OIL AND GAS DEVELOPMENT COMPANY LIMITED
BALANCE SHEET
AS AT 30 JUNE 2016

	Note	2016	2015
		-----------(Rupees '000)-----------	
SHARE CAPITAL AND RESERVES			
Share capital	4	43,009,284	43,009,284
Reserves	5	10,529,373	7,456,000
Unappropriated profit		425,093,910	392,055,684
		478,632,567	442,520,968
NON CURRENT LIABILITIES			
Deferred taxation	6	15,579,499	16,606,840
Deferred employee benefits	7	14,971,638	12,457,915
Provision for decommissioning cost	8	21,412,687	20,303,619
		51,963,824	49,368,374
CURRENT LIABILITIES			
Trade and other payables	9	58,969,148	61,901,977
		589,565,539	553,791,319

	Note	2016	2015
		-----------(Rupees '000)-----------	
NON CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	11	120,542,404	109,983,739
Development and production assets - intangible	12	87,990,960	78,260,687
Exploration and evaluation assets	13	6,834,078	8,139,436
		215,367,442	196,383,862
Long term investments	14	112,517,292	131,193,328
Long term loans and receivable	15	5,997,669	5,932,606
Long term prepayments		882,466	502,972
		334,764,869	334,012,768
CURRENT ASSETS			
Stores, spare parts and loose tools	16	18,251,184	16,847,032
Stock in trade		291,904	317,476
Trade debts	17	111,204,186	121,411,485
Loans and advances	18	10,459,609	8,043,768
Deposits and short term prepayments	19	1,646,777	1,414,433
Interest accrued		21,085,027	14,433,563
Other receivables	20	182,211	183,825
Income tax - advance	21	41,599,042	24,059,740
Current maturity of term finance certificates	14.2	30,750,000	10,250,000
Other financial assets	22	11,426,964	9,814,481
Cash and bank balances	23	7,903,766	13,002,748
		254,800,670	219,778,551
		589,565,539	553,791,319

CONTINGENCIES AND COMMITMENTS 10

The annexed notes 1 to 45 form an integral part of these financial statements.

Chief Executive **Director**

OIL AND GAS DEVELOPMENT COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016	2015
		(Rupees '000)	
Sales - net	24	162,866,578	210,624,908
Royalty		(18,078,772)	(23,736,702)
Operating expenses	25	(54,986,250)	(52,935,481)
Transportation charges		(1,912,017)	(1,985,814)
		(74,977,039)	(78,657,997)
Gross profit		87,889,539	131,966,911
Other income	26	14,702,971	19,186,191
Exploration and prospecting expenditure	27	(14,548,295)	(11,627,518)
General and administration expenses	28	(3,770,607)	(4,308,255)
Finance cost	29	(1,717,889)	(2,550,067)
Workers' profit participation fund		(4,237,231)	(6,685,550)
Share of profit in associate - net of taxation	14.1	2,188,899	1,043,741
Profit before taxation		80,507,387	127,025,453
Taxation	30	(20,536,585)	(39,776,421)
Profit for the year		59,970,802	87,249,032
Earnings per share - basic and diluted (Rupees)	31	13.94	20.29

The annexed notes 1 to 45 form an integral part of these financial statements.

Chief Executive **Director**

OIL AND GAS DEVELOPMENT COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	------------(Rupees '000)------------	
Profit for the year	59,970,802	87,249,032
Other comprehensive income/(loss) for the year		
Items that will not be reclassified to profit or loss:		
Remeasurement loss on employee retirement benefit plans	(7,652,528)	(1,239,809)
Current tax credit related to remeasurement loss on employee retirement benefit plans	4,026,760	624,129
Share of other comprehensive loss of the associate - net of taxation	(17,125)	-
	(3,642,893)	(615,680)
Total comprehensive income for the year	56,327,909	86,633,352

The annexed notes 1 to 45 form an integral part of these financial statements.

