest, GHPL 05% and Pakistan Petroleum Ltd 30%. As part of the first year commitment, acquired, processed and interpreted 111 L. Km of seismic. In order to fulfill the 2nd year work commitment of acquiring 3D seismic in the block, 56.00 L. Km. Additional 2D seismic program has been completed upto interpretation level with objective to identify the acquisition parameters of 3D seismic. Short-listed and served tender document of 3D seismic acquisition to the companies after approval of the JV partners. As part of the second year work commitment, Benchmark lines of 45.00 L. Km. were sent to M/S SAGeo for PSDM/PSTM. The Company has completed the assignment. Benchmark lines of 45.00 L. Km. were sent to M/S LMK Pakistan for PSDM/PSTM and work is in progress.

Sinjhoro Exploration Licence Area (Block No. 2568-5)

The Sinjhoro Exploration Licence ("EL") covers an area of 2,350.75 Sq.Km is located in Sanghar & Khairpur Districts of Sindh Province, which earlier, was reduced to 1,880 Sq.Km on 29 December, 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. All commitments have been met with 2 discoveries made in 2002 and 4 discoveries made in 2003. Additionally 3 appraisal wells were drilled.

OGDCL has acquired 417.5 2D seismic in Fiscal Year 2001–2002, acquired 507.15 2D seismic in fiscal year 2002-2003. After expiry of initial term OGDCL obtained first renewal and drilled one exploratory well Lala Jamali that was gas and condensate producer. The well was suspended due to high sand production. Presently OGDCL is in second renewal phase with commitment of one exploratory well upto basal sands or 3,000 meters whichever is shallower. During the Fiscal Year 2003-2004 OGDCL has acquired 166 L. Km. 2D seismic data.

Reconnaissance Permit

Siahan Reconnaissance Permit (Block No. 2663-1)

The Siahan Reconnaissance permit ("RP") covering an area of 11,342 Sq. Km, is located in districts Kharan & Punjgur Balochistan Province. The RP was granted to OGDCL on 27 October, 2003 for a period of one year. The minimum work commitment entails G&G studies, which is in progress.

Non-Operated Joint Venture Concessions

Block No. 2468-2 (Badin –III E.L.)

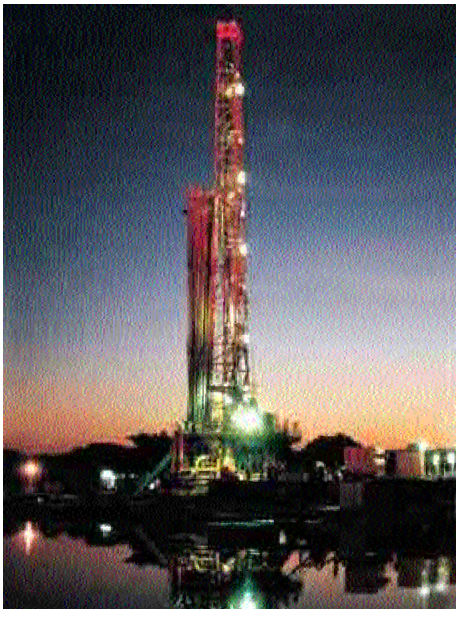
Badin–III Exploration Licence covering an area of 3,026.08 Sq. Km is located in Hyderabad and Thatta Districts of Sindh Province. This block was awarded on 24 June, 1998 to the joint venture of UTP [now BP (Pakistan)], Occidental Petroleum Pakistan Inc. (Oxy), OGDCL and GHPL with UTP being the operator. The working interest shares in this block are 38% each of BP and Oxy, OGDCL 19% and GHPL 5% (carried). During the period under review a Development & Production Lease over the Shah Dino field, discovered during the previous year, was granted to the joint venture w.e.f. 21 September, 2003.

Block – 28

Block-28 covering an area of 6,400 Sq. Km is located in Sibi & Loralai Districts of Balochistan Province. This block was awarded on 14 January, 1991 to the joint venture of Tullow Pakistan (Development) Limited ("Tullow") and OGDCL with Tullow being the operator. The working interest shares in this block are Tullow 95% & OGDCL 5% (carried). Work program for the Exploration Licence entails geological fieldwork, land sat, aeromagnetic gravity survey (1,300 stations), 300 L. Km of seismic acquisition and drilling of one Exploratory Well. This block is under Force Majeure since inception.

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

Khushalgarh Exploration Licence covering an area of 703.28 Sq. Km is located in Attock and Kohat districts of Punjab and NWFP Provinces. This block was granted on 06 November, 1999 to the joint venture of POL and GHPL having 95% and 5% working interests respectively. Subsequently through an Assignment Agreement dated 01 March, 2000, POL out of its working interest assigned 47.5% working interest to OGDCL. Based on the geological work carried out in the concession an exploratory well Dosa -1 was spudded on 07 October, 2002 and was drilled down to 14,740 feet but since no hydrocarbons were found it was plugged and abandoned on 07 May, 2004.



Block No. 3370-3 (Tal E.L.)

Tal Exploration Licence covering an area of 4,643.48 Sq. Km is located in Kohat, Karak and Bannu districts, North Waziristan and Adam Khel Agencies, NWFP Province. This block was awarded on 11 February, 1999 to the joint venture of MOL (a Hungarian Oil Company), OGDCL, PPL and GHPL with MOL being the operator. The working interest shares were MOL 35% OGDCL and PPL 30% each and GHPL having 5% (carried). Subsequently, through an Assignment Agreement MOL out of its working interest assigned 25% working interest to POL. After successful discovery of Exploratory Well Manzalai-1 on 27 November, 2002 an interim development infrastructure is being developed to sell the gas to SNGPL during the Extended Well Test (EWT) period.

Block No. 2769-11 (New Block-B E.L.)

New Block-B Exploration Licence covering an area of 770.29 Sq. Km is located in Sukkur, Khairpur & Rahim Yar Khan districts, Sindh & Punjab Provinces. This block was granted on 30 March, 2003 to the joint venture comprising of Tullow, OGDCL, POL and AOC with Tullow being the operator. The working interest share in this block are Tullow 48.18%, OGDCL 30%, POL 14.55% & AOC 7.27 %. Currently G&G studies and 3-D seismic acquisition is being planned to delineate a drillable prospect in the concession area.

Kirthar Block

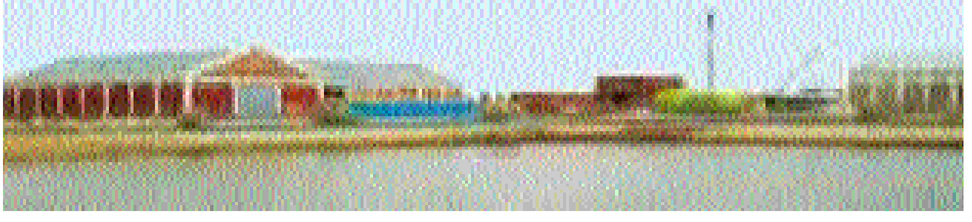
Kirthar Exploration Licence covering 1,956.05 Sq. Km is located in Dadu, Lasbela & Khuzdar Sindh & Balochistan Provinces. This block was granted on 30 November, 1994 to the joint venture of M/s Lasmo Oil Pakistan Limited ("LOPL") [now Eni Pakistan Limited ("Eni")] and OGDCL with Eni as the Operator. The working interest shares in this block are Eni 95% and OGDCL 5% (carried). Subsequently, Kirthar Pakistan BV (KPBV) and Premier Kufpec Pakistan BV (PKP) also joined the joint venture and after requisite assignments now Eni Pakistan Limited holds 47.5% pre-commercial working interest, Kirthar Pakistan (KP) BV holds 33.25% interest while Premier Kufpec Pakistan (PKP) BV holds 14.25% and OGDCL holds 5% pre-commercial working interest (carried). During the previous year Kirthar joint venture discovered the Badhra gas field located in the southeast of Bhit field as a result of drilling of Badhra-2 Exploratory Well. An appraisal program comprising the extended test of Badhra-2 was completed during 2003. Subsequently, the joint venture has been granted a Development & Production Lease over Badhra field w.e.f. 08 January, 2004.

Offshore Blocks G&H

A Farm out agreement followed by a Deed of Assignment was signed with M/s Total FinaElf to assign the following working interest percentages out of M/s Total interest in Offshore Blocks G&H:

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

After carrying out seismic survey a drillable prospect was firmed up and an Exploration Well namely PAK G2-1, was spudded on 12 May, 2004. The same was drilled down to 4,750 meter and since no encouraging shows of hydrocarbons were found the same was plugged & abandoned on 14 June, 2004.



EXPLORATION LICENCES

As at 30 June, 2004

A. OGDCL - 100% OWNED CONCESSIONS

S.No.	Name of Concessions	Area (Sq. Kms)	District /Province	Date of Grant
1	Al-Rehman Block # 3170-1	2,063.93	S. Waziristan Agency, D.I.Khan, Musa Khel Bazar & Zhob NWFP& Balochistan.	05-11-2002
2	Fateh Jang Block # 3372-14	2,136.46	Islamabad, Rawalpindi & Attock, Capital & Punjab.	05-11-2002
3	Jandran	408.00	Loralai, Kohlu Agency and Barkhan Balochistan.	13-11-1997
4	Dhudial Block # 3372-17	313.53	Chakwal & Rawalpindi, Punjab.	08-11-2003
5	Rachna Block # 3071-2	2,436.47	Lieah, Jhang, Tobatek Singh, Khanewal & Muzaffer Garh, Punjab.	08-11-2003
6	Saruna Block # 2567-4	2,431.62	Khuzdar & Lasbella, Balochistan.	17-02-2004
7	Zamurdan Block # 2869-12	2,080.58	D.G. Khan & Rajanpur, Punjab.	17-02-2004

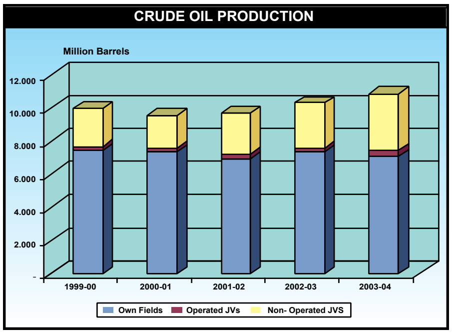
B. OGDCL OPERATED JOINT VENTURE CONCESSIONS

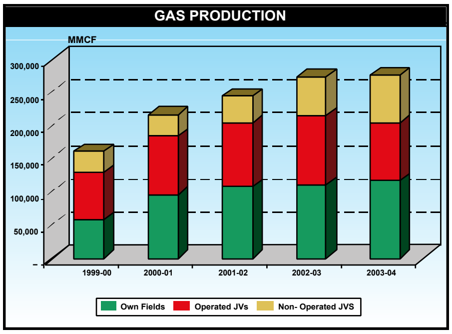
S.No.	Name of Concessions	Area (Sq. Kms)	District /Province	Shareholding		Date of Grant
1	Zin Block # 2868-1	5,559.74	Mari & Dera Bugti Agencies and Distt. Nasirabad & Kacchi, Balochistan.	OGDCL GHPL	95.00% 5.00%	23-06-1996
2	Tando Allah Yar Block # 2568-8	403.34	Hyderabad, Tharparker Sindh.	OGDCL GHPL	95.00% 5.00%	27-09-1997
3	Bitrisim Block # 2568-4	1,819.72	Nawabshah,Khairpur & Sanghar, Sindh.	OGDCL GHPL	95.00% 5.00%	27-09-1997
4	Nim Block # 2568-9	295.03	Tharparker & Hyderabad Sindh.	OGDCL GHPL	95.00% 5.00%	29-12-1999
5	Khewari Block # 2568-3	1,625.36	Nawabshah, Khairpur & Sanghar Sindh.	OGDCL GHPL	95.00% 5.00%	29-12-1999
6	Sinjhoro Block # 2568-5	1,880.00	Khairpur & Sanghar, Sindh.	OGDCL OPI GHPL	76.00% 19.00% 5.00%	29-12-1999
7	Gurgalot Block # 3371-5	385.84	Kohat, Attock NWFP& Punjab.	OGDCL POL GHPL	75.00% 20.00% 5.00%	28-06-2000
8	Kotra Block # 2867-2	836.83	Kacchi & khuzdar Balochistan.	OGDCL POL GHPL	66.50% 28.50% 5.00%	16-12-2000
9	Nashpa Block # 3370-10	979.69	Attock, Mianwali, Kohat, Karak and N.Waziristan Agency, Punjab & NWFP.	OGDCL PPL GHPL	65.00% 30.00% 5.00%	16-04-2002

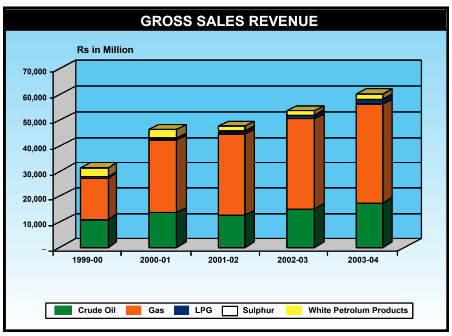
C . NON-OPERATED JOINT VENTURE CONCESSIONS

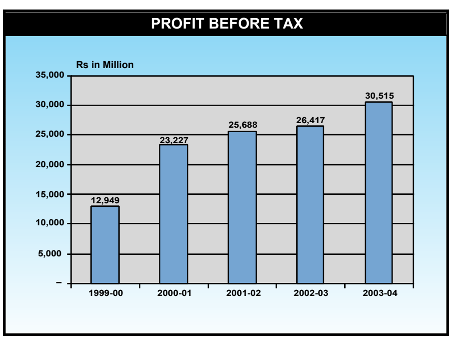
S.No.	Name of Concessions	Area (Sq. Kms)	District /Province	Operator	Shareholding		Date of Grant
1	Khushalgarh Block # 3372-10	703.28	Attock & Kohat Punjab and NWFP	POL	POL OGDCL GHPL	47.50% 47.50% 5.00%	11-06-1999
2	Block # 28	6,400.00	Sibi & Loralai Balochistan	Tullow	Tullow OGDCL	95.00% 5.00%	14-01-1991
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%	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%	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%	11-02-1999
6	New Block-B Block # 2769-II	770.29	Sukkur, Khairpur & Rahim Yar Khan, Sindh & Punjab	TULLOW	TULLOW OGDCL POL AOC	48.18% 30.00% 14.55% 7.27%	03-03-2003
7	Offshore Block G & H	15,000.00	Indus Offshore	Total Finaelf	TOTALFINAELF PETRONAS OMV OGDCL MGCL	40.00% 30.00% 15.00% 10.00% 5.00%	12-10-1999

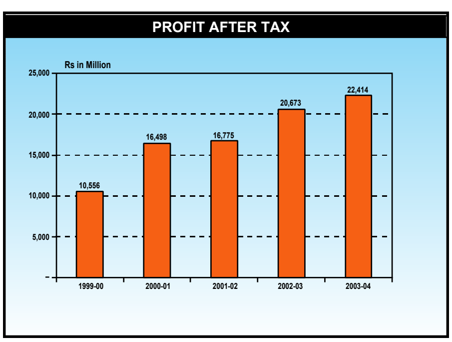
TEN YEARS AT A GLANCE











Operational Performance	
Seismic Survey	Kms
Exploratory and Development Wells Drilled	Numbers
Oil and Gas Discoveries	Numbers
Quantity Produced and Sold	
Crude Oil	Thousand Barrels
Gas	MMcf
LPG	M.Tons
Sulphur	M.Tons
White Petroleum Products	Thousand Barrels
Financial Results	Rs. in Million
Net Sales and Other Revenue	
Profit before Tax	
Corporate Tax	
Profit After Tax	
Net Realized Price - Crude Oil	Rs. / Barrels
Net Realized Price - Gas	Rs. / Mcf
Dividend Declared Percentage	%
Earnings Per Share	Rupees
Share Capital and Reserves	Rs. in Million
Government Investment in Corporation	
Issued, subscribed and paid up capital	
Reserve for Issue of Bonus Shares	
Contingency Reserve	
Unappropriated Profit	
Total Share Capital and Reserves	
Liabilities	Rs. in Million
Long Term & Deferred Liabilities	
Current Liabilities	
Total Liabilities	
Assets	Rs. in Million
Fixed Assets	
Long Term Investments, Prepayments and Receivables	
Current Assets	
Total Assets	
Net Working Capital	Rs. in Million
Payments to National Exchequer	Rs. in Million
Ratios	
Return on Average Capital Employed	%
Profit After Tax Margin	%
Current Ratio	Times
Acid Test / Quick Ratio	Times
Break-up Value per Share	Rupees

1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
4,941	3,623	1,673	1,710	2,730	1,884	1,258	2,395	2,502	2,483
18	21	14	13	9	9	5	10	17	17
2	2	-	3	-	1	-	2	6	2
9,676	9,593	8,209	7,924	8,074	8,907	8,535	8,705	9,413	9,941
51,828	108,294	125,356	124,363	115,967	161,534	217,927	245,537	274,006	277,408
45,525	78,349	76,342	85,780	90,425	93,004	77,402	93,136	90,304	101,322
18,345	22,672	12,811	15,640	29,880	13,445	16,670	23,234	15,889	18,917
546	1,006	897	969	1,000	1,038	998	989	859	890
7,468	12,113	17,240	17,034	14,836	26,209	39,892	41,845	47,058	52,641
1,982	3,062	8,228	7,429	4,768	12,949	23,227	25,688	26,417	30,515
108	52	2,084	2,945	216	2,393	6,729	8,913	5,744	8,101
1,874	3,010	6,144	4,484	4,552	10,556	16,498	16,775	20,673	22,414
504	540	749	659	600	1,093	1,375	1,273	1,399	1,544
34	51	70	74	65	81	109	106	106	117
-	-	-	-	10%	20%	62%	100%	30%	40%
-	-	-	-	4.20	9.77	15.30	15.60	4.81	5.21
10,750	10,750	10,752	-	-	-	-	-	-	-
-	-	-	10,752	10,752	10,752	10,752	10,752	10,752	43,009
-	-	-	-	-	-	-	-	32,257	-
166	191	219	251	290	337	389	451	1,364	1,659
5,299	8,285	14,401	18,951	22,388	30,747	40,527	46,487	21,088	26,003
16,215	19,226	25,372	29,954	33,430	41,836	51,668	57,690	65,461	70,671
5,249	8,871	10,765	10,986	10,245	9,529	5,124	10,509	13,006	15,580
5,267	5,731	10,383	14,335	10,814	7,853	10,970	7,142	6,455	9,675
10,516	14,602	21,148	25,321	21,059	17,382	16,094	17,651	19,461	25,255
14,249	15,573	24,313	28,599	29,542	29,066	28,756	34,572	37,535	39,716
1,080	836	843	788	814	861	885	4,092	3,347	3,183
11,402	17,419	21,364	25,888	24,133	29,291	38,121	36,677	44,040	53,027
26,731	33,828	46,520	55,275	54,489	59,218	67,762	75,341	84,922	95,926
6,135	11,688	10,981	11,553	13,319	21,438	27,151	29,535	37,585	43,352
2,618	4,300	6,202	4,604	9,012	16,192	25,809	32,989	34,662	37,932
12%	19%	24%	16%	15%	26%	34%	31%	34%	33%
26%	26%	38%	28%	33%	42%	43%	42%	46%	44%
2.2	3.0	2.1	1.8	2.2	3.7	3.5	5.1	6.8	5.5
1.1	2.0	1.5	1.3	1.6	2.9	2.9	4.2	5.9	4.7
-	-	-	27.62	30.82	38.60	47.69	53.23	15.22	16.43

Note: Dividend declared percentage, Earnings per share and Break-up value per share for the year 2002-03 have been adjusted after taking into account issue of bonus shares in October 2003

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the **7th** Annual General Meeting being Fifteenth meeting of the members of Oil and Gas Development Company Limited will Insha Allah be held at registered office of the Company, OGDCLHouse, Plot No: 3, F-6 / G-6, Blue Area, Jinnah Avenue, Islamabad on Saturday, 30 October, 2004 at 10:00 a.m. to transact the following business:

ORDINARY BUSINESS

1) To confirm the minutes of the 6th Annual General Meeting held on 28 October, 2003.
2) To receive, consider and adopt the audited accounts of the Company for the year ended 30 June, 2004 together with the Directors' and Auditors' Reports thereon.
3) To approve the final cash dividend @ 12.50% i.e. Rs 1.25 per share for the year ended 30 June, 2004 as recommended by the Board of Directors. This is in addition to two interim cash dividends totalling to 27.50 % i.e. Rs 2.75 per share already paid during the year.
4) To appoint Auditors for the year 2004-05 and fix their remuneration.
5) To transact any other business with the permission of the Chair.