Chief Executive **Director**

OIL AND GAS DEVELOPMENT COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016	2015
		------------(Rupees '000)------------	
Cash flows from operating activities			
Profit before taxation		80,507,387	127,025,453
Adjustments for:			
Depreciation		7,098,893	5,723,600
Amortization of development and production assets		15,266,568	16,281,337
Impairment on assets		1,886,551	2,611,044
Royalty		18,078,772	23,736,702
Workers' profit participation fund		4,237,231	6,685,550
Provision for employee benefits		2,932,900	5,083,172
Un-winding of discount on provision for decommissioning cost		1,700,742	2,536,838
Interest income		(12,920,657)	(16,923,990)
Un-realized gain on investments at fair value through profit or loss		(6,356)	(13,893)
Dividend income		(19,296)	(18,615)
Gain on disposal of property, plant and equipment		(60,458)	(18,320)
Provision for slow moving, obsolete and in transit stores		163,178	237,427
Share of profit in associate		(2,188,899)	(1,043,741)
Stores inventory written off		3,814	9,031
		116,680,370	171,911,595
Changes in:			
Stores, spare parts and loose tools		(1,571,144)	1,409,432
Stock in trade		25,572	103,150
Trade debts		10,207,299	(20,900,490)
Deposits and prepayments		(611,838)	155,825
Advances and other receivables		(2,479,290)	(765,878)
Trade and other payables		(1,905,586)	15,284,139
Cash generated from operations		120,345,383	167,197,773
Royalty paid		(19,338,668)	(25,007,688)
Employee benefits paid		(3,390,389)	(13,967,782)
Payment from self insurance reserve		(1,946)	-
(Payments to)/receipt from workers' profit participation fund		(6,685,550)	346,775
Income taxes paid		(35,076,467)	(54,556,568)
		(64,493,020)	(93,185,263)
Net cash from operating activities		55,852,363	74,012,510
Cash flows from investing activities			
Capital expenditure		(42,313,524)	(66,317,675)
Interest received		6,960,084	13,093,552
Dividends received		199,058	36,990
Purchase of investments		(522,843)	(517,129)
Proceeds from disposal of property, plant and equipment		91,112	56,442
Net cash used in investing activities		(35,586,113)	(53,647,820)
Cash flows from financing activities			
Dividends paid		(23,759,105)	(37,950,811)
Net cash used in financing activities		(23,759,105)	(37,950,811)
Net decrease in cash and cash equivalents		(3,492,855)	(17,586,121)
Cash and cash equivalents at beginning of the year		22,527,785	40,113,906
Cash and cash equivalents at end of the year	34	19,034,930	22,527,785

The annexed notes 1 to 45 form an integral part of these financial statements.