SPECIAL BUSINESS

To consider and if thought fit approve following resolution as an ordinary resolution:

> "Resolved that in terms of Securities and Exchange Commission of Pakistan (SECP) circular no. 19 of 2004 dated 14 April, 2004, and subject to the approval of SECP and the Stock Exchanges the proposal to place quarterly accounts of the company on its web site instead of circulating the same to the shareholders, be and is hereby approved."

By order of the Board

Islamabad
23 September, 2004

Basharat A. Mirza
Company Secretary

NOTES:

1 Participation in the Annual General Meeting

A member entitled to attend and vote at this meeting is entitled to appoint another person as his / her proxy to attend and vote. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the meeting.

2 CDC Account holders will further have to follow the undermentioned guidelines as laid down in Circular 1 dated 26 January, 2000 issued by the Securities and Exchange Commission of Pakistan:

a. For attending the meeting

In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per regulations, shall authenticate his / her identity by showing his / her original National Identity Card (NIC) or original passport at the time of attending the meeting.

In the case of corporate entities, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

b. For appointing proxies

i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per regulations, shall submit the proxy form as per the above requirement.

ii) The proxy form shall be witnessed by two persons whose names, addresses and NIC number shall be mentioned on the form.

iii) Attested copies for NIC or the passport of the beneficial owners and of the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his / her original NIC or original passport at the time of the meeting.

v) In the case of a corporate entities, the Board of Directors' resolution / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

3. Closure of Share Transfer Books

The share transfer books of the Company will remain closed and no transfer of shares will be accepted for registration from 18 October, 2004 to 30 October, 2004 (both days inclusive). Transfers received in order at the Share Registrars' office by the close of business on Saturday, 16 October, 2004 will be treated in time for the purpose of payment of final cash dividend, if approved by the Shareholders.

4. Change in Address

Members are requested to promptly notify any change in their address.

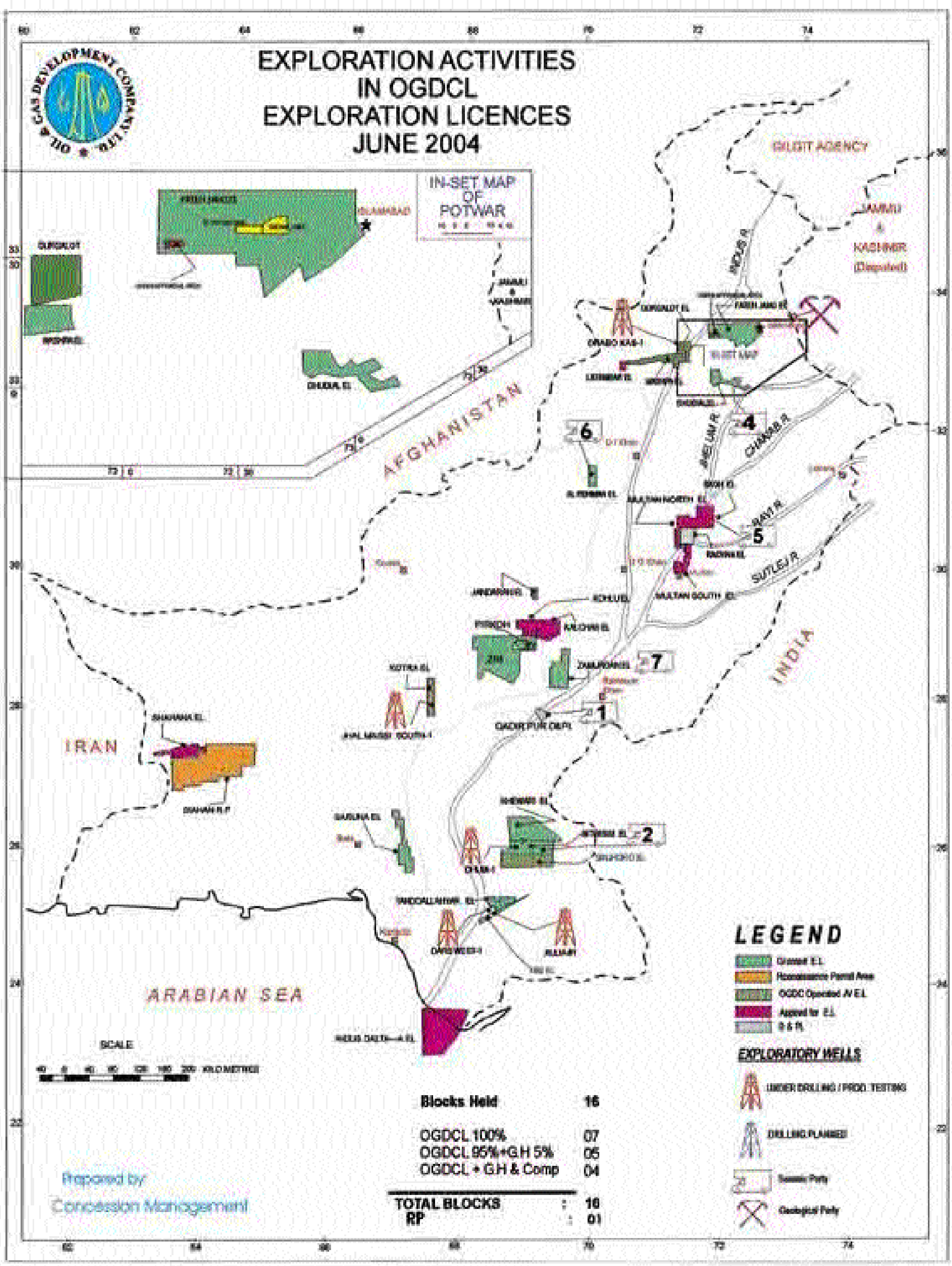
5. Statement under Section 160 of the Companies Ordinance 1984

Under section 245 of the Companies Ordinance 1984 (read with various circulars and notifications issued from time to time) the listed companies are required to prepare and either transmit their quarterly accounts by post to the shareholders or publish the same in the leading daily news papers.

The Securities and Exchange Commission of Pakistan vide its circular no. 19 of 2004 issued vide letter no. CLD/D-II/51/2003 dated 14 April, 2004 has now decided that the requirements of section 245 of the Companies Ordinance, 1984 would be treated as complied with (subject to the fulfillment of certain conditions including seeking the consent of its shareholders in general meeting as mentioned in the above referred circular) if the quarterly accounts are placed on the Company's website.

In order to ensure timely availability of the information to the stakeholders and save the cost of printing and dispatching of quarterly accounts, the Board of Directors has recommended (subject to the approval of SECP and Stock Exchanges) to place quarterly accounts on Company's website instead of circulating the same by post to the shareholders.

The Directors are not interested in this business except as shareholders of the Company.


EXPLORATION ACTIVITIES
IN OGDCL
EXPLORATION LICENCES
JUNE 2004
IN-SET MAP OF POTWAR
AFGHANISTAN
IRAN
INDIA
ARABIAN SEA
GILGIT AGENCY
LEGEND
EXPLORATORY WELLS
Blocks Held 16
OGDCL 100% 07
OGDCL 95%+G.H 5% 05
OGDCL + G.H & Comp 04
TOTAL BLOCKS : 16
RP : 01
Prepared by
Concession Management

DIRECTORS' REPORT

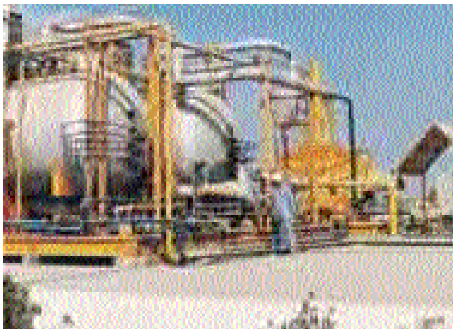
DIRECTORS' REPORT

We are pleased to present the Seventh Annual Report and the audited accounts of the Company for the year ended 30 June, 2004 together with Auditor's Report thereon.

The year 2003-04 has been another successful year for the Company in terms of its exploration, development and production activities as well as its financial results and the Company is on course to make further progress in the year 2004-2005. In October 2003, Government of Pakistan decided to disinvest part of its shareholding in the Company. Authorized Share Capital of the Company was raised to Rs. 50 billion. Bonus Shares at the rate of three shares per one share were issued during October 2003. Out of the enhanced equity 2.5% with an additional green-shoe option of 2.5% making a total of 5% equity was offered to the general public as Initial Public Offer (IPO), which was over whelmingly subscribed. The year 2003-04 was significant for the Company due to the fact that the Company was listed on all the Stock Exchanges of the Country.

Operations

The Company continues to make tireless efforts to contribute towards Pakistan's self reliance in the petroleum sector and aims to assist in this national goal, by undertaking coordinated activities to meet its commitments under various concessions granted from time to time; exploring the available blocks to their optimum and extending exploratory efforts to high risk but potentially high reward prospective areas in



all the four provinces of Pakistan.

Efforts are being made to venture into offshore exploration by utilizing state of the art seismic techniques and conducting technical and economic evaluations to prioritize all exploration blocks in terms of their prospectivity so that promising drillable structures are delineated. OGDCL is utilizing 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, work over and by bringing new discoveries on-stream in the shortest possible time.

During the year 2003-04, the Company pursued an aggressive exploration strategy with a view to increase the value of Company's asset base. As a result of these strategies the Company has enhanced its exploration portfolio by acquiring four new exploration licences namely, Dhudial (Distts. Chakwal, Rawalpindi - Punjab), Rachna (Distts. Lieah, Jhang, Toba Tek Singh, Khanewal and Muzaffer Garh - Punjab), Saruna

(Khuzdar, Lasbella - Balochistan) and Zamurdan (Distts. D.G. Khan, Rajanpur - Punjab) covering an area of 7,262.20 Sq. Km. A Reconnaissance Permit namely Siahan in Kharan, Punjgur, Balochistan covering an area of 11,342.50 Sq. Km was also granted to OGDCL.

OGDCL presently holds the largest acreage position in Pakistan and as on 30 June, 2004 was operating in 16 concessions covering an area of 25,656.13 Sq. Km and holding non-operating working interest in another 7 concessions operated by other companies covering an area of 32,499.18 Sq. Km including 15,000 Sq. Km for Offshore blocks G&H.

During the period under review, OGDCL acquired 2,060 L. Km of 2D Seismic Survey and 148 Sq. Km of 3D Seismic Survey. 10 Exploratory and Appraisal wells and 7 Development wells were drilled and a total of 48,818 meters of drilling was carried out besides work over on 14 wells.

Discoveries

During the year 2003-04, the Company made two oil, condensate and gas discoveries. The first oil and gas discovery was made at Dars-1, Tando Allah Yar concession in September 2003, which was followed by a condensate and gas discovery at Lala Jamali in Sinjhoro Concession.

Another oil and gas discovery was made by OGDCL at Dars West-1, Tando Allah yar concession in August 2004. These discoveries are collectively expected to increase production of the Company by about 2,400 barrels per day of oil/condensate and 40 MMcfd of gas.

Discoveries made in the previous years at Sinjhoro, Nim and Tando Allah Yar are also being evaluated and efforts are underway to prepare and submit development plan(s) regarding these discoveries.

Oil and Gas Reserves

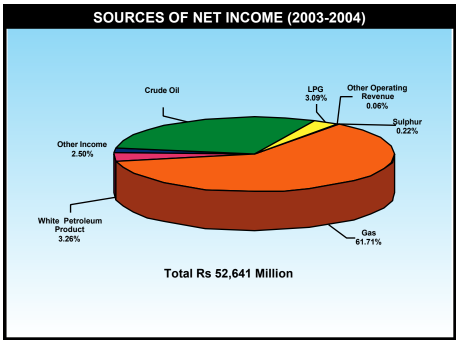
The Company presently holds 48% of total oil reserves of 291 million barrels and 35% of total gas reserves of 28 TCF in the Country. The Company is currently engaged in the process of obtaining independent certification of its oil and gas reserves from all fields by internationally renowned experts Degolyer & Macnaughton Canada Limited and the study is expected to be completed by November 2004.

Financial Results

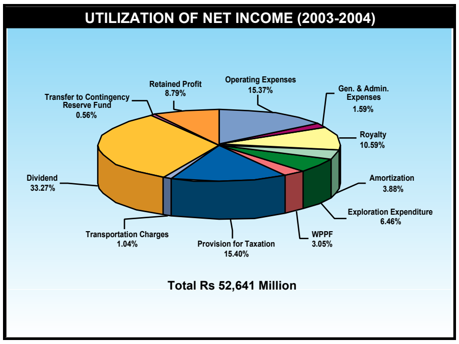
The combination of increased production of oil and gas compared with 2002-03 and continuing high crude oil prices has resulted in another set of strong operating and financial results. OGDCL's sales revenue during the year 2003-04 surged to Rs. 51,294 million up by 14% over the prior year. The Company earned highest ever profit before tax of Rs. 30,515 million up by 16%, while the profit after tax reached an all time high figure of Rs. 22,414 million up by 8% inspite of higher incidence of tax. These results translate into earnings per share of Rs 5.21 (2002-03: Rs 4.81 per share).

Financial Results are summarized as follows:

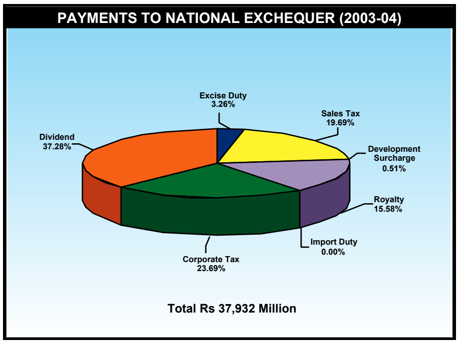
	Rs in Million
Profit before Tax	30,515
Provision for Taxation	(8,101)
Profit after Tax	22,414
Unappropriated Profit Brought Forward	21,088
Profit available for appropriations	43,502
Appropriations:	
Transfer to Contingency Reserve	295
First Interim Dividend @ Rs. 1.00 per share(10%)	4,301
Second Interim Dividend @ Rs. 1.70 per share(17.50%)	7,527
Final Dividend @ Rs.1.25 per share (12.50%)	5,376
	17,499
Unappropriated Profit Carried Forward to Balance Sheet	26,003



OGDCL's share of production of crude oil, natural gas and LPG from its operated and non-operated fields in 2003-04 has resulted in considerable savings in foreign



exchange to the Country. In addition to this, the Company paid to the government exchequer approximately Rs. 37.90 billion as duties, Taxes, Royalty and Dividends.



Dividend

The directors have recommended final cash dividend at 12.50%(Rs.1.25 per share). This is in addition to two interim cash dividends totalling to 27.50 % (Rs. 2.75 per share) already paid during the year. This will make a total of 40% (Rs. 4 per share) for the year ended 30 June, 2004.

Production

The Company completed the year by sucessfully maintaining its overall production share and further gaining its position as leading national producer of oil and gas. OGDCL's average daily production including share in Joint Ventures during the year 2003-04 was as follows:

Crude Oil	30,085	bopd
Gas	771	mmcfd
LPG	281	m.tons
Sulphur	53	m.tons

- *Daily production has been worked out at 360 days/ year.*
- *Gas sales exclude subsidiary company production.*

Development Projects

Qadirpur Development Project

Qadirpur Gas Field, one of the large fields in the Country was discovered in 1990. It is located in the Central Indus Basin, south of Kandhkot and Sui Gas Fields.

In accordance with the consolidated revised development plan dated 30 November, 2002, Phase-II "Revamp Project" was commissioned on 23 January 2004 to process 400 MMscfd of gas. Under this plan pretreatment memguard unit and new membrane elements were installed and drilling of one well was completed.

Phase-III of this project was commissioned on 20 March, 2004 by installation of two additional membrane skids and drilling of two wells. Due to this expansion the capacity of plant has increased to process gas up to 500 MMscfd.

Chanda Development Project

Chanda Oil Field, the first ever discovery in NWFP, was brought on to stream and it started giving production from 17 July, 2004, and is currently producing 3,500 barrels of oil and 13 MMscf of gas per day. Chanda LPG plant will also be installed by October 2004 where 25-40 M.Tons of LPG will be produced. The third well at Chanda field is planned to be drilled in third quarter of 2004-05. This will increase the production of field to 5,300 barrels of oil and 19 MMscf of gas per day.

Bobi Development Project

First phase of the Bobi Development Project has also been commissioned in June 2004 and is producing 1,050 barrels of stabilized condensate per day. Phase – II of the project is expected to be streamlined in October 2004. On its completion, the field will produce about 2,800 barrels of oil per day and 125 M.Tons of LPG. Satellite fields namely Mithrao and Chak Dim will also be developed for processing of their production at Bobi field.

Dhodak Plant Enhancement and Dakhni Expansion Projects

Dhodak Plant Enhncement and Dakhni Expansion Projects are also in progress and are expected to be completed by some time next year. On completion, these projects will result in substantial enhancement of production of Oil, Gas, LPG and Sulphur.

Subsidiary Company

Pirkoh Gas Company (Pvt.) Limited, a 100% owned subsidiary earned during the year under review a profit after tax of Rs 435 million (2002-03: Rs 538 million) with gross sales revenue less Govt. Levies amounting to Rs 1,313 million (2002-03: Rs.1,620 million). Average daily production, the sales and profitability of the Company declined due to natural depletion of the field resulting in lower production, water hold up in some of the wells and the damage to spur lines of the gathering system. The general performance of the Company remained satisfactory.

Directors

During the period under review Mr. Bashir Ahmed Baloch resigned on 26 December 2003 from the Board of Directors and the vacancy was filled by Mr. Sikandar Hayat Jamali.

Board Meetings

During the financial year 2003-04 nine meetings of Board of Directors were held. The attendance of Directors was as under:

Name of Directors	Meeting Attended	
Mr. Muhammad Afzal Khan *Chairman*	8	
Mr. Najam K. Hyder *Managing Director*	9	
Mr. G. A. Sabri	5	
Mr. Muhammad Iqbal Awan	7	
Mr. Bashir Ahmed Baloch	–	(Resigned)
Mr. Sikandar Hayat Jamali	6	
Mr. Pervaiz Kausar	7	
Mr. Azam Faruque	4	
Mr. M. Younas Khan	6	
Mr. Maudood Ahmad Lodhi	6	
Mr. Pervez Hanif	6	
Mr. Laeeq Ahmad	7	
Mr. Muhammad Bilal	9	

Audit Committee Meetings

During the Financial Year 2003-04 seven meetings of the Audit Committee were held and the attendance by its members was as follows

Name of Directors	Meeting Attended
Mr. M. Younas Khan *Chairman*	7
Mr. Muhammad Iqbal Awan *Member*	6
Mr. Azam Faruque *Member*	2
Mr. Maudood Ahmad Lodhi *Member*	6
Mr. Muhammad Bilal *Member (Appointed w.e.f. 20 September, 2003)*	6

Auditors

The present auditors Messers Taseer Hadi Khalid & Co., Chartered Accountants and Messers Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq (presently Messers Khalid Majid Rehman,) Chartered Accountants stand retired.

In accordance with the code of Corporate Goverence the Audit Committee considered the appointment of statutory Auditors and recommnded the re-appointment of Messers Taseer Hadi Khalid & Co., Chartered Accountants and replacement of Messers Khalid Majid Rehman, Chartered Accountants with Messers M. Yousuf Adil Saleem & Co., Chartered Accountants as joint statutory auditors for the year 2004-05 and the Board of Directors also endorsed the recommendations of the Audit Committee.

The Board wish to place on record and acknowledge the highest standard of its professional independence, objectivity and effectiveness shown by Messers Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants who have served as the statutory auditors of the Company for more than five years.

Corporate Governance

After listing of the Company on Stock Exchanges, the Board of Directors is fully cognisant of its responsibility as recognised by the recently formulated Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan as part of Listing rules. The following steps taken by the Company are acknowledgement of OGDCL's commitment for having high standard of corporate governance and continuous improvement:-

i The financial statements prepared by the management present fairly Company's state of affairs, the result of its operations, cash flows and changes in equity.

ii Proper books of accounts of the Company have been maintained.

iii Appropriate accounting policies have been consistently applied in preparation of the financial statements. Accounting estimates are based on reasonable and prudent judgment.

iv International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.

v The system of internal control is sound in design and has been effectively implemented and monitored and is being further improved.

vi There are no significant doubts upon the Company's ability to continue as a going concern.

vii There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

viii Key operating and financial data of the last 10 years in summarized form is annexed.

ix Value of investments, including bank deposits, of various funds as at 30 June, 2003, based on their respective audited accounts, is as under:

OGDCL Pension Fund Rs: 1,968.460 Million
OGDCL Provident Fund Rs: 623.810 Million

x- All major Government levies in the normal course of business, payable as at 30 June, 2004, have been cleared subsequent to the year-end.

Pattern of Shareholdings

The pattern of shareholdings as on 30 June, 2004 is annexed.

Consolidated financial statements

Consolidated financial statements of the Company and its 100% owned subsidiary namely Pirkoh Gas Company (Pvt.) Limited are annexed.

Human Resource Development

Human Resource function needs further improvement and the management of the Company is now fousing on this area as it aims at motivating its employees through proper placements, employee recognition, effective appraisals, empowerment, communication and promoting employees skill development programmes.

A transparent recruitment system is being implemented and various HR policies are being reviewed and rationalized by taking

into account the industry norms to bring about an effective change in order to meet the challenges of the highly competitive business environment. General Manager (HR) has been recently appointed to implement all such plans. It is the endeavour of your Company to be recognized as an equal opportunity employer with its congenial atmosphere. Regular interactive meetings are being held to provide an open forum to all employees to share their achievements, grievances, ideas and observations regarding various corporate issues with the top management apart from gaining their valuabe suggestions.

OGDCL management's relations with the Collective Bargaining Agent (CBA) have continued to remain cordial as in preceding years, and there has been complete industrial peace at all locations.

Internal Audit

In order to strengthen the Internal Audit function, its Terms of Reference (TOR) and mandate has been substantially revised to meet the requirements under Code of Corporate Governance, and qualified professional personnel are being inducted as approved by the Board.

Health, Safety and Environment

OGDCL is committed to protecting the environment and the health and

safety of its employees by implementing its Health, Safety and Environment Policy. The Company is striving for continuous improvement in the reduction of risks to the health and safety of its employees, contractors, communities in which it operates and minimizes the impact of operations on the environment.

In order to further improve operational efficiency and work environment the Company is trying to introduce and implement new ideas to ensure ownership of responsibilities regarding cleanliness, repairs, maintenance and health, safety and environment.

During the year 2003-04 the following Health, Safety and Environment activities were undertaken to improve conditions as per OGDCL policy:

– Conducted third party HSE audit for Qadirpur, Uch, Dakhni and Dhodak Plants.

– Conducted Initial Environmental Examination (IEE) study for Fateh Jang Block and the process of obtaining NOC is in progress from Punjab Environmental Protection Agency (PEPA).

– Prepared IEE Report for Dhodak Expansion Project and the process of obtaining NOC from the concerned EPA is in progess.

– Tree plantation on different oil field locations is being carried out for a better and healthy environment.

Risks Assessment

The Company is also presently undertaking an exercise for engaging an independent insurance consultant for determining the adequacy and appropriateness of the contingency reserve and its related investment strategy for self insurance of the Company's assets and obtaining appropriate insurance cover from outside insurance companies based on a specific risk assessment to be made by the consultants. The Company would then be in a better position to cover all its risks properly.

Social Responsibility and Welfare Activities

The Company endeavors to be a conscientious corporate citizen in the community and being fully aware of its social obligations pledges to uphold its leading national and ethical role for its commitment to support ongoing and fresh notable and charitable projects in the fields of education, health, women

upliftment and providing aid to victimize natural calamities and catastrophies etc.

It continues to proactively promote, develop and maintain medical, social and welfare facilities and schemes for the benefit of underprivileged 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 scholarships to deserving students; supply of drinking water; and, donations for charitable causes for undertaking numerous projects to improve the quality of life for the peoples and communities connected with its business with which it interacts.

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 for accurate financial reporting on a timely basis.

Working towards this objective the Company has successfully implemented Oracle Financial System with effect from 01 July, 2003. The new system contributes to faster and easier flow of information and also improves expeditious decision-making. It is secured, web-enabled (Enterprise Resource Planning Application) and is also being complemented to automate procurement and inventory systems for effective financial control.

The Company plans to undertake a series of structural and re-organizational steps to enhance productivity and efficiency and streamline the IT system by fully implementing the other Modules of Oracle Financial.

Training and Development

OGDCL believes that employees' training is one of the most important imvestments

a Company makes for long-term advantage as competition intensifies employees' competence to become increasingly important to operate and

maintain the operations and technical / other services at the highest standards. Your Company provides various learning and training opportunities to its employees at the OGTI not only in the areas of technical fields but also in developing management skills.

OGDCL realizes the importance of continuous training and development of its professionals in this era of emerging technologies and intense competition. As an integral part of its policy, it provides best opportunities of in-house as well as external training to its employees in order to equip them with concepts, expertise and tools both technical and managerial, in order to broaden their vision and help them in achieving best professional capabilities.

During the year 2003-04, OGDCL organized a number of short and long-term courses; seminars and training programs for OGDCL employees and industry professionals in petroleum related disciplines and Oracle based MIS System. Nominations of over 200 participants from OGDCLwas made to attend short duration management courses at PIM. NIPA, LUMS and PPEPCA.

Future outlook

The Government's wide ranging structural reforms, prudent macro-economic policies, transparency, financial discipline, consistency and continuity of policies has transformed Pakistan into a stable and resurgent economy with improvement over last year. The positive trend in the economy has benefited the oil industry, which is clearly evident in the overall consumption of petroleum products.

Being the leader of oil and gas production OGDCL would continue to make progress in overall operations through futher prudent investment in strategic projects to ensure retention of its position with high returns for its shareholders in the years to come.

OGDCL's strategy is to grow through extensive exploration with the objective of securing oil and gas reserves and enhance its production while improving its operational efficiency and cost effectiveness to ensure continued growth and financial viability. The Company is now well placed to pursue its plans of exploration, appraisal and development of newly discovered fields and increase its oil and gas production.

OGDCL's exploration, appraisal and development programmes for 2004-05 includes 2-D Seismic Survey of 2,731 L. Km, 3-D Seismic Survey of 1,560 Sq. Km, drilling of 17 exploratory/appraisal and 6 development wells and work over on 14 wells.

As there is still a big gap between demand and production of the petroleum products, the Company will continue to make extensive efforts to broad-base its exploration activities and discover more prospective areas for not only adding to its reserves but also to enhance its production base.

Several prospective countries are being considered for OGDCL's international exploration program. Collection of information on the petroleum industry of these countries has been initiated and possibilities of Joint Venture opportunities outside Pakistan will be evaluated keeping in view the potential prospectivity of those areas.

An Investment Committee of the Board has been constituted to look into various possibilities for making investment in downstream and other related activities.

The Company is striving hard to create a new vision and philosophy for the Company by involving every stakeholder as it would play a pivotal role with launching of Company's campaign for changing its corporate culture in the wake that it is now a public listed company.

Acknowledgements

The Board of Directors would like to take the opportunity to express its appreciation to all the employees of the Company for their contribution to the success of the Company over the past year and look forward to their continued dedication, professionalism and hard work in the years ahead.

Our thanks are also due to the various Government Departments especially the Ministry of Petroleum & Natural Recourses for their continued co-operation in respect of the matters related to the Company and its operations.

We seek Allah's guidance and His blessing in achieving our objectives.

On behalf of the Board

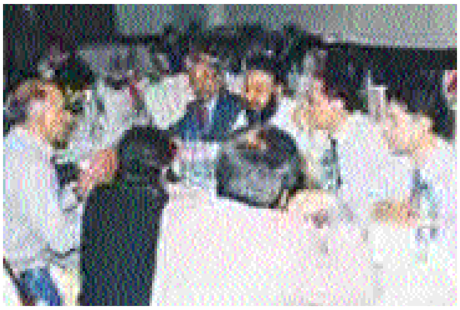
(M. Afzal Khan)
(Chairman)

Dated: 22 September, 2004

Oil and Gas Training Institute (OGTI), Islamabad.

DEVELOPMENT OF NEW VISION/MISSION STATEMENTS



Management task force is in consultation session to develop Company's new Vision and Mission Statements

Group photo of Management task force with members of the Board and former Managing Directors / Chairmen of the Company

PATTERN OF SHAREHOLDINGS

As at 30 June, 2004

Number of Share holders	Shareholdings		Total Shares Held
553	1	100	18,066
962	101	500	381,570
21,769	501	1000	21,718,809
8,636	1001	5000	18,116,013
1,140	5001	10000	8,611,111
554	10001	20000	8,117,260
197	20001	30000	4,934,828
118	30001	40000	4,085,517
87	40001	50000	4,084,468
95	50001	75000	5,876,993
70	75001	100000	6,301,961
50	100001	150000	5,980,081
30	150001	200000	5,174,174
14	200001	250000	3,096,413
15	250001	300000	4,202,902
11	300001	400000	3,958,891
9	400001	500000	4,120,256
11	500001	600000	6,127,099
12	600001	700000	7,680,641
8	700001	800000	6,027,213
9	800001	1000000	8,396,086
11	1000001	1500000	13,056,952
8	1500001	2000000	13,551,689
8	2000001	3000000	19,697,293
6	3000001	10000000	30,762,402
1	10000001	4086850000	4,086,849,712
34,384			4,300,928,400

Categories of Shareholders
As at 30 June, 2004

	Number of Share Holders	Shares Held	Percentage
Individuals	33,817	91,412,012	2.13
Investment Companies	29	24,646,648	0.57
Banks, DFIs, NBFIs, Insurance Companies, Modarabas and Mutual Funds	91	54,544,922	1.27
Joint Stock Companies	264	28,951,565	0.67
Foreign Investors	20	4,343,432	0.10
Cooperative Societies	2	7,203	0.00
Charitable Trusts	27	1,807,600	0.04
Others	133	8,365,306	0.19
Government of Pakistan	1	4,086,849,712	95.02
TOTAL	34,384	4,300,928,400	100.00

Pattern of Shareholdings

	Number of Share Holders	Shares Held	Percentage
Associated Companies, Undertakings and Related Parties and Share Holder holding 10% and above shares			
Government of Pakistan	1	4,086,849,712	95.02
NIT / ICP			
National Bank of Pakistan Trustee Department	3	4,112,784	0.10
National Investment Trust Limited	1	151,229	0.00
Investment Corporation of Pakistan	1	400,425	0.01
ICP-SEMF	1	4,502,649	0.10
Directors, Chief Executive Officer and their spouses and minor children			
Mr. Najam K. Hyder and Mrs. Bushra Hyder (Joint A/c)	1	4,406	0.00
Mrs. Parveen Afzal Khan W/o Mr. M. Afzal Khan	1	1,000	0.00
Mr. M. Iqbal Awan	1	1,000	0.00
Mrs. Naheed Iqbal Awan W/o Mr. M. Iqbal Awan	1	1,000	0.00
Mr. Azam Faruque	1	3,105	0.00
Mr. Muhammad Bilal	1	1,000	0.00
Mr. M. A. Lodhi	1	20,000	0.00
Executives	3	5,406	0.00
Banks, DFIs, NBFIs, Insurance Companies, Modarabas and Mutual Funds	91	54,544,922	1.27
Investment Companies	23	15,479,561	0.36
Joint Stock Companies	264	28,951,565	0.67
Foreign Investors	20	4,343,432	0.10
Cooperative Societies	2	7,203	0.00
Charitable Trusts	27	1,807,600	0.04
Individuals	33,807	91,375,095	2.12
Others	133	8,365,306	0.19
TOTAL	34,384	4,300,928,400	100.00

SHAREHOLDINGS:

Shares held by Government of Pakistan also include shares held in trust by the eleven elected Directors. Shares held by Directors (except Mr. M. A. Lodhi), their spouses, CEO and CFO were purchased by them through Initial Public Offering by the Government @ Rs 32 per share. Mr. M. A. Lodhi - Director purchased 20,000 shares from the market @ Rs 60.50 per share. No other Director, Chief Executive Officer, Chief Financial Officer, Company Secretary, their spouses and minor children have carried out any other transaction in the shares of the Company.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of all the three Stock Exchanges of the Country for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Government of Pakistan holds more than 95% stake in the Company and nominates all the directors. All the directors including Chairman are non-executive directors.

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

3. All the directors of the Company are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or being a member of a Stock Exchange has been declared as defaulter by the Stock Exchange.

4. All casual vacancies in the Board were filled in within 30 days thereof.

5. Company's Statement of Ethics and Business Practices is in the process of finalization and approval by the Board.

6. The Board is in the process of developing a vision/mission statement, overall corporate strategy and significant policies of the Company which are in the stage of finalization.

7. A complete record of particulars of significant policies and Board decisions along with the dates on which they were approved or amended has been maintained.

8. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, CFO, Company Secretary, Head of Internal Audit and other Executive Directors have been taken by the Board.

9. The meetings of the Board were presided over by the Chairman and held at least in each quarter. Written notices of Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. Where the period was short for emergent meetings it was agreed by the members of the Board. The minutes of the meetings were appropriately recorded and circulated.

10. Almost all the directors are on the Boards of other companies and have adequate exposure of corporate matters and well aware of their duties and responsibilities. Appropriate orientation course of the directors is being arranged in consultation with the Board.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters which are required to be disclosed.

12. CEO and CFO have duly endorsed the financial statements of the Company before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

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

15. The audit committee comprises of five members, including the Chairman of the committee. All members of the committee are non-executive directors.

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

17. An independent internal audit department was established even before the conversion of OGDC as a public limited company and is functioning in line with the Company's policies and procedures. To augment the internal control function and make it more effective, the Board has approved revised terms of reference of Internal Audit Department.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on the code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles contained in the Code have been complied except for those referred in preceding paragraphs and for that the Company intends to seek compliance by the end of next accounting year.

on behalf of the Board

Islamabad
22 September, 2004

(M. Afzal Khan)
Chairman

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING FOR THE YEAR ENDED 30 JUNE, 2004

The Company has fully complied with the best practices on Transfer Pricing as contained in the relating Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges.

Islamabad
22 September, 2004

(Najam K. Hyder)
Managing Director & Chief Executive Officer

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended 30 June, 2004 prepared by the Board of Directors of Oil and Gas Development Company Limited, to comply with the Listing Regulations of the Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. Our review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

TASEER HADI KHALID & CO.
Chartered Accountants

Islamabad
22 September, 2004

KHALID MAJID RAHMAN SARFARAZ
RAHIM IQBAL RAFIQ
(New name Khalid Majid Rehman)
Chartered Accountants
Islamabad
22 September, 2004

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Oil and Gas Development Company Limited ("the company") as at 30 June, 2004 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 purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We belive 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 consistantly 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 acounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance 1984, in the manner so required and respectivey give a true and fair view of the state of company's affairs as at 30 June, 2004 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
22 September, 2004

Khalid Majid Rahman Sarfaraz
Rahim Iqbal Rafiq

KHALID MAJID RAHMAN SARFARAZ
RAHIM IQBAL RAFIQ
(New name Khalid Majid Rehman)
Chartered Accountants
Islamabad
22 September, 2004

BALANCE SHEET

As at 30 June, 2004

	Note	2004 (Rs '000)	2003 (Rs '000)
SHARE CAPITAL AND RESERVES			
Authorised share capital			
5,000,000,000 (2003 : 2,500,000,000) ordinary shares of Rs 10 each		**50,000,000**	25,000,000
Issued, subscribed and paid-up capital	4	**43,009,284**	10,752,321
Reserve for issue of bonus shares		**–**	32,256,963
Contingency reserve	4.1	**1,659,614**	1,363,967
Unappropriated profit		**26,002,595**	21,087,495
		70,671,493	65,460,746
LONG TERM LOAN - Unsecured	5	**14,751**	14,751
LONG TERM PROVISIONS	6	**6,850,935**	4,808,113
DEFERRED LIABILITIES	7	**8,714,332**	8,183,119
CURRENT LIABILITIES			
Creditors, accrued and other liabilities	8	**4,298,623**	3,551,949
Proposed dividend		**5,376,161**	2,903,127
		9,674,784	6,455,076
CONTINGENCIES AND COMMITMENTS	9	**–**	–
		95,926,295	84,921,805

The annexed notes 1 to 34 form an integral part of these accounts.

These financial statements were authorized for issue by the Board of Directors in their meeting held on 22 September, 2004.

Chairman

	Note	**2004 (Rs '000)**	2003 (Rs '000)
FIXED CAPITAL EXPENDITURE			
Property, plant and equipment - tangible	10	**17,195,913**	16,320,950
Exploration and development expenditure	11	**17,935,742**	16,219,246
Projects in progress	12	**3,849,509**	4,124,282
Stores held for capital expenditure		**734,918**	870,749
		39,716,082	37,535,227
INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES	13	**491,500**	491,500
INVESTMENTS HELD TO MATURITY	14	**636,227**	541,948
LONG TERM PREPAYMENTS AND RECEIVABLES	15	**2,055,224**	2,313,176
CURRENT ASSETS			
Stores and stocks	16	**8,085,974**	6,057,651
Trade debts-unsecured	17	**13,127,338**	12,995,933
Loans, advances, deposits, prepayments and other receivables	18	**6,506,521**	5,543,945
Cash and bank balances	19	**25,307,429**	19,442,425
		53,027,262	44,039,954
		95,926,295	84,921,805

Chief Executive

PROFIT AND LOSS ACCOUNT

For the year ended 30 June, 2004

	Note	2004 (Rs '000)	2003 (Rs '000)
Net Sales	20	**51,293,653**	45,008,279
Other operating revenue	21	**32,620**	61,919
		51,326,273	45,070,198
Less: Operating expenses	22	**8,083,426**	8,117,042
Royalty		**5,570,218**	4,970,478
Transportation charges		**548,919**	635,524
Amortization of exploration and development expenditure	11	**2,041,252**	1,359,576
		16,243,815	15,082,620
		35,082,458	29,987,578
Less: Exploration expenditure written off	23	**3,397,907**	2,526,119
		31,684,551	27,461,459
Less: General and administration expenses	24	**838,818**	994,730
Financial charges	25	**38,468**	646,672
Workers' Profit Participation Fund		**1,606,071**	1,390,373
		2,483,357	3,031,775
		29,201,194	24,429,684
Other income	26	**1,314,156**	1,987,402
PROFIT BEFORE TAXATION		**30,515,350**	26,417,086
Provision for taxation	27	**8,100,889**	5,744,000
PROFIT AFTER TAXATION		**22,414,461**	20,673,086
Unappropriated profit brought forward		**21,087,495**	31,761,423
		43,501,956	52,434,509
APPROPRIATIONS :			
Transfer to contingency reserve		**295,647**	913,089
Transfer to reserve for issue of bonus shares		**–**	17,531,139
First interim dividend @ Re 1.00 (2003:Rs 9.30) per share		**4,300,928**	9,999,659
Second interim dividend @ Rs 1.75 (2003: Nil) per share		**7,526,625**	–
Final dividend @ Rs 1.25 (2003:Rs 2.70) per share		**5,376,161**	2,903,127
		17,499,361	31,347,014
Unappropriated profit carried forward		**26,002,595**	21,087,495
Earnings per share (Basic) - Rupees	29	**5.21**	4.81

The annexed notes 1 to 34 form an integral part of these accounts.

Chairman

Chief Executive

CASH FLOW STATEMENT

For the year ended 30 June, 2004

	2004 (Rs '000)	2003 (Rs '000)
Cash flow from operating activities		
Net profit before taxation	**30,515,350**	26,417,086
Adjustment for non cash items :		
Depreciation	**2,474,293**	2,267,292
Adjustment on account of fixed assets reconciliation	**143,511**	–
Land reconciliation adjustment	**(53,349)**	–
Amortization of exploration and development expenditure	**2,041,252**	1,359,576
Provision for employees' retirement benefits	**703,971**	709,816
(Write back) /provision for inventory	**(133,756)**	350,265
(Interest income)/net loss on impairment of long term receivables	**(143,237)**	401,754
(Write back) / provision against advances	**(52,823)**	326,025
Workers' Profit Participation Fund	**1,606,071**	1,390,373
Royalty	**5,570,218**	4,970,478
Financial charges	**38,468**	244,918
Interest income	**(494,792)**	(909,685)
Profit on sale of fixed assets	**(27,345)**	(69)
Dividend income	**(22,168)**	(390,900)
	42,165,664	37,136,929
Increase in stores and stocks	**(1,894,567)**	(27,558)
(Increase)/decrease in trade debts and other receivables	**(51,037)**	505,512
Increase/(decrease) in creditors, accrued and other liabilities	**657,272**	(912,380)
Cash generated from operations	**40,877,332**	36,702,503
Royalty paid	**(5,910,281)**	(4,415,848)
Staff retirement benefits paid	**(165,648)**	(140,696)
Contribution to Workers' Profit Participation Fund	**(1,540,373)**	(1,561,921)
Taxes paid	**(8,985,021)**	(10,944,034)
	(16,601,323)	(17,062,499)
	24,276,009	19,640,004
Cash flow from investing activities		
Proceeds from sale of fixed assets	**27,772**	82
Interest received	**317,911**	862,985
Dividend received	**22,168**	390,900
Fixed capital expenditure	**(4,402,167)**	(5,881,169)
Long term prepayments	**6,314**	(1,043)
	(4,028,002)	(4,628,245)
Cash flow from financing activities		
Repayment of long term loans	**–**	(233,142)
Financial charges paid	**(38,468)**	(244,970)
Dividend paid	**(14,344,535)**	(9,999,659)
	(14,383,003)	(10,477,771)
Increase in cash and cash equivalents	**5,865,004**	4,533,988
Cash and cash equivalents at the beginning of the year	**19,442,425**	14,908,437
Cash and cash equivalents at the end of the year	**25,307,429**	19,442,425

The annexed notes 1 to 34 form an integral part of these accounts.