Chief Executive **Director**

OIL AND GAS DEVELOPMENT COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Share capital	Reserves					Unappropriated profit	Total equity
		Capital reserves				Other reserves		
		Capital reserve	Self insurance reserve	Share of capital redemption reserve fund in associated company	Share of self insurance reserve in associated company	Share of undistributed percentage return reserve in associated company		
	(Rupees '000)							
Balance as at 1 July 2014	43,009,284	836,000	5,770,000	-	-	-	346,055,921	395,671,205
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	87,249,032	87,249,032
Other comprehensive loss for the year	-	-	-	-	-	-	(615,680)	(615,680)
Total comprehensive income for the year	-	-	-	-	-	-	86,633,352	86,633,352
Transfer to self insurance reserve	-	-	853,421	-	-	-	(853,421)	-
Charged to self insurance reserve	-	-	(3,421)	-	-	-	3,421	-
Transactions with owners, recorded directly in equity								
Final dividend 2014: Rs 3.00 per share	-	-	-	-	-	-	(12,902,786)	(12,902,786)
First interim dividend 2015: Rs 2.50 per share	-	-	-	-	-	-	(10,752,321)	(10,752,321)
Second interim dividend 2015: Rs 2.00 per share	-	-	-	-	-	-	(8,601,857)	(8,601,857)
Third interim dividend 2015: Rs 1.75 per share	-	-	-	-	-	-	(7,526,625)	(7,526,625)
Total distributions to owners	-	-	-	-	-	-	(39,783,589)	(39,783,589)
Balance as at 30 June 2015	43,009,284	836,000	6,620,000	-	-	-	392,055,684	442,520,968
Balance as at 1 July 2015	43,009,284	836,000	6,620,000	-	-	-	392,055,684	442,520,968
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	59,970,802	59,970,802
Other comprehensive loss for the year	-	-	-	-	-	-	(3,642,893)	(3,642,893)
Total comprehensive income for the year	-	-	-	-	-	-	56,327,909	56,327,909
Transfer to self insurance reserve	-	-	851,946	-	-	-	(851,946)	-
Charged to self insurance reserve	-	-	(1,946)	-	-	-	-	(1,946)
Transfer to undistributed percentage return reserve by an associated company	-	-	-	-	-	85,373	(85,373)	-
Transfer to capital redemption reserve fund by an associated company	-	-	-	2,118,000	-	-	(2,118,000)	-
Transfer to self insurance reserve by an associated company	-	-	-	-	20,000	-	(20,000)	-
Transactions with owners, recorded directly in equity								
Final dividend 2015: Rs 1.50 per share	-	-	-	-	-	-	(6,451,393)	(6,451,393)
First interim dividend 2016: Rs 1.50 per share	-	-	-	-	-	-	(6,451,393)	(6,451,393)
Second interim dividend 2016: Rs 1.20 per share	-	-	-	-	-	-	(5,161,114)	(5,161,114)
Third interim dividend 2016: Re 0.50 per share	-	-	-	-	-	-	(2,150,464)	(2,150,464)
Total distributions to owners	-	-	-	-	-	-	(20,214,364)	(20,214,364)
Balance as at 30 June 2016	43,009,284	836,000	7,470,000	2,118,000	20,000	85,373	425,093,910	478,632,567

The annexed notes 1 to 45 form an integral part of these financial statements.

Chief Executive **Director**

1 LEGAL STATUS AND OPERATIONS

Oil and Gas Development Company Limited (OGDCL), 'the Company', was incorporated on 23 October 1997 under the Companies Ordinance, 1984. The Company was established to undertake exploration and development of oil and gas resources, including production and sale of oil and gas and related activities formerly carried on by Oil and Gas Development Corporation, which was established in 1961. The registered office of the Company is located at OGDCL House, Plot No. 3, F-6/G-6, Blue Area, Islamabad, Pakistan. Previously, the shares of the Company were quoted on Karachi, Lahore and Islamabad stock exchanges of Pakistan. However, due to integration of these stock exchanges into Pakistan Stock Exchange effective 11 January 2016, the shares of the Company are now quoted on Pakistan Stock Exchange Limited. The Global Depository Shares (1GDS = 10 ordinary shares of the Company) of the Company are listed on the London Stock Exchange.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, shall prevail.

2.2 BASIS OF MEASUREMENT

These financial statements have been prepared on the historical cost basis except for the following material items in the balance sheet;

- obligation under certain employee benefits and provision for decommissioning cost have been measured at present value; and

- investments at fair value through profit or loss have been measured at fair value.

The methods used to measure fair values are described further in their respective policy notes.

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Pakistan Rupee (PKR) which is the Company’s functional currency.

2.4 SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of these financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that year, or in the year of the revision and any future year affected.

In the process of applying the Company's accounting policies, the management has made the following estimates, assumptions and judgments which are significant to these financial statements:

2.4.1 Property, plant and equipment

The Company reviews the useful lives and residual values of property, plant and equipment on the reporting date. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

2.4.2 Exploration and evaluation expenditure

The Company's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalized for an area of interest where it is considered likely to be recoverable by future exploration or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalized the expenditure under the policy, a judgment is made that recovery of the expenditure is unlikely, the relevant capitalized amount is written off to the profit and loss account.