Chairman

Chief Executive

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June, 2004

	Share Capital (Rs '000)	Reserve for issue of bonus shares (Rs '000)	Pre-incorporation profit (Rs '000)	Contingency reserve (Rs '000)	Unappropriated Profit (Rs '000)	Total (Rs '000)
Balance as at 30 June 2002	10,752,321	–	14,725,824	450,878	31,761,423	57,690,446
Profit for the year	–	–	–	–	20,673,086	20,673,086
Reserve for issue of bonus shares	–	32,256,963	(14,725,824)	–	(17,531,139)	–
Appropriation to contingency reserve	–	–	–	913,089	(913,089)	–
Dividends	–	–	–	–	(12,902,786)	(12,902,786)
Balance as at 30 June 2003	10,752,321	32,256,963	–	1,363,967	21,087,495	65,460,746
Issue of bonus shares	32,256,963	(32,256,963)	–	–	–	–
Profit for the year	–	–	–	–	22,414,461	22,414,461
Appropriation to contingency reserve	–	–	–	295,647	(295,647)	–
Dividends	–	–	–	–	(17,203,714)	(17,203,714)
Balance as at 30 June 2004	43,009,284	–	–	1,659,614	26,002,595	70,671,493

The annexed notes 1 to 34 form an integral part of these accounts.

Chairman

Chief Executive

NOTES TO THE ACCOUNTS

For the year ended 30 June, 2004

1 LEGAL STATUS AND OPERATIONS

Oil and Gas Development Company Limited (OGDCL), "the Company", was incorporated on 23 October, 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. During the year, Government of Pakistan (GoP) disinvested 5% of its shareholding through an Initial Public Offering. The Company is now listed on all the three stock exchanges of Pakistan.

The registered office of the Company is located at OGDCL House, Plot No. 3, F-6/G-6 Blue Area, Islamabad.

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

3.2.1 Pension

The Company operates an approved funded pension scheme under an independent trust for its employees, as per the Company policy 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 valuations carried out at least once in every three years. 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 amortized over the future expected remaining service time of current employees.

3.2.2 Post retirement medical benefits

The Company provides post retirement medical benefits to its employees and their families, as per the Company policy including those seconded to its wholly owned subsidiary Pirkoh Gas Company (Private) Limited. Liability is provided on the basis of actuarial valuation carried out once in every three years. 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 current employees.

3.2.3 Benevolent fund

The Company provides post retirement benefits to its employees at rates agreed as per the Company policy, including those seconded to its wholly owned subsidiary Pirkoh Gas Company (Private) Limited. Projected Unit Credit method is used to generate actuarial values.

3.2.4 Compensated absences

The Company has a 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 valuation carried out atleast once in every three years. The Projected Unit Credit Method is used to generate actuarial values. Actuarial gains or losses are amortized over the future expected remaining service time of current employees.

3.3 TAXATION

3.3.1 CURRENT

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

3.3.2 DEFERRED

Deferred tax is accounted for using the balance sheet liability method in respect of all major temporary differences arising from differences between carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that is probable that taxable profits will be available against which deductible temporary differences, unused tax losses and tax credits can be utilized.

3.4 PROPERTY, PLANT AND EQUIPMENT

Freehold land is stated at cost and leasehold land is stated at cost less accumulated amortization. Other assets are stated at cost less accumulated depreciation. Cost in relation to fixed assets signifies historical cost, exchange differences, borrowing costs, decommissioning costs as referred to in notes 3.13, 3.11 and 3.14 respectively. Depreciation is provided on straight line method at rates specified in note 10 to the accounts so as to write off the cost of the assets over their estimated useful lives. Depreciation on additions to fixed assets is charged from the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which asset is disposed off.

Exchange differences as referred to in note 3.13 are depreciated over remaining life of the asset to which they relate. The amortization of leasehold land is charged to income, while depreciation provided on assets is charged to income and/or allocated to the exploration and development expenditure incurred in relation to the creation of other assets.

Maintenance and normal repairs are charged to income as and when incurred. Major improvements are capitalized. 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 less impairment loss, if any and are transferred to the respective assets when available for intended use.

3.6 STORES HELD FOR CAPITAL EXPENDITURE

Stores and spares held for capital expenditure are valued at lower of cost determined under the moving average basis and net realizable value.

3.7 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 development wells, including unsuccessful development wells, are capitalized and amortized 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.

3.8 INVESTMENTS

3.8.1 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

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

Subsidiaries are those enterprises in which the Company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors.

Associates are those entities in which the Company has significant influence and which is neither a subsidiary nor joint venture of the Company.

3.8.2 INVESTMENTS HELD TO MATURITY

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

3.9 STORES AND STOCKS

Stores and spares are valued at the lower of cost and net realizable value less allowance for obsolete and slow moving items. Cost is determined on the moving average basis and comprises 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 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 realizable value.

3.10 REVENUE RECOGNITION

Revenue from sale is recognized 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 finalized with the customers and/or approved by the Government. As a matter of prudence the Company recognizes interest on delayed payments from customers 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 income from the subsidiary and associated companies.

Income on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

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

Dividend income on equity investments is recognized when the right of receipt is established.

3.11 BORROWING COST

Mark up, interest and other charges on borrowings are capitalized upto the date of commissioning of the related projects under development, financed out of the proceeds of such borrowings. All other mark up, interest and other charges are charged to income.

3.12 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.

3.13 FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of the transaction. All monetary assets and liabilities 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:

3.13.1 Exchange differences on translation and repayment of foreign currency finance utilized for the acquisition of fixed assets and plants are capitalized as part of the cost of the related assets.

3.13.2 All other exchange differences are charged against income for the year.

3.14 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, as appropriate, 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 10.

3.15 FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. These are de-recognized when the Company ceases to be the party to the contractual provisions of the instrument.

Financial instruments mainly comprise investments, loans, advances, deposits, trade debts and other receivables and cash and bank balances. Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant liabilities are creditors, accrued and other liabilities, employee retirement liabilities and long term loans.

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be.

3.16 OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

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

3.17 TRADE DEBTS

Trade debts are carried at nominal value less an impairment loss, if any.

3.18 TRADE AND OTHER PAYABLES

These are stated at their nominal values.

3.19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purposes of cash flow statement comprise cash in hand and in bank and includes short term highly liquid investments that are readily convertible into cash and which are subject to insignificant risk of change in value. Cash and cash equivalents are carried in the balance sheet at cost.

3.20 INTANGIBLE ASSET

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company and that the cost of such asset can also be measured reliably. Intangible asset is stated at cost less accumulated amortization and is amortized based on the pattern in which the assets' economic benefits are consumed.

3.21 IMPAIRMENT

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized in the profit and loss account.

3.22 RELATED PARTY TRANSACTIONS

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible,except in rare circumstances for some of the transactions with the wholly owned subsidiary, where, subject to the approval of the Board of Directors, it is in the interest of the Company to do so.

4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Number			(Rs '000)	
2004	2003		**2004**	2003
1,075,232,100	1,075,232,100	Ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash.	**10,752,321**	10,752,321
3,225,696,300	–	Ordinary shares of Rs. 10 each issued as fully paid bonus shares.	**32,256,963**	–
4,300,928,400	1,075,232,100		**43,009,284**	10,752,321

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 (GoP) on 23 October, 1997. Further, pursuant to the Initial Public Offering as mentioned in note 1 above, shareholding of GoP is now reduced to 95%.

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

5 LONG TERM LOAN - unsecured

It 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. As per the agreement the loan carried interest @ 2.5% per annum. Repayment of installments due is pending till further instructions from the Government of Pakistan, consequently no amount has been transferred to current maturity.

6 LONG TERM PROVISIONS

	2004 (Rs '000)	2003 (Rs '000)
Decommissioning cost of Fields and production facilities		
Opening balance	**4,808,113**	4,099,026
Additional provisions made during the year including increase of existing provisions	**2,042,822**	709,087
	6,850,935	4,808,113
The above provision for decommissioning cost is analyzed as follows:		
Fields	**6,575,756**	4,625,968
Production facilities	**275,179**	182,145
	6,850,935	4,808,113

The expected outflow of economic resources to settle this liability is upto 25 years.

	2004 (Rs '000)	2003 (Rs '000)
7 DEFERRED LIABILITIES		
Taxation (note 7.1)	**6,310,391**	6,520,361
Post retirement medical benefits (note 7.2)	**748,708**	731,714
Compensated absences (note 7.3)	**1,013,233**	931,044
Benevolent fund (note 7.4)	**642,000**	–
	8,714,332	8,183,119

7.1 Taxation

Credit/(debit) balances arising on account of:		
Accelerated depreciation on property, plant and equipment	**1,638,955**	1,741,165
Accelerated amortization of exploration and development expenditure	**4,981,583**	4,975,029
Provision for benevolent fund	**(89,430)**	–
Provision for obsolete, slow moving items and other adjustments	**(220,717)**	(195,833)
	6,310,391	6,520,361

Deferred tax has been calculated at the estimated effective rate of 29.81% (2003: 28.57%) after taking into account availability of depletion allowance and set off where available in respect of royalty payment to the Government.

7.2 Post retirement medical benefits

The amounts recognized in the balance sheet are as follows :		
Present value of defined benefit obligation	**457,962**	441,720
Net actuarial gains not recognised	**290,746**	289,994
Net liability at the end of the year	**748,708**	731,714
Opening net liabilities	**731,714**	706,200
Charge for the year	**30,458**	36,403
Benefits paid during the year	**(13,464)**	(10,889)
Net liability at the end of the year	**748,708**	731,714
Particulars of charge for the year		
Current service cost	**21,885**	21,256
Interest cost	**30,920**	33,090
Actuarial gains recognised	**(22,347)**	(17,943)
	30,458	36,403

The latest actuarial valuation was carried out as at 30 June, 2004. The rate of discount was assumed as 7% per annum and medical cost inflation was assumed at 7 % per annum.

	2004 (Rs '000)	2003 (Rs '000)
7.3 Compensated absences		
Opening balance	**931,044**	473,498
Charge for the year	**82,189**	457,546
Closing net liability at the end of the year (present value of obligation)	**1,013,233**	931,044

The liability provided for during the year is based on the latest actuarial valuation carried out as at 30 June 2004. The rate of discount was assumed as 7% per annum and salary increases were assumed to average 7% per annum. Liability accounted for in 2003 was on account of last two years on the basis of actuarial valuation carried out as at 30 June, 2003.

7.4 Benevolent fund

The Company has been operating OGDC Employees Benevolent Fund since 1983 primarily on the basis of agreement with the Collective Bargaining Agent (CBA). In accordance with the rules, contributions are to be made by the employees together with a defined fixed contribution from the Company. However, pursuant to an actuarial valuation and legal advice obtained during the year, it is likely that the Company may be liable for any shortfall in financing of this fund. The management is in the process of revisiting and finalizing the related terms and conditions pending which, on a prudent basis, the expense based on the actuarial valuation has been recognized in these accounts.

For the purposes of valuation the rate of discount was assumed as 7% per annum and salary increases were assumed to average 6% per annum.

8 CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade creditors	**137,173**	42,312
Accrued liabilities	**1,479,341**	1,266,891
Royalty	**582,402**	922,465
Excise duty	**82,838**	100,319
Payable to wholly owned subsidiary company - Pirkoh Gas Company (Private) Limited	**–**	66,602
Payable to joint venture partners	**1,250,777**	795,636
Retention money	**262,234**	261,786
Employees' Pension Trust (note 8.1)	**43,320**	–
Advances from customers	**67,238**	80,900
Unclaimed dividend	**383,378**	–
Unpaid dividend	**2,767**	–
Other liabilities	**7,155**	15,038
	4,298,623	3,551,949

	2004 (Rs '000)	2003 (Rs '000)
8.1 Employees' pension trust		
The amounts recognized in the balance sheet are as follows:		
Present value of defined benefit obligation	**6,325,301**	4,661,329
Fair value of plan assets	**(7,423,308)**	(4,101,349)
Net actuarial gains/(losses) not recognized	**1,141,327**	(655,800)
Net liability / (assets) at the end of the year	**43,320**	(95,820)
Opening net (asset)/liability	**(95,820)**	(181,880)
Charge for the year	**291,324**	215,867
Contribution to the fund made during the year	**(152,184)**	(129,807)
Net (asset)/liability at the end of the year	**43,320**	(95,820)
Particulars of charge for the year		
Current service cost	**277,537**	216,400
Interest cost	**326,293**	352,553
Expected return on plan assets	**(329,748)**	(353,086)
Actuarial loss recognized	**17,242**	–
	291,324	215,867

The latest actuarial valuation was carried out as at 30 June, 2004. 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 720 million (2003: Rs 581 million).

9 CONTINGENCIES AND COMMITMENTS

9.1 Claims against the Company not acknowledged as debts amounted to Rs 4,328.675 million as at 30 June, 2004 (2003 : Rs 4,430.410 million). These include net liquidated damages aggregating Rs 2,148.880 million (2003 : Rs 2,148.880 million) claimed by a customer related to minimum supply of gas, disputed by the Company.

9.2 Capital commitments outstanding as at 30 June, 2004 amounted to Rs 4,301.502 million (2003 : Rs 4,122.487 million). This includes amounts aggregating Rs 2,488.605 million (2003 : Rs 3,641.889 million) representing OGDCL's share in the minimum work commitments related to operated/non-operated concessions.

9.3 Letters of credit outstanding at the year end amount to Rs. 1,429.691 million (2003 : Rs.1,589.449 million)

9.4 Certain banks have issued guarantees aggregating Rs 363.069 million (2003 : Rs 104.459 million) on behalf of the Company in the ordinary course of business.

9.5 Refer note 27.2 for contingencies relating to tax matters.

10 PROPERTY, PLANT AND EQUIPMENT - tangible

DESCRIPTION	Cost: As at 01 July, 2003 (Rs '000)	Cost: Adjustments (Rs '000)	Cost: additions/ (deletions) (Rs '000)	Cost: As at 30 June, 2004 (Rs '000)	Rate of depreciation (%age)	Depreciation: As at 01 July, 2003 (Rs '000)	Depreciation: Adjustment (Rs '000)	Depreciation: Charge for the year/ (on deletions) (Rs '000)	Depreciation: As at 30 June, 2004 (Rs '000)	Written Down Value as at 30 June, 2004 (Rs '000)
Freehold land	85,025	18	75,135	160,178	-	-	-	-	-	160,178
Leasehold land	245,079	64,036	38,052	347,167	1 - 3.3	64,015	10,405	28,539	102,959	244,208
Buildings / offices on free hold land	778,412	(2,960)	160,043	935,495	2.5	123,876	(10,585)	21,369	134,660	800,835
Buildings / offices on lease hold land	5,777	1,270	18,601	25,648	2.5	630	567	1,419	2,616	23,032
Buildings / roads in fields on free hold land	372,905	(11,589)	219,976	581,292	8	78,055	(11,486)	64,505	131,074	450,218
Buildings / roads in fields on lease hold land	514,854	14,289	94,770	623,913	8	120,309	12,467	48,884	181,660	442,253
Plant and machinery	27,488,136	(542,616)	2,774,778 (26,946)	29,693,352	10	15,130,680	(305,371)	1,934,042 (26,709)	16,732,642	12,960,710
Rigs	663,704	(52,729)	28,498 (6,728)	632,745	10	588,931	(41,664)	15,606 (6,699)	556,174	76,571
Pipelines	3,748,501	143,530	36,266	3,928,297	10	1,943,677	12,642	377,440	2,333,759	1,594,538
Rolling stock	1,748,683	129,044	55,865 (37,030)	1,896,562	20	1,610,391	157,544	53,591 (36,942)	1,784,584	111,978
Office and domestic equipment	311,407	(4,757)	18,428 (1,585)	323,493	15	290,954	(19,700)	11,286 (1,512)	281,028	42,465
Office and technical data computers	411,511	(50,379)	15,479 (123)	376,488	30	298,488	23,426	24,125 (122)	345,917	30,571
Furniture and fixtures	76,446	(42,868)	3,195	36,773	15	46,468	(40,444)	3,455	9,479	27,294
Aircraft	19,855	-	-	19,855	10	17,869	-	-	17,869	1,986
Total	36,470,295	(355,711)	3,539,086 (72,412)	39,581,258		20,314,343	(212,199)	2,584,261 (71,984)	22,614,421	16,966,837
Decommissioning cost	182,145		93,034	275,179	10	17,147		28,956	46,103	229,076
	36,652,440	(355,711)	3,632,120 (72,412)	39,856,437		20,331,490	(212,199)	2,613,217 (71,984)	22,660,524	17,195,913
2003	32,905,377		3,749,717 (2,654)	36,652,440		17,983,063		2,351,068 (2,641)	20,331,490	16,320,950

10.1 Cost and accumulated depreciation as at 30 June, 2004 include Rs 9,357.51 million (2003 : Rs 8,621.206 million) and Rs 4,755.58 million (2003 : Rs 3,871.804 million) respectively being the Company's share in property, plant and equipment relating to joint ventures operated by others.