2.4.3 Development and production expenditure

Development and production activities commence after project sanctioning by the appropriate level of management. Judgment is applied by the management in determining when a project is economically viable. In exercising this judgment, management is required to make certain estimates and assumptions similar to those described above for capitalized exploration and evaluation expenditure. Any such estimates and assumptions may change as new information becomes available. If, after having commenced development activity, a judgment is made that a development and production asset is impaired, the appropriate amount is written off to the profit and loss account.

2.4.4 Estimation of oil and natural gas reserves

Oil and gas reserves are an important element in impairment testing for development and production assets of the Company. Estimates of oil and natural gas reserves are inherently imprecise, require the application of judgment and are subject to future revision. Proved reserves are estimated with reference to available reservoir and well information, including production and pressure trends for producing reservoirs and, in some cases, subject to definitional limits, to similar data from other producing reservoirs. All proved reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans.

Changes to the estimates of proved developed reserves, affect the amount of amortization recorded and impairment, if any, in the financial statements for fixed assets related to hydrocarbon production activities.

2.4.5 Provision for decommissioning cost

Provision is recognized for the future decommissioning and restoration cost of oil and gas wells, production facilities and pipelines at the end of their economic lives. The timing of recognition requires the application of judgment to existing facts and circumstances, which can be subject to change. Estimates of the amount of provision recognized are based on current legal and constructive requirements, technology and price levels. Provision is based on the best estimates, however, the actual outflows can differ from estimated cash outflows due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future. The carrying amount of provision is reviewed annually and adjusted to take account of such changes.

During the year, the Company revised its estimates of well cost, discount and inflation rates. This has been treated as change in accounting estimates, applied prospectively, in accordance with IFRIC Interpretation-1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities".

Following line items would have been effected had there been no change in estimates:

	Rupees in million
Provision for decommissioning cost would have been higher by	1,693
Property, plant and equipment would have been lower by	206
Development and production assets would have been higher by	1,899
Amortization charge would have been higher by	1,394
Total comprehensive income would have been lower by	931

2.4.6 Employee benefits

Defined benefit plans are provided for permanent employees of the Company. The employees pension plan is structured as separate legal entity managed by trustees. The Company recognizes deferred liability for post retirement medical benefits, accumulating compensated absences and gratuity fund. These calculations require assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and pension benefit levels, medical benefit rate and the discount rate used to convert future cash flows to current values. The assumptions used vary for the different plans as they are determined by independent actuaries annually.

Pension or service cost primarily represents the increase in actuarial present value of the obligation for benefits earned on employees service during the year and the interest on the net liability/(asset) in respect of employee's service in previous years. Calculations are sensitive to changes in the underlying assumptions.

2.4.7 Taxation

The Company takes into account the current income tax laws and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

2.4.8 Stores and spares

The Company reviews the stores and spares for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores and spares with a corresponding affect on the provision.

2.4.9 Provision against trade debts, advances and other receivables

The Company reviews the recoverability of its trade debts, advances and other receivables to assess amount of bad debts and provision required there against on annual basis.

2.5 NEW ACCOUNTING STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, interpretations and the amendments are effective for accounting periods beginning from the dates specified below and are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

- Amendments to IAS 1 'Presentation of financial statements' (effective for annual periods beginning on or after 1 January 2016) provides clarification on a number of issues including:

  Materiality- an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

  Disaggregation and subtotals- line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.

  Notes- confirmation that the notes do not need to be presented in a particular order.

  Other comprehensive income (OCI) arising from investments accounted for under the equity method - the share of OCI arising from equity- accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

- Amendments to IFRS 10 ‘Consolidated Financial Statements, and IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Company’s financial statements.

- Amendments to IAS 38 ‘Intangible Assets, and IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate and can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are ‘highly correlated’, or when the intangible asset is expressed as a measure of revenue.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 'Property, Plant and Equipment' for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 'Agriculture'. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

- Amendments to IAS 27 ‘Separate Financial Statements, (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business.