10.2 The depreciation expense for the year has been allocated to :

	2004 (Rs '000)	2003 (Rs '000)
Operating expenses (note 22)	**2,416,764**	2,217,050
General and administration expenses (note 24)	**57,529**	50,242
Technical services (note 10.3)	**138,924**	83,776
	2,613,217	2,351,068

10.3 This is allocated to various line items in these financial statements based on the use of the assets.

10.4 Detail of fixed assets disposed off:

Description	Particulars of buyers	Cost	Accumulated depreciation	Written down value	Sales price	Profit	Mode of disposal
		(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	
To wholly owned subsidiary							
Office equipment							
	Pirkoh Gas Company (Private) Limited	18,450	3,548	14,902	14,902	–	Transfer
	Pirkoh Gas Company (Private) Limited	18,450	7,109	11,341	11,341	–	Transfer
	Pirkoh Gas Company (Private) Limited	18,450	3,548	14,902	14,902	–	Transfer
	Pirkoh Gas Company (Private) Limited	18,450	3,844	14,606	14,606	–	Transfer
		73,800	**18,049**	**55,751**	**55,751**	–	
To executives							
Vehicles							
	Mr. M. Khurshid Akhtar, Sialkot	282,800	281,800	1,000	47,599	46,599	As per company policy
	Mr. Muzufar Ali Khan, Lahore	320,500	319,500	1,000	45,440	44,440	As per company policy
	Mr. Shamim Ahmed Bhatti, Islamabad	570,300	569,300	1,000	59,903	58,903	As per company policy
	Mr. Muhammad Hameed, Peshawar	573,000	572,000	1,000	59,453	58,453	As per company policy
	Mr. Wazir Akbar, Sawabi	320,500	319,500	1,000	34,590	33,590	As per company policy
	Mr. Saeed Ahmed, Sialkot	320,500	319,500	1,000	51,967	50,967	As per company policy
	Mr. S. Matloob Hussein, Islamabad	124,000	123,000	1,000	10,315	9,315	As per company policy
	Mr. Badarul Islam, Islamabad	573,000	572,000	1,000	55,476	54,476	As per company policy
		3,084,600	**3,076,600**	**8,000**	**364,743**	**356,743**	
Items with book value less than Rs 5,000 individually		69,253,747	68,889,647	364,100	27,351,866	26,987,766	
	Total:	**72,412,147**	**71,984,296**	**427,851**	**27,772,360**	**27,344,509**	
	2003	2,653,700	2,640,700	13,000	82,000	69,000	

11 EXPLORATION AND DEVELOPMENT EXPENDITURE

	COST			AMORTIZATION			WRITTEN DOWN VALUE
	As at 01 July, 2003	additions	As at 30 June, 2004	As at 01 July, 2003	for the year	As at 30 June, 2004	As at 30 June, 2004
	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)
DRILLING COST							
Producing fields							
Wholly owned	10,265,284	5,826	10,271,110	6,357,392	422,426	6,779,818	3,491,292
Joint ventures	9,917,888	1,476,672	11,394,560	3,607,122	785,624	4,392,746	7,001,814
	20,183,172	1,482,498	21,665,670	9,964,514	1,208,050	11,172,564	10,493,106
Shut-in-fields							
Wholly owned	1,224,014	110,399	1,334,413	205,889	409	206,298	1,128,115
Joint ventures	1,398,864	215,062	1,613,926	31,236	–	31,236	1,582,690
	2,622,878	325,461	2,948,339	237,125	409	237,534	2,710,805
Total drilling cost	22,806,050	1,807,959	24,614,009	10,201,639	1,208,459	11,410,098	13,203,911
DECOMMISSIONING COST	4,625,968	1,949,788	6,575,756	1,011,132	832,793	1,843,925	4,731,831
Grand total	27,432,018	3,757,747	31,189,765	11,212,771	2,041,252	13,254,023	17,935,742
2003	24,484,247	2,947,771	27,432,018	9,853,196	1,359,576	11,212,772	16,219,246

12 PROJECTS IN PROGRESS

	2004 (Rs '000)	2003 (Rs '000)
These are analyzed as follows:		
Wells in progress		
Wholly owned	**737,836**	543,652
Joint ventures	**1,066,506**	636,908
	1,804,342	1,180,560
Production facilities and other civil works		
Installation/ modification of production facilities and ancillary civil works		
Owned	**1,815,386**	1,371,574
Joint ventures	**186,936**	1,524,588
	2,002,322	2,896,162
Construction cost on account of field offices and other different bases-owned	**42,845**	47,560
	2,045,167	2,943,722
	3,849,509	4,124,282

13 INVESTMENT IN SUBSIDIARY AND ASSOCIATED COMPANIES

	2004 (Rs '000)	2003 (Rs '000)
Wholly owned subsidiary company - Unquoted		
Pirkoh Gas Company (Private) Limited Percentage holding 100% 1,254,000 (2003: 1,254,000) fully paid ordinary shares of Rs 1,000 each (including 836,000; 2003 : 836,000 bonus shares). Net asset value based on the audited accounts was Rs 7,517.884 million (2003 : Rs 7,082.742 million)	**418,000**	418,000
Associated company - Quoted		
Mari Gas Company Limited Percentage holding 20% 7,350,000 fully paid ordinary shares of Rs 10 each Market value Rs 609.683 million (2003 : Rs 492.818 million)	**73,500**	73,500
	491,500	491,500

14 INVESTMENTS HELD TO MATURITY

	2004 (Rs '000)	2003 (Rs '000)
Defence saving certificates (DSCs)	**636,227**	541,948

Face value of the above investments is Rs. 195.298 million.(2003: Rs. 195.298 million). These carry effective interest rates ranging between 16% per annum to 18% per annum and are due to mature in periods ranging between 2004 to 2009. DSCs amounting to Rs. 107.129 million (2003 : nil) are due to mature within the next 12 months, however these have not been classified as current assets based on the management's intention to reinvest them in these investments.

The investment in DSCs is against amounts set aside for contingency reserve (note 4.1).

15 LONG TERM PREPAYMENTS AND RECEIVABLES

	Note	**2004 (Rs '000)**	2003 (Rs '000)
Long term prepayments	15.1	**27,715**	34,029
Long term receivables	15.2	**2,027,509**	2,279,147
		2,055,224	2,313,176

15.1 These represent employees' house rent and office buildings rentals and are being amortized over the period of two to three years.

15.2 These are analyzed as follows:

	Note	**2004 (Rs '000)**	2003 (Rs '000)
Long term loans to employees -secured	15.2.1	**790,367**	604,396
Long term receivable	15.2.2	**2,133,600**	2,667,000
Less : Allowance for impairment		**(559,795)**	(559,795)
		1,573,805	2,107,205
		2,364,172	2,711,601
Less: Current portion of long term loans	18	**(104,541)**	(57,095)
Current portion of long term receivable	18	**(232,122)**	(375,359)
		(336,663)	(432,454)
		2,027,509	2,279,147

15.2.1 Long term loans to employees

	Conveyance (Rs '000)	House Building (Rs '000)	**Total 2004 (Rs '000)**	Total 2003 (Rs '000)
Due from executives	60,382	412,066	**472,448**	398,848
Less: Receivable within one year	19,451	53,918	**73,369**	35,290
	40,931	358,148	**399,079**	363,558
Due from employees	77,359	240,559	**317,918**	205,548
Less: Receivable within one year	10,502	20,669	**31,171**	21,805
	66,857	219,890	**286,747**	183,743
	107,788	578,038	**685,826**	547,301
Outstanding for period:				
-less than three years	97,503	201,513	**299,016**	171,286
-more than three years	40,238	451,113	**491,351**	433,110
	137,741	652,626	**790,367**	604,396

The above loans are granted to the employees of the Company in accordance with the Company's service rules. House building loans are for a period of 15 years and conveyance loans are for 5 years. These loans are secured against the underlying assets. Included in these are loans of Rs 658.610 million (2003: Rs 510.032 million) which carry no interest. The balance amount carries an effective interest rate of 9.23% (2003 : 10.87%) per annum.

The maximum amount due from executives at the end of any month during the year was Rs 472.448 million (2003: Rs 398.848 million).

15.2.2 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.

16 STORES AND STOCKS

	2004 (Rs '000)	2003 (Rs '000)
Stores and spares in hand	**8,078,420**	6,471,587
Stores and spares in transit	**662,628**	921,325
	8,741,048	7,392,912
Less: Provision for obsolete, slow moving items and other adjustments	**740,414**	1,390,752
	8,000,634	6,002,160
Stock of crude oil and other products	**85,340**	55,491
	8,085,974	6,057,651

The assignment of 100% physical verification and reconciliation of stores and spares as of 31 March 2002 assigned to consultants during August 2002 has been finalized and the consultants have submitted their final report, which is presently under implementation.

17 TRADE DEBTS - Unsecured

Trade debts-gross	**15,018,264**	14,873,911
Less : Un-recognized billing	**(1,863,754)**	(1,850,806)
	13,154,510	13,023,105
Less : Provision for doubtful amount	**(27,172)**	(27,172)
	13,127,338	12,995,933

17.1 Trade debts include balances aggregating Rs 4 billion (2003 : 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-recognized billings of Rs 1,863.754 million (2003 Rs 1,850.806 million) against the amounts withheld, whereas the balance relates to liquidated damages which have not been provided by the Company. The management's 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 constitution of a high level governmental committee to resolve the dispute, the matter is likely to be decided in the Company's favour.

18 LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2004 (Rs '000)	2003 (Rs '000)
Advances considered good to:		
Suppliers and contractors (note 18.1)	**676,124**	478,260
Joint venture partners	**294,331**	154,778
Employees	**98,052**	69,543
	1,068,507	702,581
Advances considered doubtful	**271,049**	597,074
Current portion of long term loans to employees	**104,541**	57,095
Current portion of long term receivables	**232,122**	375,359
Interest accrued on long term receivables	**301,278**	158,041
Deposits	**6,924**	6,613
Prepayments	**223,126**	346,828
Development surcharge	**72,425**	73,463
Advance income tax (note 18.2)	**4,242,069**	3,567,907
Receivable from wholly owned subsidiary company - Pirkoh Gas Company (Private) Limited (note 18.3)	**24,198**	–
Sales tax	**59,226**	19,942
Claims receivable	**7,654**	8,115
Employees' Pension Trust (note 8.1)	**–**	95,820
Workers' Profit Participation Fund (note 18.4)	**43,929**	109,627
Interest income accrued	**84,479**	1,877
Other receivables	**36,043**	20,677
	6,777,570	6,141,019
Less: Provision against doubtful advances	**(271,049)**	(597,074)
	6,506,521	5,543,945

18.1 This includes an amount of Rs 326 million receivable from M/s Clough Engineering Limited (CEL). Subsequent to the year end the Company entered into a full and final settlement with CEL in respect of all claims and counter claims by or against the Company. Pursuant to the agreement CEL agreed to reimburse six million U.S Dollars as net settlement, which have been received subsequent to the year end. Accordingly, the terms of the agreement have been accounted for in these financial statements.

18.2 This comprises of:

	2004	2003
Advance tax	**12,552,928**	8,006,546
Provision for tax	**(8,310,859)**	(4,438,639)
	4,242,069	3,567,907

18.3 This represents net balance of receivables and payables on account of various services rendered to each other. Maximum amount due from the subsidiary at the end of any month during the year was Rs. 24.198 million (2003 : Rs 96.098 million).

18.4 WORKERS' PROFIT PARTICIPATION FUND

	2004	2003
Receivable/(payable) at beginning of the year	**109,627**	(51,991)
Allocation for the period	**(1,606,071)**	(1,390,373)
Interest on funds utilized in Company's business	**–**	(9,930)
	(1,496,444)	(1,452,294)
Amount paid to the trustees of the fund	**1,540,373**	1,561,921
Receivable at end of the year	**43,929**	109,627

19 CASH AND BANK BALANCES

	2004 (Rs '000)	2003 (Rs '000)
Cash at bank on		
current accounts	**476,201**	405,065
deposit accounts	**24,768,006**	18,975,061
(includes foreign currency deposits of US $ 37,014,955; 2003 : US $ 30,470,533)		
Cash in hand	**31,367**	32,418
Cash in transit	**31,855**	29,881
	25,307,429	19,442,425

Deposits of Rs 363.069 million (2003 : Rs 104.459 million) with banks were under lien to secure bank guarantees issued by the banks.

20 SALES LESS GOVERNMENT LEVIES

	2004 (Rs '000)	2003 (Rs '000)
Gross sales		
Crude oil	**17,655,535**	15,141,274
Gas	**38,436,307**	35,075,001
Liquefied Petroleum Gas	**1,880,840**	1,464,752
Naphtha	**1,365,499**	1,137,378
Solvent oil	**95,098**	114,763
Kerosene oil	**416,230**	329,241
High speed diesel oil	**188,935**	194,283
Sulphur	**134,313**	103,678
	60,172,757	53,560,370
Less: Government levies		
Excise duty	**1,219,382**	1,554,377
Development surcharge	**191,740**	227,882
Sales tax	**7,467,982**	6,769,832
	8,879,104	8,552,091
Net sales	**51,293,653**	45,008,279

21 OTHER OPERATING REVENUE

	2004 (Rs '000)	2003 (Rs '000)
Mud engineering services	**6,726**	10,758
Logistic services	**4,485**	–
Geological/Geophysical services	**1,271**	–
Engineering services	**2,638**	–
Workover rig services	**–**	24,330
Cementation services	**17,500**	26,831
	32,620	61,919

22 OPERATING EXPENSES

	2004 (Rs '000)	2003 (Rs '000)
Salaries, wages and benefits (note 22.1)	**1,761,009**	1,598,505
Traveling and transportation	**188,603**	165,397
Repairs and maintenance	**306,095**	7,535
Stores and supplies consumed	**456,720**	968,521
Rent and taxes	**126,835**	75,292
Insurance	**347,671**	226,041
Communication	**32,203**	20,954
Utilities	**12,441**	14,913
Land and crops compensation	**76,282**	218,519
Contract services	**352,623**	163,194
Joint venture expenses	**1,214,816**	1,090,912
Desalting / decanting and Naphtha storage charges	**146,366**	190,977
Gas processing charges by subsidiary	**89,243**	86,091
Welfare of locals at fields	**32,821**	167,524
(Write back) /provision for inventory	**(133,756)**	350,265
Workover charges	**370,521**	221,720
Other expenses	**1,844**	743
Depreciation	**2,416,764**	2,217,050
Transfer from general & administration expenses	**314,174**	290,216
	8,113,275	8,074,369
Opening stock of crude oil and other products	**55,491**	98,164
Closing stock of crude oil and other products	**(85,340)**	(55,491)
	8,083,426	8,117,042

22.1 These include amount in respect of staff retirement benefits of Rs. 371.814 million (2003 : 431.409 million).

23 EXPLORATION EXPENDITURE WRITTEN OFF

	2004 (Rs '000)	2003 (Rs '000)
Cost of dry / abandoned wells	**2,213,260**	1,257,905
Prospecting expenditure	**1,184,647**	1,268,214
	3,397,907	2,526,119

	2004 (Rs '000)	2003 (Rs '000)
24 GENERAL AND ADMINISTRATION EXPENSES		
Salaries, wages and benefits (note 24.1)	**897,766**	753,574
Travelling and transportation	**73,126**	52,708
Repairs and maintenance	**31,316**	12,523
Stores and supplies consumed	**26,365**	16,646
Rents and taxes	**40,246**	24,721
Communication	**44,196**	32,768
Utilities	**37,071**	33,884
Training and scholarships	**11,660**	3,624
Legal services	**33,001**	14,732
Contract services	**28,243**	10,089
Auditors' remuneration (note 24.2)	**7,392**	4,121
Advertising	**36,986**	21,368
Joint venture expenses	**219,834**	239,742
Insurance	**344**	355
Donations (note 24.3)	**5,455**	325
Other expenses	**1,845**	7,056
Aircraft expenses	**7,843**	6,983
Adjustment on account of fixed assets reconciliation (note 24.4)	**143,511**	–
Depreciation	**57,529**	50,242
Advances (written back)/ provided	**(52,823)**	326,025
Un-allocated expenses of rigs	**25,117**	37,585
	1,676,023	1,649,071
Allocation of expenses to:		
Operations	**(314,174)**	(290,216)
Technical services	**(448,359)**	(288,436)
Pirkoh Gas Company (Private) Limited	**(74,672)**	(75,689)
	(837,205)	(654,341)
	838,818	994,730

24.1 These include amount in respect of staff retirement benefits of Rs. 184.15 million (2003: 220.801 million).

24.2 Auditors' remuneration:

	2004 (Rs '000)	2003 (Rs '000)
M/s Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq (New name Khalid Majid Rehman) Chartered Accountants:		
Audit fee	**880**	800
Out of pocket expens	**110**	100
Half yearly review	**300**	–
Audit of consolidated accounts	**250**	175
Concessions accounts audit fee	**1,000**	1,034
Tax services	**779**	142
Initial public offer certification fee	**250**	–
Consultancy services	**2,033**	795
	5,602	3,046
M/s Taseer Hadi Khalid & Co. Chartered Accountants:		
Audit fee	**880**	800
Out of pocket expenses	**110**	100
Half yearly review	**300**	–
Audit of consolidated accounts	**250**	175
Initial public offer certification fee	**250**	–
	1,790	1,075
	7,392	4,121

24.3 Donations do not include any amount paid to any person or organization in which a director or his spouse had any interest.

24.4 This represents adjustments arising out of an exercise for physical verification of fixed assets conducted previously and finalized this year.

	2004 (Rs '000)	2003 (Rs '000)
25 FINANCIAL CHARGES		
Interest/mark up on loans	**–**	9,145
Net loss on impairment of long term receivables	**–**	401,754
Interest on payables to joint venture partners	**–**	123,507
Interest on Workers' Profit Participation Fund	**–**	9,930
Exchange loss	**28,328**	95,198
Others	**10,140**	7,138
	38,468	646,672
26 OTHER INCOME		
Interest income	**494,792**	909,685
Interest on delayed payment from customers	**425,560**	594,221
Interest income on long term receivables	**143,237**	–
Dividend income:		
From wholly owned subsidiary company	**–**	376,200
From associated company	**22,168**	14,700
Profit on sale of fixed assets	**27,345**	69
Sale of scrap	**59,148**	2,698
Land reconciliation adjustment	**53,349**	–
Others	**88,557**	89,829
	1,314,156	1,987,402
27 PROVISION FOR TAXATION		
Current - for the year (note 27.1)	**7,364,452**	6,230,126
- for prior years	**946,407**	(1,791,487)
	8,310,859	4,438,639
Deferred	**(209,970)**	1,305,361
	8,100,889	5,744,000

27.1 Reconciliation of current tax charge for the year :

	2004 (Rs '000)	2003 (Rs '000)
Accounting profit	**30,515,350**	26,417,086
Tax rate (%)	**52.80**	52.55
Tax on accounting profit at applicable rate	**16,113,507**	13,882,654
Tax effect of amounts / expenses that are inadmissible for tax purpose	**5,557,520**	5,063,669
Tax effect of amounts / expenses that are admissible for tax purpose	**(4,718,250)**	(3,831,600)
Tax effect of royalty allowed for tax purpose	**(5,570,218)**	(4,970,478)
Tax effect of depletion allowance for tax purpose	**(4,159,395)**	(4,222,041)
Tax effect of decommissioning cost of prior years	**946,407**	(1,229,708)
Tax effect of other items of prior years	**–**	(561,779)
Dividend chargeable to tax at reduced rate	**1,108**	19,545
Income chargeable to tax at corporate rates	**140,180**	288,377
	8,310,859	4,438,639

27.2 The Taxation Officer has not yet framed re-assessments for assessment years from 1992-93 to 1998-99 raising tax demand of Rs. 55.675 million which were set aside by the Commissioner of Income Tax (Appeals). Further the Company is in appeal before the Income Tax Appellate Tribunal (ITAT) for the assessment years 1999-00 to 2001-02 requiring interpretation of the phrase ‘gross receipts representing wellhead value of the production’ for the purpose of calculation of depletion allowance. Similarly the Company is also in appeal in respect of claim for de-commissioning costs for the assessment year 2002-03. These two issues were referred to an adjudicator for independent ruling by both the Company as well as the Central Board of Revenue.

"Based on the decision of adjudicator, the Company is entitled to a relief of Rs. 1,709.377 million in respect of assessment years 1999-00 to 2002-03 as against tax demand of Rs. 1,219.291 million raised by the Taxation Officer. The Taxation Officer following his stand on the issues under adjudication raised a demand of Rs. 215.998 million as against a tax refund of Rs. 1,522.996 million for the Tax Year 2003. Based on the decision of adjudicator the Company is entitled to a relief of Rs. 802.500 million. The Taxation Officer also following his stand on the issues under adjudication amended assessment for assessment years 1996-97 to 1998-99 and raised a demand of Rs. 827.884 million. Based on the decision of the adjudicator, the Company is entitled to a relief of Rs. 319.863 million. Appeal of the Company is pending for decision before the Commissioner of Income Tax (Appeals)".

On the basis of the judgment of the adjudicator and the revised assessments to be issued by the Taxation Officer net amount of Rs. 512.892 million becomes refundable to the Company for assessment years 1992-93 to 2002-03 and the Tax Year 2003. Whereas taxation provision in the accounts has been made in accordance with the decision of the adjudicator but the Company proposes to take appropriate action to resolve the issues arising from the order of the adjudicator relating to depletion allowance and de-commissioning costs. Management is of the opinion that the issues will ultimately be resolved in favour of the Company.

28 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

28.1 Interest rate exposure

Financial assets and liabilities

	2004						2003					
	Interest / mark-up bearing with maturity				Non-interest/ mark-up bearing		Interest / mark-up bearing with maturity				Non-interest/ mark-up bearing	
	less than one year	one to five years	more than five years	Total		Total	less than one year	one to five years	more than five years	Total		Total
	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)
Financial assets:												
Trade debts	–	–	–	–	13,127,338	13,127,338	–	–	–	–	12,995,933	12,995,933
Loans, advances, deposits and other receivables	–	–	–	–	668,500	668,500	–	–	–	–	570,682	570,682
Cash and bank balances	24,768,006	–	–	24,768,006	539,423	25,307,429	18,975,061	–	–	18,975,061	467,364	19,442,425
Long term receivables	412,201	1,260,931	32,530	1,705,662	658,510	2,364,172	431,763	1,736,204	33,601	2,201,568	510,033	2,711,601
Investments	107,129	526,162	2,936	636,227	–	636,227	–	304,610	237,338	541,948	–	541,948
	25,287,336	1,787,093	35,466	27,109,895	14,993,771	42,103,666	19,406,824	2,040,814	270,939	21,718,577	14,544,012	36,262,589
Financial liabilities												
Long term loans	–	–	–	–	14,751	14,751	–	–	–	–	14,751	14,751
Creditors, accrued and other liabilities	–	–	–	–	4,231,385	4,231,385	–	–	–	–	3,471,049	3,471,049
Proposed dividend	–	–	–	–	5,376,161	5,376,161	–	–	–	–	2,903,127	2,903,127
Employee retirement benefits	–	–	–	–	2,403,941	2,403,941	–	–	–	–	1,662,758	1,662,758
	–	–	–	–	12,026,238	12,026,238	–	–	–	–	8,051,685	8,051,685
Off balance sheet items												
Capital commitments (other than LCs)	–	–	–	–	4,301,502	4,301,502	–	–	–	–	4,122,487	4,122,487
Letters of credit	–	–	–	–	1,429,691	1,429,691	–	–	–	–	1,589,449	1,589,449
Guarantees	–	–	–	–	363,069	363,069	–	–	–	–	104,459	104,459
	–	–	–	–	6,094,262	6,094,262	–	–	–	–	5,816,395	5,816,395

28.2 Effective interest rates

	2004 %	2003 %
Cash and bank balances	1.25 ~ 3.50	1.75 ~ 6.25
Long term receivables	7.5 ~ 9.23	7.5 ~ 10.87
Investments	16 ~ 18	16 ~ 18

28.3 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The Company's credit risk is primarily attributable to its trade debts and balances with banks . The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company has no significant concentration of credit risk as the exposure is spread over a number of counter parties.Out of the total financial assets of Rs 42,103.666 million (2003: 36,262.589 million), financial assets which are subject to credit risk amount to Rs 38,434.77 million (2003: 32,438.36 million). To manage exposure to credit risk, the Company applies credit limits to its customers.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.

28.4 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. Financial assets and liabilities include Rs. 3,942.969 million (2003 : Rs 4,428.326 million) and Rs 240.725 million (2003 : Rs 188.911 million) respectively which are subject to currency risk.

28.5 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

28.6 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values except for investments in subsidiary and associated companies.

29 EARNINGS PER SHARE

29.1 Basic

	2004	2003
Net profit for the year (Rupees in thousand)	**22,414,461**	20,673,086
Average number of shares outstanding (Numbers)	**4,300,928,400**	4,300,928,400
Earnings per share (Rupees)	**5.21**	4.81

Earnings per share of the comparative year has been adjusted after taking into account the issue of 3,225,696,300 bonus shares of Rs. 10 each by the Company in October 2003.

29.2 Diluted

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

30 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise subsidiary and associated companies, directors, companies with common directorship, key management staff and staff retirement benefit funds. Related parties do not include relationships arising purely out of the Company being a substantially Government owned entity.

Following are the related parties with whom transactions were undertaken during the year
- Pirkoh Gas Company (Private) Limited-wholly owned subsidiary
- Mari Gas Company Limited-associated company
- Biafo Industries Limited
- Attock Refinery Limited

Transactions with such related parties other than remuneration to the directors, executives and Chief Executive of the Company under the respective terms of employment, are as follows:

	2004 (Rs '000)	2003 (Rs '000)
Transactions with wholly owned subsidiary		
Dividend income	**–**	376,200
Drilling services	**21,985**	51,162
Gas processing charges	**89,243**	86,091
Technical support	**74,672**	75,689
Reimbursement of payroll expense	**35,399**	29,124
Stores, supplies and others	**35,378**	42,513
Rent of dehydration plant	**6,921**	24,668
Transfer of fixed assets-WDV	**56**	–
Transactions with associated company		
Dividend income	**22,168**	14,700
Transactions with Attock Refinery Limited		
Sale of petroleum products	**10,535,379**	9,493,101
Transactions with Biafo Industries Limited		
Purchase of goods and services	**378**	803
Contribution to staff benefit funds	**152,184**	129,807
The receivable / (payable) balances with the related parties as at the year end were as follows		
Attock Refinery Limited	**3,019,000**	2,193,542
Biafo Industries Limited	**–**	444
Pirkoh Gas Company Limited.	**24,198**	(66,602)

31 NUMBER OF EMPLOYEES

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

	2004	2003
Regular	**9,965**	9,282
Contract *	**1,907**	2,572
	11,872	11,854

*Includes 1,381 (2003: 1,896) work charge employees.

32 Remuneration to Chief Executive and Executives

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

	2004		2003	
	Chief Executive (Rs '000)	Executives (Rs '000)	Chief Executive (Rs '000)	Executives (Rs '000)
Managerial remuneration	**519**	**452,692**	271	456,313
Housing and utilities	**382**	**264,854**	231	261,133
Other allowances and benefits	**368**	**461,070**	303	348,783
Leave encashment	**–**	**41,871**	–	45,302
Medical benefits	**73**	**65,717**	22	57,548
Contribution towards pension fund	**188**	**164,467**	74	124,417
	1,530	**1,450,671**	901	1,293,496
Number of persons including those who worked part of the year	**1**	**2,102**	2	2,263

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 are provided with free use of cars.

In addition, aggregate amount charged in these accounts for fee to 10 directors (2003 : 10) was Rs 477,000 (2003: Rs 369,000).

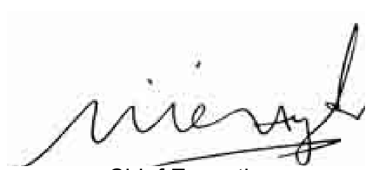
33 CAPACITY AND PRODUCTION

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

34 GENERAL

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

Chairman



Chief Executive

Oil & Gas Development Company Limited

Health, Safety and Environment Policy Statement

The Policy of OGDCL in carrying out all its activities is to provide a safe and healthy Work Policy and to minimize the impact to environment in compliance with the Federal and Local legislation concerning HSE and the applicable international rules and standards. OGDCL believes that good HSE performance will contribute to the business success and that Health, Safety and Environment protection is a shared responsibility across the Company, particularly General Managers and Field Managers/Operation Managers/Location Incharges. The cooperation and support of all employees and contractors is expected to uphold this Policy.

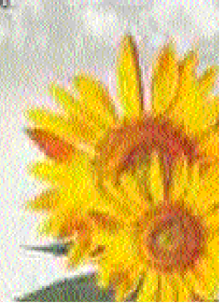
In line with above OGDCL is committed to the following objectives:

- Management commitment and leadership in Health, Safety and Environment.
- Defining accountability, responsibility and resources for Health, Safety and Environment.
- Abide by the environmental, Health and Safety Laws, Regulations, Codes, Standards and guidelines set by the government of Pakistan.
- Training and developing competent people to work safely and follow good HSE practices.
- Developing safer system of works.
- Identifying hazards and reducing risks to as low as reasonably practicable in our operations.
- Third party audits and inspections to determine compliance of HSE and identify improvements.
- Preference will be given in selection of Contractors whose Health, Safety and Environmental Management System will be compatible with the Company's Policy.
- Emergency Response Preparedness to handle potential emergencies.
- Understand fully the impact of our operations on the Environment and continue to improve our Environmental performance.
- Providing and monitoring Medical and Welfare facilities to employees.
- Cooperate with local communities on all HSE issues.

The Management will ensure the implementation of the HSE policy. All employees and contractors are required to perform their duties in line with this HSE policy bearing in mind that individual responsibility for Health, Safety and Environment cannot be delegated.

(Najam K. Hyder)
Managing Director

17-6-2003
Date



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Oil and Gas Development Company Limited and its subsidiary company as at 30 June 2004 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 then ended. We have also expressed separate opinion on the financial statements of Oil and Gas Development Company Limited. The financial statements of the subsidiary company were audited by M/s Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants as sole auditors, whose report was forwarded to M/s Taseer Hadi Khalid & Co., Chartered Accountants and their opinion insofar as it relates to the amounts included for such company is based solely on the report of M/s Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants. These financial statements are the responsibility of the Holding Company's management.

Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Oil and Gas Development Company Limited and its subsidiary company as at 30 June 2004 and the results of their operations for the year then ended.

TASEER HADI KHALID & CO
Chartered Accountants

Islamabad
22 September, 2004

Khalid Majid Rahman Sarfaraz
Rahim Iqbal Rafiq

KHALID MAJID RAHMAN SARFARAZ
RAHIM IQBAL RAFIQ
(New name Khalid Majid Rehman)
Chartered Accountants
Islamabad
22 September, 2004

CONSOLIDATED BALANCE SHEET

As at 30 June, 2004

	Note	**2004 (Rs '000)**	2003 (Rs '000)
SHARE CAPITAL AND RESERVES			
Authorized share capital			
5,000,000,000 (2003 : 2,500,000,000) ordinary shares of Rs 10 each		**50,000,000**	25,000,000
Issued, subscribed and paid-up capital	4.1	**43,009,284**	10,752,321
Capital reserve	4.2	**836,000**	836,000
Reserve for issue of bonus shares		**–**	32,256,963
Contingency reserve	4.3	**1,659,614**	1,363,967
Un-appropriated profit		**32,306,209**	26,948,257
		77,811,107	72,157,508
LONG TERM LOAN - unsecured	5	**14,751**	14,751
LONG TERM PROVISIONS	6	**8,218,887**	5,652,173
DEFERRED LIABILITIES	7	**9,122,342**	8,387,974
CURRENT LIABILITIES			
Creditors, accrued and other liabilities	8	**4,338,702**	3,573,494
Proposed dividend		**5,376,161**	2,903,127
		9,714,863	6,476,621
CONTINGENCIES AND COMMITMENTS	9	**–**	–
		104,881,950	92,689,027

The annexed notes 1 to 34 form an integral part of these accounts.

These financial statemetns were authorized for issue by the Board of Directors in their meeting held on 22 September, 2004. .

Chairman

	Note	2004 (Rs '000)	2003 (Rs '000)
FIXED CAPITAL EXPENDITURE			
Property, plant and equipment - tangible	10	**18,111,794**	17,424,425
Exploration and development expenditure	11	**20,033,388**	17,867,866
Projects in progress	12	**3,849,509**	4,124,282
Stores held for capital expenditure		**734,918**	870,749
		42,729,609	40,287,322
INVESTMENT IN ASSOCIATED COMPANY	13	**113,230**	105,520
INVESTMENTS HELD TO MATURITY	14	**636,227**	541,948
LONG TERM PREPAYMENTS AND RECEIVABLES	15	**3,519,157**	4,130,043
CURRENT ASSETS			
Stores and stocks	16	**8,454,796**	6,334,614
Trade debts-unsecured	17	**13,362,964**	13,298,499
Loans, advances, deposits, prepayments and other receivables	18	**6,960,238**	5,915,791
Cash and bank balances	19	**29,105,729**	22,075,290
		57,883,727	47,624,194
		104,881,950	92,689,027

Chief Executive

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 June, 2004

	Note	2004 (Rs '000)	2003 (Rs '000)
Net sales	20	52,606,537	46,628,759
Other operating revenue	21	10,635	10,758
		52,617,172	46,639,517
Less: Operating expenses	22	8,462,583	8,812,957
Royalty		5,733,537	5,173,038
Transportation charges		548,919	635,524
Amortization of exploration and development expenditure	11	2,087,117	1,400,826
		16,832,156	16,022,345
		35,785,016	30,617,172
Less: Exploration expenditure written off	23	3,397,907	2,526,119
		32,387,109	28,091,053
Less: General and administration expenses	24	928,303	1,086,031
Financial charges	25	38,538	746,542
Workers' Profit Participation Fund		1,640,593	1,425,602
		2,607,434	3,258,175
		29,779,675	24,832,878
Other income	26	1,391,595	1,877,367
Share of profit of associated company		7,710	13,157
PROFIT BEFORE TAXATION		31,178,980	26,723,402
Provision for taxation	27	8,321,667	5,875,118
PROFIT AFTER TAXATION		22,857,313	20,848,284
Unappropriated profit brought forward		26,948,257	37,446,987
		49,805,570	58,295,271
APPROPRIATIONS :			
Transfer to contingency reserve		295,647	913,089
Transfer to reserve for issue of bonus shares		–	17,531,139
First interim dividend @ Re 1.00 (2003:Rs 9.30) per share		4,300,928	9,999,659
Second interim dividend @ Rs 1.75 (2003: nil) per share		7,526,625	–
Final dividend @ Rs 1.25 (2003:Rs 2.70) per share		5,376,161	2,903,127
		17,499,361	31,347,014
Unappropriated profit carried forward		32,306,209	26,948,257
Earnings per share (Basic) - Rupees	29	5.31	4.85

The annexed notes 1 to 34 form an integral part of these accounts.

Chairman

Chief Executive

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June, 2004

	2004 (Rs '000)	2003 (Rs '000)
Cash flow from operating activities		
Net profit before taxation	**31,178,980**	26,723,402
Adjustment for non cash items :		
Depreciation	**2,692,530**	2,505,080
Adjustment on account of fixed assets reconciliation	**143,511**	–
Land reconciliation adjustment	**(53,349)**	–
Amortization of exploration and development expenditure	**2,087,117**	1,400,826
Provision for employees' retirement benefits	**703,971**	709,816
(Write back) /provision for inventory	**(238,195)**	547,839
(Interest income)/net loss on impairment of long term receivables	**(177,693)**	498,312
(Write back) / provision against advances	**(52,823)**	326,025
Workers' Profit Participation Fund	**1,640,593**	1,425,602
Royalty	**5,733,537**	5,173,038
Financial charges	**38,538**	248,230
Interest income	**(537,775)**	(1,002,082)
Profit on sale of fixed assets	**(27,345)**	(69)
Dividend income	**(22,168)**	(14,700)
Share of profit of associated company	**(7,710)**	(13,157)
	43,101,719	38,528,162
(Increase)/decrease in stores and stocks	**(1,881,987)**	45,358
Decrease in trade debts and other receivables	**281,838**	352,992
Increase/(decrease) in creditors, accrued and other liabilities	**683,630**	(824,715)
Cash generated from operations	**42,185,200**	38,101,797
Royalty paid	**(6,081,424)**	(4,618,123)
Staff retirement benefits paid	**(165,648)**	(140,696)
Contribution to Workers' Profit Participation Fund	**(1,552,709)**	(1,682,729)
Taxes paid	**(8,989,143)**	(10,952,487)
	(16,788,924)	(17,394,035)
	25,396,276	20,707,762
Cash flow from investing activities		
Proceeds from sale of fixed assets	**27,717**	82
Interest received	**364,791**	947,593
Dividend received	**22,168**	14,700
Fixed capital expenditure	**(4,403,754)**	(5,881,948)
Long term prepayments	**6,314**	(1,043)
	(3,982,764)	(4,920,616)
Cash flow from financing activities		
Repayment of long term loans	**–**	(233,142)
Financial charges paid	**(38,538)**	(258,213)
Dividend paid	**(14,344,535)**	(9,999,659)
	(14,383,073)	(10,491,014)
Increase in cash and cash equivalents	**7,030,439**	5,296,132
Cash and cash equivalents at the beginning of the year	**22,075,290**	16,779,158
Cash and cash equivalents at the end of the year	**29,105,729**	22,075,290

The annexed notes 1 to 34 form an integral part of these accounts.

Chairman

Chief Executive

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June, 2004

	Share Capital (Rs '000)	Reserve for issue of bonus shares (Rs '000)	Pre-incorporation profit (Rs '000)	Capital reserve (Rs '000)	Contingency reserve (Rs '000)	Unappropriated Profit (Rs '000)	Total (Rs '000)
Balance as at 30 June 2002	10,752,321	–	14,725,824	836,000	450,878	37,446,987	64,212,010
Profit for the year	–	–	–	–	–	20,848,284	20,848,284
Reserve for issue of bonus shares	–	32,256,963	(14,725,824)	–	–	(17,531,139)	–
Dividends	–	– -	–	–	–	(12,902,786)	(12,902,786)
Appropriation to contingency reserve	–	–	–	–	913,089	(913,089)	–
Balance as at 30 June 2003	10,752,321	32,256,963	–	836,000	1,363,967	26,948,257	72,157,508
Issue of bonus shares	32,256,963	(32,256,963)	–	–	–	–	–
Profit for the year	–	–	–	–	–	22,857,313	22,857,313
Dividends	–	–	–	–	–	(17,203,714)	(17,203,714)
Appropriation to contingency reserve	–	–	–	–	295,647	(295,647)	–
Balance as at 30 June 2004	43,009,284	–	–	836,000	1,659,614	32,306,209	77,811,107

The annexed notes 1 to 34 form an integral part of these accounts.

Chairman

Chief Executive

NOTES TO THE CONSOLIDATED ACCOUNTS

For the year ended 30 June, 2004

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. The Parent Company is engaged in the exploration and development of oil and gas resources, including production and sale of oil and gas and related activities. During the year, Government of Pakistan (GoP) disinvested 5% of its shareholding in the Parent Company through an Initial Public Offering. The Parent Company is now listed on all the three stock exchanges of Pakistan.

The Parent Company has a wholly owned subsidiary namely Pirkoh Gas Company (Private) Limited ("the Subsidiary Company")

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

The registered offices of both the Parent and the Subsidiary Companies are located 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.

2.1 BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Parent Company and the Subsidiary Company, together constituting "the Group".

Subsidiaries are those enterprises in which the 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 the control commences until the date the control ceases. The financial statements of subsidiary have been consolidated on a line-by-line basis.

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 the 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

3.2.1 Pension

The Group operates an approved funded pension scheme under an independent trust for its employees, as per the Group policy, as a defined benefit plan. Contribution is made to pension scheme on the basis of actuarial valuations carried out at least once in every three years. 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 amortized over the future expected remaining service of current employees.

3.2.2 Post retirement medical benefits

The Group provides post retirement medical benefits to its employees and their families, as per the Group policy. Liability is provided on the basis of actuarial valuations carried out once in every three years. 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 current employees.

3.2.3 Benevolent fund

The Group provides post retirement benefits to its employees at rates agreed as per the Group policy. Projected Unit Credit method is used to generate actuarial values.

3.2.4 Compensated absences

The Group has a policy whereby employees are able to encash leave balance at the time of retirement or during the service. Liability is provided on the basis of actuarial valuations carried out at least once in every three years. The Projected Unit Credit Method is used to generate actuarial values. Actuarial gains or losses are amortized over the future expected remaining service of current employees.

3.3 TAXATION

3.3.1 Current

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

3.3.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all major temporary differences arising from differences between carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that is probable that taxable profits will be available against which deductible temporary differences, unused tax losses and tax credits can be utilized.

3.4 PROPERTY, PLANT AND EQUIPMENT

Freehold land is stated at cost and leasehold land is stated at cost less accumulated amortization. Other assets are stated at cost less accumulated depreciation. Cost in relation to fixed assets signifies historical cost, decommissioning cost referred to in note 3.14 and exchange differences, borrowing costs as referred to in note 3.13 , and 3.11 respectively. Depreciation is provided on straight line method at rates specified in note 10 to the accounts so as to write off the cost of the assets over their estimated useful lives. Depreciation on additions to fixed assets is charged from the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which asset is disposed off.

Exchange differences as referred to in note 3.13.1 are depreciated over remaining life of the asset to which they relate. The amortization of leasehold land is charged to income, while depreciation provided on assets is charged to income and/or allocated to the exploration and development expenditure incurred in relation to the creation of other assets.

Maintenance and normal repairs are charged to income as and when incurred. Major improvements are capitalized. 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 less impairment loss, if any and are transferred to the respective assets when available for intended use.

3.6 STORES HELD FOR CAPITAL EXPENDITURE

Stores and spares held for capital expenditure are valued at lower of cost determined under the moving average basis and net realizable value.

3.7 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 development well costs, including unsuccessful development wells, are capitalized and amortized 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.

3.8 INVESTMENTS

3.8.1 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 share of losses exceed the carrying amounts of the associates, the carrying amount is reduced to nil and the recognition of further losses is discontinued except to the extent obligations have been incurred in respect of the associates.

3.8.2 INVESTMENTS HELD TO MATURITY

Investments 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.

3.9 STORES AND STOCKS

Stores and spares are valued at the lower of cost and net realizable value less allowance for obsolete and slow moving items. Cost is determined on the moving average basis and comprises 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 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 realizable value.

3.10 REVENUE RECOGNITION

Revenue from sale is recognized 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 finalized with the customers and/or approved by the Government. As a matter of prudence the Group recognizes interest on delayed payments from customers on receipt basis.

Income on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

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

Dividend income on equity investments is recognized when the right of receipt is established.

3.11 BORROWING COST

Mark up, interest and other charges on borrowings are capitalized upto the date of commissioning of the related projects under development, financed out of the proceeds of such borrowings. All other mark up, interest and other charges are charged against income.

3.12 JOINT VENTURE OPERATIONS

Transactions related to joint venture operations in which there is 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.

3.13 FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of the transaction. All monetary assets and liabilities 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:

3.13.1 Exchange differences on translation and repayment of foreign currency finance utilized for the acquisition of fixed assets and plants are capitalized as part of the cost of the related assets.

3.13.2 All other exchange differences are charged against the income for the year.

3.14 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.

Decommissioning cost as appropriate, 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 10.

3.15 FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. These are de-recognized when the Group ceases to be the party to the contractual provisions of the instrument.