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

- Amendments to IFRS 2 'Share-based Payment' clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards.

- Annual Improvements 2012-2014 cycle (the amendments apply prospectively for annual period beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

  IAS 19, 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

  IAS 34, 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

  IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations'. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

  IFRS 7, 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

- IFRS 14 'Regulatory Deferral Accounts' (effective for annual periods beginning on or after 1 January 2016) specifies the financial reporting requirements for 'regulatory deferral account balances' that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation. IFRS 14 is permitted, but not required, to be applied where an entity conducts rate-regulated activities and has recognized amounts in its previous financial statements that meet the definition of 'regulatory deferral account balances' also referred as the 'regulatory assets' and 'regulatory liabilities'.

- IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 1 January 2017) specifies how and when an IFRS compliant entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative and relevant disclosures. The standard provides a single principle-based five-step model to be applied to all contracts with customers. The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

- IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019) supersedes IAS 17 'Leases' and related interpretations. IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16 a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been notified locally by the Securities and Exchange Commission of Pakistan (SECP) as at 30 June 2016:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments

The following interpretations issued by the IASB have been waived off by SECP effective January 16, 2012:

- IFRIC 4 – Determining Whether an Arrangement Contains a Lease. Also refer note 41 to the financial statements.

- IFRIC 12 – Service Concession Arrangements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company except for the following new standards adopted by the Company during the year ended 30 June 2016:

a. IFRS 10 Consolidated Financial Statements
b. IFRS 11 Joint Arrangements
c. IFRS 12 Disclosure of Interest in Other Entities
d. IFRS 13 Fair Value Measurement
e. IAS 27 Separate Financial Statements
f. IAS 28 Investment in Associates and Joint Ventures

a. IFRS 10 'Consolidated Financial Statements' became effective from financial periods beginning on or after 1 January 2015. As a result of IFRS 10, the Company has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that focuses on whether the Company has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. The Company reassessed the control conclusion for its investees at 1 July 2015, however, there has been no change in the control conclusion.

b. IFRS 11 'Joint Arrangements' is a replacement of IAS 31 'Interest in Joint Ventures' and modifies the accounting for joint arrangements:

Under IFRS 11, the Company classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Company’s rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Company considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. The Company has assessed the nature of its joint arrangements and determined them to be joint operations.

c. IFRS 12 'Disclosure of Interest in Other Entities' became effective from financial periods beginning on or after 1 January 2015. The standard includes the disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, structured entities and other off-balance sheet vehicles. The adoption of standard does not have any impact on the Company's financial statements except for certain additional disclosures.

d. IFRS 13 'Fair Value Measurement' became effective from financial periods beginning on or after 1 January 2015. IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. The application of IFRS 13 does not have any impact on the financial statements of the Company except for certain additional disclosures.

e. IAS 27 'Separate Financial Statements' (revised 2011) deals only with accounting for subsidiaries, associates and joint ventures in separate financial statements of the parent company. Adoption of this standard does not have any impact on the Company's financial statements.

f. IAS 28 'Investment in associates and joint ventures (revised 2011)' sets out the requirements of application of equity method of accounting when accounting for investment in associates and joint ventures. Adoption of this standard does not have any impact on the Company's financial statements.

3.1 EMPLOYEE BENEFITS

Salaries, wages and benefits are accrued in the period in which the associated services are rendered by employees of the Company. The accounting policy for pension, gratuity, post retirement medical benefits and accumulating compensated absences is described below:

3.1.1 Pension, gratuity, post retirement medical benefits and accumulating compensated absences

The Company operates an approved funded pension scheme under an independent trust for its permanent employees regularized before 1 January 2016, as a defined benefit plan. During the year, the Company changed its policy for pension scheme and consequently, the employees regularized from 1 January 2016 and onwards will be entitled to gratuity, a defined benefit plan and provident fund, a defined contributory plan instead of pension benefit. In contributory provident fund, the Company shall match the contribution by employees upto one basic salary annually. The contractual officers of the Company are also entitled to gratuity.

The Company also provides post retirement medical benefits to its permanent employees and their families as a defined benefit plan.

The Company also has a policy whereby its regular/contractual officers and regular staff are eligible to encash accumulated leave balance at the time of retirement in case of officers and at the time of retirement or during the service in case of regular staff.

The Company makes contributions or record liability in respect of defined benefit plans on the basis of actuarial valuations, carried out annually by independent actuaries. The latest actuarial valuations were carried out as of 30 June 2016. The calculations of actuaries are based on the Projected Unit Credit Method, net of the assets guaranteeing the plan, if any, with the obligation increasing from year to year, in a manner that it is proportional to the length of service of the employees.

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the present value of the future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the net defined benefit liability/(asset).

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the year in which they arise.

Past service costs are recognized immediately in profit and loss account.

3.2 TAXATION

Taxation for the year comprises current and deferred tax. Taxation is recognized in the profit and loss account except to the extent that it relates to items recognized outside profit and loss account (whether in other comprehensive income or directly in equity), if any, in which case the tax amounts are recognized outside profit and loss account.

3.2.1 Current tax

Provision for current taxation is based on taxable income at the current rate of tax after taking into account applicable tax credits, rebates and exemptions available, if any, adjusted for payments to GoP for payments on account of royalty and any adjustment to tax payable in respect of previous years.

3.2.2 Deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in associates and interest in joint arrangements to the extent that it is probable that they will not reverse in a foreseeable future and the investor/joint operator is able to control the timing of the reversal of the temporary difference. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the reporting date, adjusted for payments to GoP on account of royalty.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax has been calculated at the tax rate of 28.17% (2015: 31.35%) after taking into account depletion allowance and set offs, where available, in respect of royalty payment to the Government of Pakistan. The tax rate is reviewed annually.

3.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any except for freehold land and capital work in progress, which are stated at cost less impairment loss, if any. Cost in relation to property, plant and equipment comprises acquisition and other directly attributable costs and decommissioning cost as referred in the note 3.4.4 to the financial statements. The cost of self constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to working condition for their intended use. Software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Depreciation is provided on straight line method at rates specified in note 11 to the financial statements so as to write off the cost of property, plant and equipment over their estimated useful life. Depreciation on additions to property, plant and equipment is charged from the month in which property, plant and equipment is acquired or capitalized while no depreciation is charged for the month in which property, plant and equipment is disposed off.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit and loss account as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within “other income” in profit or loss account.

Capital work in progress is stated at cost less accumulated impairment losses, if any, and is transferred to the respective item of property, plant and equipment when available for intended use.

Impairment tests for property, plant and equipment are performed when there is an indication of impairment. At each year end, an assessment is made to determine whether there are any indications of impairment. The Company conducts annually an internal review of asset values which is used as a source of information to assess for any indications of impairment. External factors such as changes in expected future prices, costs and other market factors are also monitored to assess for indications of impairment. If any such indication exists, an estimate of the asset's recoverable amount is calculated being the higher of the fair value of the asset less cost to sell and the asset's value in use.

If the carrying amount of the asset exceeds its recoverable amount, the property, plant and equipment is impaired and an impairment loss is charged to the profit and loss account so as to reduce the carrying amount of the property, plant and equipment to its recoverable amount.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the property, plant and equipment in its present form and its eventual disposal. Value in use is determined by applying assumptions specific to the Company's continued use and does not take into account future development.

In testing for indications of impairment and performing impairment calculations, assets are considered as collective groups, referred to as cash generating units. Cash generating units are the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.4 OIL AND GAS ASSETS

The Company applies the “Successful efforts” method of accounting for Exploration and Evaluation (E&E) costs.

3.4.1 Pre license costs

Costs incurred prior to having obtained the legal rights to explore an area are charged directly to the profit and loss account as they are incurred.