Financial instruments mainly comprise investments, loans, advances, deposits, trade debts and other receivables and cash and bank balances. Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant liabilities are creditors, accrued and other liabilities, employee retirement liabilities and long term loans.

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be.

3.16 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 intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3.17 TRADE DEBTS

Trade debts are carried at nominal value less an impairment loss, if any.

3.18 TRADE AND OTHER PAYABLES

These are stated at their nominal values.

3.19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purposes of cash flow statement comprise cash in hand and demand deposits and includes short term highly investments that are readily convertible into cash and are which are subject to insignificant risk of change in value. Cash and cash equivalents are carried in the balance sheet at cost.

3.20 IMPAIRMENT

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized in the profit and loss account.

3.21 INTANGIBLE ASSETS

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Group and that the cost of such asset can also be measured reliably. Intangible asset is stated at cost less accumulated amortization and is amortized based on the pattern in which the assets' economic benefits are consumed.

3.22 RELATED PARTY TRANSACTIONS

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible.

4 SHARE CAPITAL

4.1 Issued, subscribed and paid-up capital

Number 2004	Number 2003		(Rs '000) 2004	(Rs '000) 2003
1,075,232,100	1,075,232,100	Ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash.	**10,752,321**	10,752,321
3,225,696,300	–	Ordinary shares of Rs. 10 each issued as fully paid bonus shares.	**32,256,963**	–
4,300,928,400	1,075,232,100		**43,009,284**	10,752,321

In consideration for all the properties, rights, assets, obligations and liabilities of the Oil and Gas Development Corporation (OGDC) vested in the Parent Company, 1,075,232,100 ordinary fully paid shares of Rs 10 each were issued to the Government of Pakistan (GoP) on October 23, 1997. Further, pursuant to the Initial Public Offering as mentioned in note 1 above, shareholding of GoP in the Parent Company is now reduced to 95%.

4.2 Capital reserve

This represents bonus shares issued by the Subsidiary Company.

4.3 Contingency reserve

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

5 LONG TERM LOAN-unsecured

It represents the on-lent proceeds received by the Parent Company 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. As per the agreement the loan carried interest @ 2.5% per annum. Repayment of installments due is pending till further instructions from the Government of Pakistan, consequently no amount has been transferred to current maturity.

6 LONG TERM PROVISIONS

	2004 (Rs '000)	2003 (Rs '000)
Decommissioning cost of Fields and production facilities		
Opening balance	**5,652,173**	4,943,086
Additional provisions made during the year including increase to existing provisions	**2,566,714**	709,087
	8,218,887	5,652,173
The above provision for decommissioning cost is analyzed as follows:		
Fields	**7,914,708**	5,470,028
Production facilities	**304,179**	182,145
	8,218,887	5,652,173

The expected outflow of economic resources to settle this liability is upto 25 years.

7 DEFERRED LIABILITIES

	2004 (Rs '000)	2003 (Rs '000)
Taxation (note 7.1)	**6,718,401**	6,725,216
Post retirement medical benefits (note 7.2)	**748,708**	731,714
Compensated absences (note 7.3)	**1,013,233**	931,044
Benevolent fund (note 7.4)	**642,000**	–
	9,122,342	8,387,974

7.1 Taxation

	2004 (Rs '000)	2003 (Rs '000)
Credit/(debit) balances arising on account of:		
Accelerated depreciation on property, plant and equipment	**1,673,894**	1,946,020
Accelerated amortization of exploration and development expenditure	**5,378,863**	4,975,029
Provision for benevolent fund	**(89,430)**	–
Provision for obsolete, slow moving items and other adjustments	**(244,926)**	(195,833)
	6,718,401	6,725,216

7.2 Post retirement medical benefits

	2004 (Rs '000)	2003 (Rs '000)
The amounts recognized in the balance sheet are as follows		
Present value of defined benefit obligation	**457,962**	441,720
Net actuarial gains not recognized	**290,746**	289,994
Net liability at the end of the year	**748,708**	731,714
Opening net liabilities	**731,714**	706,200
Charge for the year	**30,458**	36,403
Benefits paid during the year	**(13,464)**	(10,889)
Net liability at the end of the year	**748,708**	731,714
Particulars of charge for the year		
Current service cost	**21,885**	21,256
Interest cost	**30,920**	33,090
Actuarial gains recognized	**(22,347)**	(17,943)
	30,458	36,403

The latest actuarial valuation was carried out as at 30 June, 2004. The rate of discount was assumed as 7% per annum and medical cost inflation was assumed at 7 % per annum.

	2004 (Rs '000)	2003 (Rs '000)
7.3 Compensated absences		
Opening balance	**931,044**	931,044
Charge for the year	**82,189**	–
Closing net liability at the end of the year (present value of obligation).	**1,013,233**	931,044

The liability provided for during the year is based on the latest actuarial valuation carried out as at 30 June, 2004. The rate of discount was assumed as 7% per annum and salary increases were assumed to average 7% per annum. Liability accounted for in 2003 was on account of last two years on the basis of actuarial valuation carried out as at 30 June, 2003.

7.4 Benevolent fund

The Parent Company has been operating OGDC Employees Benevolent Fund since 1983 primarily on the basis of agreement with the Collective Bargaining Agent (CBA). In accordance with the rules, contributions are to be made by the employees together with a defined fixed contribution from the Parent Company. However, pursuant to an actuarial valuation and legal advice obtained during the year, it is likely that the Parent Company may be liable for any shortfall in financing of this fund. The management is in the process of revisiting and finalizing the related terms and conditions pending which, on a prudent basis, the expense based on the actuarial valuation has been recognized in these accounts.

For the purposes of valuation the rate of discount was assumed as 7% per annum and salary increases were assumed to average 6% per annum.

8 CREDITORS, ACCRUED AND OTHER LIABILITIES

	2004 (Rs '000)	2003 (Rs '000)
Trade creditors	**137,173**	42,312
Accrued liabilities	**1,490,718**	1,286,027
Royalty	**589,069**	936,956
Excise duty	**103,890**	123,315
Sales tax	**-**	31,345
Payable to joint venture partners	**1,250,777**	795,636
Retention money	**262,234**	261,964
Employees' Pension Trust (note 8.1)	**43,320**	–
Advances from customers	**67,238**	80,900
Unclaimed dividend	**383,378**	–
Unpaid dividend	**2,767**	–
Other liabilities	**8,138**	15,039
	4,338,702	3,573,494

8.1 Employees' pension trust

The amounts recognized in the balance sheet are as follows:

	2004 (Rs '000)	2003 (Rs '000)
Present value of defined benefit obligation	**6,325,301**	4,661,329
Fair value of plan assets	(7,423,308)	(4,101,349)
Net actuarial gains/(losses) not recognized	**1,141,327**	(655,800)
Net liability/ (asset) at the end of the year	**43,320**	(95,820)
Opening net (asset)/liability	**(95,820)**	(181,880)
Charge for the year	**291,324**	215,867
Contribution to the fund made during the year	**(152,184)**	(129,807)
Net liability/(asset) at the end of the year	**43,320**	(95,820)
Particulars of charge for the year		
Current service cost	**277,537**	216,400
Interest cost	**326,293**	352,553
Expected return on plan assets	**(329,748)**	(353,086)
Actuarial loss recognized	**17,242**	–
	291,324	215,867

The latest actuarial valuation was carried out as at 30 June, 2004. 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 720 million (2003: Rs 581 million).

9 CONTINGENCIES AND COMMITMENTS

9.1 Claims against the Parent Company not acknowledged as debts amounted to Rs 4,328.675 million as at 30 June, 2004 (2003: Rs 4,430.410 million). These include net liquidated damages aggregating Rs 2,148.880 million (2003: Rs 2,148.880 million) claimed by a customer related to minimum supply of gas, disputed by the Parent Company.

9.2 Capital commitments outstanding as at 30 June 2004 amounted to Rs 4,301.502 million (2003 : Rs 4,122.487 million). This includes amounts aggregating Rs 2,488.605 million (2003: 3,641.889 million) representing the Parent Company's share in the minimum work commitments related to operated concessions.

9.3 Letters of credit outstanding at the year end amount to Rs. 1,429.691 million (2003 : Rs.1,589.449 million).

9.4 Certain banks have issued guarantees aggregating Rs 363.069 million (2003 : Rs 104.459 million) on behalf of the Parent Company in the ordinary course of business.

9.5 Refer note 27.2 for contingencies relating to tax matters.

10. PROPERTY, PLANT AND EQUIPMENT - tangible

DESCRIPTION	Cost: As at 01 July, 2003 (Rs '000)	Cost: Adjustments (Rs '000)	Cost: additions/ (deletions) (Rs '000)	Cost: As at 30 June, 2004 (Rs '000)	Rate of depreciation (%age)	Depreciation: As at 01 July, 2003 (Rs '000)	Depreciation: Adjustments (Rs '000)	Depreciation: Charge for the year/ (on deletions) (Rs '000)	Depreciation: As at 30 June, 2004 (Rs '000)	Written Down Value as at 30 June, 2004 (Rs '000)
Freehold land	85,025	18	75,135	160,178	–	–	–	–	–	160,178
Leasehold land	245,079	64,036	38,052	347,167	1 - 3.3	64,015	10,405	28,539	102,959	244,208
Buildings / offices on free hold land	778,412	(2,960)	160,043	935,495	2.5	123,876	(10,585)	21,369	134,660	800,835
Buildings / offices on lease hold land	5,777	1,270	18,601	25,648	2.5	630	567	1,419	2,616	23,032
Buildings / roads in fields on free hold land	372,905	(11,589)	219,976	581,292	8	78,055	(11,486)	64,505	131,074	450,218
Buildings / roads in fields on lease hold land	614,605	14,289	94,770	723,664	8	156,663	12,466	57,633	226,762	496,902
Plant and machinery	29,930,406	(538,186)	2,775,883 (26,872)	32,141,231	10	16,552,536	(300,916)	2,138,023 (26,691)	18,362,952	13,778,279
Rigs	663,704	(52,729)	28,498 (6,728)	632,745	10	588,931	(41,664)	15,606 (6,699)	556,174	76,571
Pipelines	3,786,656	143,530	36,266	3,966,452	10	1,963,840	12,642	379,054	2,355,536	1,610,916
Rolling stock	1,790,419	124,588	55,863 (37,030)	1,933,840	20	1,651,267	153,089	54,359 (36,942)	1,821,773	112,067
Office and domestic equipment	311,407	(4,757)	18,428 (1,585)	323,493	15	290,954	(19,700)	11,286 (1,512)	281,028	42,465
Office and technical data computers	415,257	(50,353)	15,733 (123)	380,514	30	302,162	23,426	24,228 (122)	349,694	30,820
Furniture and fixtures	84,456	(42,868)	3,404	44,992	15	53,738	(40,444)	3,557	16,851	28,141
Aircraft	19,855	–	–	19,855	10	17,869	–	–	17,869	1,986
Total	39,103,963	(355,711)	3,540,652 (72,338)	42,216,566		21,844,536	(212,200)	2,799,578 (71,966)	24,359,948	17,856,618
Decommissioning cost	182,145	–	122,034	304,179	10	17,147		31,856	49,003	255,176
	39,286,108	(355,711)	3,662,686 (72,338)	42,520,745		21,861,683	(212,200)	2,831,434 (71,966)	24,408,951	18,111,794
2003	35,521,073		3,767,689 (2,654)	39,286,108		19,260,069	19,557	2,584,698 (2,641)	21,861,683	17,424,425

10.1 Cost and accumulated depreciation as at 30 June, 2004 include Rs 9,357.51 million (2003 : Rs 8,621.206 million) and Rs 4,755.58 million (2003 : Rs 3,871.804 million) respectively being the Parent Company's share in property, plant and equipment relating to joint ventures operated by others.

10.2 The depreciation expense for the year has been allocated to :

	2004 (Rs '000)	2003 (Rs '000)
Operating expenses (note 22)	**2,635,001**	2,454,838
General and administration expenses (note 24)	**57,529**	50,242
Technical services (note 10.3)	**138,904**	79,618
	2,831,434	2,584,698

10.3 This is allocated to various line items in these financial statements based on the use of the assets.

10.4 Detail of fixed assets disposed off:

Description	Particulars of buyers	Cost (Rupees)	Accumulated depreciation (Rupees)	Written down value (Rupees)	Sales price (Rupees)	Profit (Rupees)	Mode of disposal
To executives Vehicles							
	Mr.M.Khurshid Akhtar, Sialkot	282,800	281,800	1,000	47,599	46,599	As per policy
	Mr.Muzufar Ali Khan, Lahore	320,500	319,500	1,000	45,440	44,440	As per policy
	Mr.Shamim Ahmed Bhatti, Islamabad	570,300	569,300	1,000	59,903	58,903	As per policy
	Mr.Muhammad Hameed, Peshawar	573,000	572,000	1,000	59,453	58,453	As per policy
	Mr.Wazir Akbar, Sawabi	320,500	319,500	1,000	34,590	33,590	As per policy
	Mr.Saeed Ahmed, Sialkot	320,500	319,500	1,000	51,967	50,967	As per policy
	Mr.S.Matloob Hussain, Islamabad	124,000	123,000	1,000	10,315	9,315	As per policy
	Mr.Badarul Islam, Islamabad	573,000	572,000	1,000	55,476	54,476	As per policy
		3,084,600	**3,076,600**	**8,000**	**364,743**	**356,743**	
Items with book value less than Rs 5,000 individually		69,253,747	68,889,647	364,100	27,351,866	26,987,766	
	Total:	**72,338,347**	**71,966,247**	**372,100**	**27,716,609**	**27,344,509**	
	2003	2,653,700	2,640,700	13,000	82,000	69,000	

11 EXPLORATION AND DEVELOPMENT EXPENDITURE

	COST			AMORTIZATION			WRITTEN DOWN VALUE
	As at 01 July, 2003	additions	As at 30 June, 2004	As at 01 July, 2003	For the year	As at 30 June, 2004	As at 30 June, 2004
	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)
DRILLING COST							
Producing fields							
Wholly Owned	13,001,536	5,826	13,007,362	8,246,137	440,560	8,686,697	4,320,665
Joint ventures	9,917,888	1,476,672	11,394,560	3,607,122	785,624	4,392,746	7,001,814
	22,919,424	1,482,498	24,401,922	11,853,259	1,226,184	13,079,443	11,322,479
Shut-in-fields							
Wholly Owned	1,224,014	110,399	1,334,413	205,889	409	206,298	1,128,115
Joint ventures	1,398,864	215,062	1,613,926	31,237	–	31,237	1,582,689
	2,622,878	325,461	2,948,339	237,126	409	237,535	2,710,804
Total drilling cost	25,542,302	1,807,959	27,350,261	12,090,385	1,226,593	13,316,978	14,033,283
DECOMMISSIONING COST	5,470,028	2,444,680	7,914,708	1,054,079	860,524	1,914,603	6,000,105
Total	**31,012,330**	**4,252,639**	**35,264,969**	**13,144,464**	**2,087,117**	**15,231,581**	**20,033,388**
2003	28,064,558	2,947,771	31,012,329	11,743,637	1,400,826	13,144,463	17,867,866

12 PROJECTS IN PROGRESS

These are analysed as follows:

	2004 (Rs '000)	2003 (Rs '000)
Wells in progress		
Wholly owned	**737,836**	543,652
Joint ventures	**1,066,506**	636,908
	1,804,342	1,180,560
Production facilities and other civil works		
Installation/ modification of production facilities and ancilliary civil works		
Wholly owned	**1,815,386**	1,371,574
Joint ventures	**186,936**	1,524,588
	2,002,322	2,896,162
Construction cost relating to regional and other offices-owned	**42,845**	47,560
	2,045,167	2,943,722
	3,849,509	4,124,282

13 INVESTMENT IN ASSOCIATED COMPANY

The carrying amount of the investment under the equity method is based on the initialled audited accounts of Mari Gas Company Limited as at 30 June 2004.

Associated company - Quoted		
Mari Gas Company Limited Percentage holding 20% 7,350,000 fully paid ordinary shares of Rs 10 each Market value Rs 609.683 million (2003 : Rs 492.818 million)	**105,520**	92,363
Share of profit	**29,878**	27,857
Less: Dividend received	**(22,168)**	(14,700)
	7,710	13,157
	113,230	105,520

The share in un-appropriated profit amounting to Rs. 365.661 million (2003 : Rs. 291.578 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 ratio.

14 INVESTMENTS HELD TO MATURITY

Defence saving certificates (DSCs)	**636,227**	541,948

Face value of the above investments is Rs. 195.298 million (2003: Rs. 195.298 million). These carry effective interest rates ranging between 16% per annum to 18% per annum and are due to mature in periods ranging between 2004 to 2009. DSCs amounting to Rs. 107.129 million (2003 : nil) are due to mature within the next 12 months, however these have not been classified as current assets based on the management's intention to reinvest them in these investments.

The investment in DSCs is against amounts set aside for contingency reserve (note 4.3).

15 LONG TERM PREPAYMENTS AND RECEIVABLES

	Note	2004 (Rs '000)	2003 (Rs '000)
Long term prepayments	15.1	**27,715**	34,029
Long term receivables	15.2	**3,491,442**	4,096,014
		3,519,157	4,130,043

15.1 These represent employees house rent and office buildings rentals and are being amortized over the period of two to three years.

15.2 These are analyzed as follows:

	Note	2004 (Rs '000)	2003 (Rs '000)
Long term loans to employees -secured	15.2.1	**790,367**	604,396
Long term receivable -unsecured	15.2.2	**4,047,025**	4,802,000
Less : Allowance for impairment		**(694,337)**	(694,337)
		3,352,688	4,107,663
		4,143,055	4,712,059
Less: Current portion of long term loans	18	**(104,541)**	(57,095)
Current portion of long term receivable	18	**(547,072)**	(558,950)
		(651,613)	(616,045)
		3,491,442	4,096,014

15.2.1 Long term loans to employees

	Conveyance (Rs '000)	House Building (Rs '000)	**Total 2004 (Rs '000)**	Total 2003 (Rs '000)
Due from Executives	60,382	412,066	**472,448**	398,848
Less: Receivable within one year	19,451	53,918	**73,369**	35,290
	40,931	358,148	**399,079**	363,558
Due from Employees	77,359	240,559	**317,918**	205,548
Less: Receivable within one year	10,502	20,669	**31,171**	21,805
	66,857	219,890	**286,747**	183,743
	107,788	578,038	**685,826**	547,301
Outstanding for period:				
- less than three years	97,503	201,513	**299,016**	171,286
- more than three years	40,238	451,113	**491,351**	433,110
	137,741	652,626	**790,367**	604,396

The above loans are granted to the employees of the Parent Company in accordance with the service rules. House building loans are for a period of 15 years and conveyance loans are for 5 years. These loans are secured against the underlying assets. Included in these are loans of Rs 658.610 million (2003: Rs 510.032 million) which carry no interest. The balance amount carries an effective interest rate of 9.23% (2003 : 10.87%) per annum.

The maximum amount due from executives at the end of any month during the year was Rs 472.448 million (2003: Rs 398.848 million).

15.2.2 An amount of Rs 2,133.600 (2003 : Rs 2,667 million) included in the above represents amount receivable by the Parent Company from WAPDA on account of overdue balances of gas companies transferred to WAPDAas 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 Parent 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.

An amount of Rs 1,400.625 (2003 : Rs 1,494 million) and Rs 512.800 million (2003 : Rs 641 million) included in the above represents amount receivable by the Subsidiary Company 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.

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.

16 STORES AND STOCKS

	2004 (Rs '000)	2003 (Rs '000)
Stores and spares in hand	**8,527,939**	7,129,442
Stores and spares in transit	**662,628**	921,325
	9,190,567	8,050,767
Less: Provision for obsolete, slow moving items and other adjustments	**(821,111)**	(1,771,644)
	8,369,456	6,279,123
Stock of crude oil and other products	**85,340**	55,491
	8,454,796	6,334,614

The assignment of 100% physical verification and reconciliation of stores and spares as of 31 March 2002 assigned to consultants during August 2002 has been finalized and the consultants have submitted their final report, which is presently under implementation.

17 TRADE DEBTS - Unsecured

Trade debts-gross	**15,253,890**	15,176,477
Less : Un-recognized billing	**(1,863,754)**	(1,850,806)
	13,390,136	13,325,671
Less : Provision for doubtful amount	**(27,172)**	(27,172)
	13,362,964	13,298,499

17.1 Trade debts include balances aggregating Rs 4 billion (2003 : Rs. 4 billion) which have been withheld by Uch Power Limited (UPL) against claims for damages related to minimum supply of gas. The Parent Company has pending resolution of the matter un-recognised billings of Rs 1,863.754 million (2003 : Rs 1,850.806 million) against the amounts withheld whereas the balance relates to liquidated damages which have not been provided by the Parent Company. The managements interpretation is that liquidated damages and reduction in billing are not applicable simultaneously . The Parent 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 constitution of a high level governmental committee to resolve the dispute, the matter is likely to be decided in the Parent Company's favour.