3.4.2 Exploration and evaluation assets

Under the Successful efforts method of accounting, all property acquisitions, exploratory/evaluation drilling costs are initially capitalized as intangible E&E assets in well, field or specific exploration cost centres as appropriate, pending determination.

Costs directly associated with an exploratory well are capitalized as an intangible asset until the drilling of the well is completed and results have been evaluated. Major costs include employee benefits, material, chemical, fuel, well services and rig operational costs. All other exploration costs including cost of technical studies, seismic acquisition and data processing, geological and geophysical activities are charged against income as exploration and prospecting expenditure.

Tangible assets used in E&E activities, include the Company’s vehicles, drilling rigs, seismic equipment and other property, plant and equipment used by the Company’s exploration function and are classified as property, plant and equipment. However, to the extent that such a tangible asset is consumed in developing an intangible E&E asset, the amount reflecting that consumption is recorded as part of the cost of the intangible asset. Such intangible costs include directly attributable overheads, including the depreciation of property, plant and equipment utilized in E&E activities, together with the cost of other materials consumed during the exploration and evaluation phases.

Intangible E&E assets relating to each exploration license/field are carried forward, until the existence or otherwise of commercial reserves have been determined subject to certain limitations including review for indications of impairment. If commercial reserves have been discovered, the carrying value after any impairment loss of the relevant E&E assets is then reclassified as development and production assets and if commercial reserves are not found, the capitalized costs are written off as dry and abandoned wells and charged to profit and loss account.

E&E assets are not amortized prior to the conclusion of appraisal activities.

3.4.3 Development and production assets - intangible

Development and production assets are accumulated on a field by field basis and represent the cost of developing the discovered commercial reserves and bringing them into production, together with the capitalized E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets as outlined in accounting policy 3.4.2 above. The cost of development and production assets also includes the cost of acquisition of such assets, directly attributable overheads, and the cost of recognizing provisions for future site restoration and decommissioning.

Expenditure carried within each field is amortized from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the year to the estimated quantities of proved developed reserves at the end of the year plus the production during the year, on a field by field basis. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively. Amortization is charged to profit and loss account.

3.4.4 Decommissioning cost

The activities of the Company normally give rise to obligations for site restoration. Restoration activities may include facility decommissioning and dismantling, removal or treatment of waste materials, land rehabilitation, and site restoration.

Liabilities for decommissioning cost are recognized when the Company has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reliable estimate of that liability can be made. The Company makes provision in full for the decommissioning cost on the declaration of commercial discovery of the reserves, to fulfill the obligation of site restoration and rehabilitation. Where an obligation exists for a new facility, such as oil and natural gas production or transportation facilities, this will be on construction or installation. An obligation for decommissioning may also crystallize during the period of operation of a facility through a change in legislation or through a decision to terminate operations. The amount recognized is the estimated cost of decommissioning, discounted to its net present value and the expected outflow of economic resources to settle this obligation is up to next twenty five years. Decommissioning cost, as appropriate, relating to producing/shut-in fields and production facilities is capitalized to the cost of development and production assets and property, plant and equipment as the case may be. The recognized amount of decommissioning cost is subsequently amortized/depreciated as part of the capital cost of the development and production assets and property, plant and equipment.

While the provision is based on the best estimate of future costs and the economic life of the facilities and property, plant and equipment there is uncertainty regarding both the amount and timing of incurring these costs. Any change in the present value of the estimated expenditure is dealt with prospectively and reflected as an adjustment to the provision and a corresponding adjustment to property, plant and equipment and development and production assets. The unwinding of the discount on the decommissioning provision is recognized as finance cost in the profit and loss account.

3.4.5 Impairment of oil and gas assets

E&E assets are assessed for impairment when facts and circumstances indicate that carrying amount may exceed the recoverable amount of E&E assets. Such indicators include, the point at which a determination is made that as to whether or not commercial reserves exist, the period for which the Company has right to explore has expired or will expire in the near future and is not expected to be renewed, substantive expenditure on further exploration and evaluation activities is not planned or budgeted and any other event that may give rise to indication that E&E assets are impaired.