17.2 Amounts due from associated companies aggregated to Rs. 3,019.38 million (2003 : Rs. 2,193.986 million).

18 LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2004 (Rs '000)	2003 (Rs '000)
Advances considered good to:		
Suppliers and contractors (note 18.1)	679,820	480,352
Joint venture partners	294,331	154,778
Employees	98,054	69,607
	1,072,205	704,737
Advances considered doubtful	271,049	597,074
Current portion of long term loans to employees	104,541	57,095
Current portion of long term receivables	547,072	558,950
Interest accrued on long term receivables	373,718	196,025
Deposits	6,924	6,613
Prepayments	229,421	353,162
Development surcharge	72,425	73,463
Advance income tax (note 18.2)	4,357,137	3,696,476
Sales tax	17,619	–
Workers' Profit Participation Fund (note 18.3)	41,521	129,405
Claims receivable	7,654	8,115
Employees' Pension Trust (note 8.1)	–	95,820
Interest income accrued	93,216	14,511
Other receivables	36,785	21,419
	7,231,287	6,512,865
Less: Provision against doubtful advances	(271,049)	(597,074)
	6,960,238	5,915,791

18.1 This includes an amount of Rs 326 million receivable from Clough Engineering Limited (CEL). Subsequent to the year end the Parent Company entered into a full and final settlement with CEL in respect of all claims and counter claims by or against the Parent Company. Pursuant to the agreement CELagreed to reimburse six million U.S Dollars as net settlement, which have been received subsequent to the year end. Accordingly, the terms of the agreement have been accounted for in these financial statements.

18.2 This comprises of:

	2004 (Rs '000)	2003 (Rs '000)
Advance tax	12,888,774	8,266,233
Provision for tax	(8,531,637)	(4,569,757)
	4,357,137	3,696,476

18.3 WORKERS' PROFIT PARTICIPATION FUND

	2004 (Rs '000)	2003 (Rs '000)
Receivable/(payable) at beginning of the year	129,405	(115,539)
Allocation for the period	(1,640,593)	(1,425,602)
Interest on funds utilized in business	–	(12,183)
	(1,511,188)	(1,553,324)
Amount paid to the trustees of the fund	1,552,709	1,682,729
Receivable at end of the year	41,521	129,405

19 CASH AND BANK BALANCES

	2004 (Rs '000)	2003 (Rs '000)
Cash at bank on		
current accounts	481,318	409,609
deposit accounts	28,557,080	21,601,687
(includes foreign currency deposits of U.S $ 37,165,025 (2003 : US $ 30,620,129)		
Cash in hand	35,476	34,113
Cash in transit	31,855	29,881
	29,105,729	22,075,290

Deposits of Rs 363.069 million (2003 : Rs 104.459 million) with banks were under lien to secure bank guarantees issued by the banks.

		2004 (Rs '000)	2003 (Rs '000)
20	**SALES LESS GOVERNMENT LEVIES**		
	Gross sales		
	Crude oil	**17,655,535**	15,141,274
	Gas	**40,046,887**	37,073,391
	Liquefied Petroleum Gas	**1,880,840**	1,464,752
	Naphtha	**1,365,499**	1,137,378
	Solvent oil	**95,098**	114,763
	Kerosene oil	**416,230**	329,241
	High speed diesel oil	**188,935**	194,283
	Sulphur	**134,313**	103,678
	Gross	**61,783,337**	55,558,760
	Less: Government levies		
	Excise duty	**1,306,886**	1,671,627
	Development surcharge	**191,740**	227,882
	Sales tax	**7,678,174**	7,030,492
		9,176,800	8,930,001
	Net sales	**52,606,537**	46,628,759
21	**OTHER OPERATING REVENUE**		
	Mud engineering services	**6,726**	10,758
	Geological/Geophysical services	**1,271**	–
	Engineering services	**2,638**	–
		10,635	10,758
22	**OPERATING EXPENSES**		
	Salaries, wages and benefits (note 22.1)	**1,982,220**	1,795,954
	Traveling and transportation	**205,210**	178,270
	Repairs and maintenance	**310,102**	12,925
	Stores and supplies consumed	**479,962**	1,006,803
	Rent and taxes	**120,819**	123,237
	Insurance	**347,671**	226,041
	Communication	**38,452**	24,480
	Utilities	**14,469**	16,241
	Land and crops compensation	**85,292**	226,635
	Contract services	**385,015**	198,466
	Joint venture expenses	**1,214,816**	1,090,912
	Desalting / decanting and Naphtha storage charges	**146,366**	190,977
	Welfare of locals at fields	**77,834**	167,524
	(Write back) /provision for inventory	**(238,195)**	547,840
	Workover charges	**371,320**	217,157
	Other expenses	**1,904**	1,768
	Depreciation	**2,635,001**	2,454,838
	Transfer from general & administration expenses	**314,174**	290,216
		8,492,432	8,770,284
	Opening stock of crude oil and other products	**55,491**	98,164
	Closing stock of crude oil and other products	**(85,340)**	(55,491)
		8,462,583	8,812,957

22.1 These include amount in respect of staff retirement benefits of Rs. 388.703 million (2003 Rs 466.631 million).

		2004 (Rs '000)	2003 (Rs '000)
23	**EXPLORATION EXPENDITURE WRITTEN OFF**		
	Cost of dry / abandoned wells	**2,213,260**	1,257,905
	Prospecting expenditure	**1,184,647**	1,268,214
		3,397,907	2,526,119
24	**GENERAL AND ADMINISTRATION EXPENSES**		
	Salaries, wages and benefits (note 24.1)	**910,688**	765,888
	Traveling and transportation	**73,203**	52,913
	Repairs and maintenance	**31,316**	12,534
	Stores and supplies consumed	**26,499**	16,688
	Rent and taxes	**40,850**	26,046
	Communication	**44,498**	33,148
	Utilities	**37,071**	33,884
	Training and scholarships	**11,660**	3,624
	Legal services	**33,001**	14,732
	Contract services	**28,306**	10,950
	Auditors' remuneration (note 24.2)	**8,079**	4,516
	Advertising	**36,986**	21,363
	Joint venture expenses	**219,834**	239,742
	Insurance	**344**	355
	Donations (note 24.3)	**5,455**	325
	Other expenses	**1,869**	7,140
	Aircraft expenses	**7,843**	6,983
	Adjustment on account of fixed assets reconciliation (note 24.4)	**143,511**	–
	Depreciation	**57,529**	50,242
	Advances (written back)/ provided	**(52,823)**	326,025
	Un-allocated expenses of rigs	**25,117**	37,585
		1,690,836	1,664,683
	Allocation of expenses to:		
	Operations	**(314,174)**	(290,216)
	Technical services	**(448,359)**	(288,436)
		(762,533)	(578,652)
		928,303	1,086,031

24.1 These include amount in respect of staff retirement benefits of Rs. 185.791 million (2003: 223.532 million).

24.2 Auditors' remuneration

	For services to		Total	
"M/s Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq (New name Khalid Majid Rehman) Chartered Accountants"	Parent	Subsidiary	**2004 (Rs '000)**	2003 (Rs '000)
Audit fee	880	110	**990**	900
Out of pocket expenses	110	14	**124**	110
Half yearly review	300	–	**300**	–
Audit of consolidated accounts	250	–	**250**	175
Concessions accounts audit fee	1,000	–	**1,000**	1,034
Tax services	779	130	**909**	202
Initial public offer certification fee	250	–	**250**	–
Consultancy services	2,033	433	**2,466**	1,020
	5,602	687	**6,289**	3,441
M/s Taseer Hadi Khalid & Co. Chartered Accountants				
Audit fee	880	–	**880**	800
Out of pocket expenses	110	–	**110**	100
Half yearly review	300	–	**300**	–
Audit of consolidated accounts	250	–	**250**	175
Initial public offer certification fee	250	–	**250**	–
	1,790	–	**1,790**	1,075
	7,392	687	**8,079**	4,516

24.3 Donations do not include any amount paid to any person or organization in which a director or his spouse had any interest.

24.4 This represents adjustments arising out of an exercise for physical verification of fixed assets conducted previously in the Parent Company and finalized this year.

	2004 (Rs '000)	2003 (Rs '000)
25 FINANCIAL CHARGES		
Interest/mark up on loans	**–**	9,145
Net loss on impairment of long term receivables	**–**	498,312
Interest on payables to joint venture partners	**–**	123,507
Interest on Workers' Profit Participation Fund	**–**	12,183
Exchange loss	**28,287**	95,597
Others	**10,251**	7,798
	38,538	746,542
26 OTHER INCOME		
Interest income	**537,775**	1,002,082
Interest income on long term receivables	**177,693**	–
Interest on delayed payments from customers	**425,560**	769,221
Dividend income	**22,168**	14,700
Profit on sale of fixed assets	**27,345**	69
Sale of scrap	**59,148**	1,461
Land reconciliation adjustment	**53,349**	–
Others	**88,557**	89,834
	1,391,595	1,877,367

	2004 (Rs '000)	2003 (Rs '000)
27 PROVISION FOR TAXATION		
Current - for the year (note 27.1)	**7,382,075**	6,485,687
- for prior years	**946,407**	(1,791,487)
	8,328,482	4,694,200
Deferred	**(6,815)**	1,180,918
	8,321,667	5,875,118
27.1 Reconciliation of current tax charge for the year :		
Accounting profit	**31,178,980**	26,723,402
Tax rate %	**52.73**	52.55
Tax on accounting profit at applicable rate	**16,441,467**	14,043,629
Tax effect of amounts / expenses that are inadmissible for tax purpose	**5,810,129**	5,158,255
Tax effect of amounts / expenses that are admissible for tax purpose	**(5,103,861)**	(3,831,600)
Tax effect of royalty allowed for tax purpose	**(5,667,697)**	(4,970,478)
Tax effect of depletion allowance for tax purpose	**(4,256,874)**	(4,222,041)
Tax effect of decommissioning cost of prior years	**946,407**	(1,229,708)
Tax effect of other items of prior years	**–**	(561,779)
Dividend chargeable to tax at reduced rate	**1,108**	19,545
Income chargeable to tax at corporate rates	**157,803**	288,377
	8,328,482	4,694,200

27.2 PARENT COMPANY

The Taxation Officer has not yet framed re-assessments for assessment years from 1992-93 to 1998-99 raising tax demand of Rs. 55.675 million which were set aside by the Commissioner of Income Tax (Appeals). Further the Parent Company is in appeal before the Income Tax Appellate Tribunal (ITAT) for the assessment years 1999-00 to 2001-02 requiring interpretation of the phrase 'gross receipts representing wellhead value of the production' for the purpose of calculation of depletion allowance. Similarly the Parent Company is also in appeal in respect of claim for de-commissioning costs for the assessment year 2002-03. These two issues were referred to an adjudicator for independent ruling by both the Parent Company as well as the Central Board of Revenue.

Based on the decision of adjudicator, the Parent Company is entitled to a relief of Rs. 1,709.377 million in respect of assessment years 1999-00 to 2002-03 as against tax demand of Rs. 1,219.291 million raised by the Taxation Officer. The Taxation Officer following his stand on the issues under adjudication raised a demand of Rs. 215.998 million as against a tax refund of Rs. 1,522.996 million for the Tax Year 2003. Based on the decision of adjudicator the Parent Company is entitled to a relief of Rs. 802.500 million. The Taxation Officer also following his stand on the issues under adjudication amended assessment for assessment years 1996-97 to 1998-99 and raised a demand of Rs. 827.884 million. Based on the decision of the adjudicator, the Parent Company is entitled to a relief of Rs. 319.863 million. Appeal of the Parent Company is pending for decision before the Commissioner of Income Tax (Appeals).

On the basis of the judgment of the adjudicator and the revised assessments to be issued by the Taxation Officer net amount of Rs. 512.892 million becomes refundable to the Parent Company for assessment years 1992-93 to 2002-03 and the Tax Year 2003. Whereas taxation provision in the accounts has been made in accordance with the decision of the adjudicator but the Parent Company proposes to take appropriate action to resolve the issues arising from the order of the adjudicator relating to depletion allowance and de-commissioning costs. Management is of the opinion that the issues will ultimately be resolved in favour of the Parent Company.

SUBSIDIARY COMPANY

While forming 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 the Subsidiary Company. The Subsidiary Company has agitated the contention of the tax authorities for this additional demand and has filed appeal before the Income Tax Appellate Tribunal (ITAT). 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 Subsidiary Company.

28 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

28.1 Interest rate exposure

Financial assets and liabilities

	2004						2003					
	Interest / mark-up bearing with maturity				Non-interest/		Interest / mark-up bearing with maturity				Non-interest/	
	less than one year	one to five years	more than five years	Total	mark-up bearing	Total	less than one year	one to five years	more than five years	Total	mark-up bearing	Total
	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)	(Rs '000)
Financial assets:												
Trade debts	–	–	–	–	13,362,964	13,362,964	–	–	–	–	13,298,499	13,298,499
Loans, advances, deposits and other receivables	–	–	–	–	518,297	518,297	–	–	–	–	246,683	246,683
Cash and bank balances	28,557,080	–	–	28,557,080	548,649	29,105,729	21,601,687	–	–	21,601,687	473,603	22,075,290
Long term receivables	856,922	2,594,993	32,530	3,484,445	658,610	4,143,055	831,854	3,336,572	33,601	4,202,027	510,032	4,712,059
Investments	107,129	526,162	2,936	636,227	–	636,227	–	304,610	237,338	541,948	–	541,948
	29,521,131	3,121,155	35,466	32,677,752	15,088,520	47,766,272	22,433,541	3,641,182	270,939	26,345,662	14,528,817	40,874,479
Financial liabilities												
Long term loans	–	–	–	–	14,751	14,751	–	–	–	–	14,751	14,751
Creditors, accrued and other liabilities	–	–	–	–	4,228,144	4,228,144	–	–	–	–	3,492,594	3,492,594
Proposed dividend	–	–	–	–	5,376,161	5,376,161	–	–	–	–	2,903,127	2,903,127
Employees' retirement benefits	–	–	–	–	2,447,261	2,447,261	–	–	–	–	1,566,938	1,566,938
	–	–	–	–	12,066,317	12,066,317	–	–	–	–	7,977,410	7,977,410
Off balance sheet items												
Capital commitments (other than LCs)	–	–	–	–	4,301,502	4,301,502	–	–	–	–	4,122,487	4,122,487
Letters of credit	–	–	–	–	1,429,691	1,429,691	–	–	–	–	1,589,449	1,589,449
Guarantees	–	–	–	–	363,069	363,069	–	–	–	–	104,459	104,459
	–	–	–	–	6,094,262	6,094,262	–	–	–	–	5,816,395	5,816,395

28.2 Effective interest rates

	2004	2003
	%	%
Cash and bank balances	1.25 ~ 3.50	1.75 ~ 6.25
Long term receivables	7.5-9.23	7.5-10.87
Investments	16 ~ 18	16 ~ 18

28.3 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The credit risk is primarily attributable to its trade debts and balances with banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. There is no significant concentration of credit risk as the exposure is spread over a number of counter parties.Out of the total financial assets of Rs 49,103.711 million (2003: 42,037.825 million), financial assets which are subject to credit risk amount to Rs 43,104.92 million (2003: 35,915.74 million). To manage exposure to credit risk, credit limits are applied to customers.Trade debts are essentially due from oil refining companies, oil and gas marketing companies and power generation companies and these companies are not expected to fail to meet their obligations.

28.4 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. Financial assets and liabilities include Rs. 3,942.969 million (2003 : Rs 4,428.326 million) and Rs 240.725 million (2003 : Rs 188.911 million) respectively which are subject to currency risk.

28.5 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. An effective cash management and planning policy is used to ensure availability of funds and to take appropriate measures for new requirements.

28.6 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values except for investment in associate.

29 EARNINGS PER SHARE

29.1 Basic

	2004	2003
Net profit for the year (Rupees in thousand)	**22,857,313**	20,848,284
Average number of shares outstanding (Numbers)	**4,300,928,400**	4,300,928,400
Earnings per share (Rupees)	**5.31**	4.85

Earnings per share of the comparative year has been adjusted after taking into account the issue of 3,225,696,300 bonus shares of Rs. 10 each by the Parent Company in October 2003.

29.2 Diluted

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

30 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated companies, directors, companies with common directorship, key management staff and staff retirement benefit funds. Related parties do not include relationships arising purely out of the Parent Company being a substantially Government owned entity.

Following are the related parties with whom transactions were undertaken during the year

Mari Gas Company Limited-associated company
Biafo Industries Limited
Attock Refinery Limited

	2004 (Rs '000)	2003 (Rs '000)
Transactions with wholly owned subsidiary		
Dividend income	**22,168**	14,700
Transactions with Attock Refinery Limited		
Sale of petroleum products	**10,535,379**	9,493,101
Transactions with Biafo Industries Limited		
Purchase of goods and services	**378**	803
Contribution to staff benefit fund	**152,184**	129,807
The receivable / (payable) balances with the related parties as at the year end were as follows		
Attock Refinery Limited	**3,019,379**	2,193,542
Biafo Industries Limited	**–**	444

31 NUMBER OF EMPLOYEES

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

	June 2004	June 2003
Regular	**9,965**	9,282
Contract *	**1,907**	2,572
	11,872	11,854

* includes 1,381 (2003: 1,896) work charge employees

32 Remuneration to Chief Executive and Executives

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

	2004		2003	
	Chief Executive (Rs '000)	**Executives (Rs '000)**	Chief Executive (Rs '000)	Executives (Rs '000)
Managerial remuneration	**519**	**459,867**	271	464,595
Housing and utilities	**382**	**269,999**	231	266,728
Other allowances and benefits	**368**	**471,803**	303	356,257
Leave encashment	**–**	**42,906**	–	46,231
Medical benefits	**73**	**65,717**	22	57,548
Contribution to pension fund	**188**	**165,059**	74	125,024
	1,530	**1,475,351**	901	1,316,383
Number of persons	**1**	**2,145**	2	2,317

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 are provided with free use of cars.

In addition, aggregate amount charged in these accounts for fee to 10 directors (2003 : 10) was Rs 477,000 (2003: Rs 369,000).

33 CAPACITY AND PRODUCTION

Considering the nature of the business, it is impracticable to provide the information regarding capacity utilization.

34 GENERAL

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

Chairman

Chief Executive

FORM OF PROXY

SEVENTH ANNUAL GENERAL MEETING

I/We ____ of

______________________ being a member of Oil and Gas Development Company Limited

and holder of ______________ ordinary Shares as per Share Register Folio No. __________

For beneficial owners as per CDC List

CDC Participant I.D. No. ______________ Sub-Account No. ______________

NIC NO | | | | | | | | | | | | | | or Passport No. ______________

Hereby appoint ______________________________ of ______________

__________ or failing him / her ______________________________________ of

__ ________________________ as my / our proxy to vote and act for me / our behalf at the

Seventh Annual General Meeting of the Company to be held on October 30, 2004 or at any adjournment thereof.

Please affix
rupees five
revenue stamp

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

Signature of Shareholder ______________

Dated this ________ day of ______ 2004

Signature of Proxy ______________

For beneficial owners as per CDC list

1. WITNESS

Signature: _

Name: _

Address: _

NIC NO | | | | | | | | | | | | | |

or Passport No. ______________

2. WITNESS

Signature: _

Name: _

Address: _

NIC NO | | | | | | | | | | | | | |

or Passport No. ______________

<u>**Note:**</u>

1. Proxies, in order to be effective, must be received at the Registered Office of the Company at OGDCL House, F-6/G-6, Jinnah Avenue, Islamabad not less than 48 hours before the meeting.
2. CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their National Identity Card or Passport with the proxy form before submission to the Company (Original NIC / Passport is required to be produced at the time of the meeting)
3. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

ENTRY CARD

SEVENTH ANNUAL GENERAL MEETING

Register Folio No: ____________________ Number of Shares held: ____________________

Name of Share Holder: ____

NIC NO | | | | | | | | | | | | | |

For beneficial owners as per CDC List

CDC Participant I.D. No. ________________ Sub-Account No .________________________

NIC NO | | | | | | | | | | | | | | or Passport No. ______________________

Signature of Shareholder ________________________________

Note:

1. The Signature of the shareholder must tally with specimen signature already on record of the company.
2. The Shareholders are requested to hand over the duly completed entry card at the counter before entering meeting premises
3. This Entry Card is not transferable