Impairment test of development and production assets is also performed whenever events and circumstances arising during the development and production phase indicate that carrying amount of the development and production assets may exceed its recoverable amount. Such circumstances depend on the interaction of a number of variables, such as the recoverable quantities of hydrocarbons, the production profile of the hydrocarbons, the cost of the development of the infrastructure necessary to recover the hydrocarbons, the production costs, the contractual duration of the production field and the net selling price of the hydrocarbons produced.

The carrying value is compared against expected recoverable amount of the oil and gas assets, generally by reference to the future net cash flows expected to be derived from such assets. The cash generating unit applied for impairment test purpose is generally field by field basis, except that a number of fields may be grouped as a single cash generating unit where the cash flows of each field are inter dependent.

Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the profit and loss account, net of any depreciation that would have been charged since the impairment.

3.5 INVESTMENTS

All purchases and sale of investments are recognized using settlement date accounting. Settlement date is the date on which investments are delivered to or by the Company. All investments are derecognized when the right to receive economic benefits from the investments has expired or has been transferred and the Company has transferred substantially all the risks and rewards of ownership.

3.5.1 Investments in associate

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associate have been incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the balance sheet at cost as adjusted for post acquisition changes in the Company's share of net assets of the associate, less any impairment in the value of investment. Losses of an associate in excess of the Company's interest in that associate (which includes any long term interest that, in substance, form part of the Company's net investment in the associate) are recognized only to the extent that the Company has incurred legal or constructive obligation or made payment on behalf of the associate.

3.5.2 Investments held to maturity

Investments with fixed or determinable payments and fixed maturity and where the Company has positive intent and ability to hold investments to maturity are classified as investments held to maturity. These are initially recognized at cost inclusive of transaction costs and are subsequently carried at amortized cost using the effective interest rate method, less any impairment losses.

3.5.3 Loans and receivables

These are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

3.5.4 Investments at fair value through profit or loss

An investment is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's investment strategy. All investments classified as investments at fair value through profit or loss are initially measured at cost being fair value of consideration given. At subsequent dates these investments are measured at fair value, determined on the basis of prevailing market prices, with any resulting gain or loss recognized directly in the profit and loss account.

3.6 STORES, SPARE PARTS AND LOOSE TOOLS

Stores, spare parts and loose tools are valued at the lower of cost and net realizable value less allowance for slow moving, obsolete and in transit items. Cost is determined on the moving average basis and comprises cost 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.

3.7 STOCK IN TRADE

Stock in trade is valued at the lower of production cost and net realizable value. Net realizable value signifies the estimated selling price in the ordinary course of business less net estimated cost of production and selling expenses.

3.8 INTANGIBLES

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 assets having definite useful life are stated at cost less accumulated amortization and are amortized based on the pattern in which the assets' economic benefits are consumed. Intangible assets which have indefinite useful life are not amortized and tested for impairment annually, if any.

3.9 REVENUE RECOGNITION

Revenue from sale of goods is recognized when significant risks and rewards of ownership are transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of government levies. 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 GoP.

Revenue from services is recognized on rendering of services to customers and is measured at the fair value of the consideration received or receivable.

3.10 FINANCE INCOME AND EXPENSE

Finance income comprises interest income on funds invested, delayed payments from customers, dividend income, exchange gain and changes in the fair value of financial assets at fair value through profit or loss. 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 investments is recognized on time proportion basis taking into account the effective yield of such securities. The Company recognizes interest, if any, on delayed payments from customers on receipt basis. Dividend income on equity investments is recognized when the right to receive the payment is established. Foreign currency gains and losses are reported on a net basis.

Finance cost comprises interest expense on borrowings (if any), unwinding of the discount on provisions and bank charges. Mark up, interest and other charges on borrowings are charged to income in the period in which they are incurred.

3.11 JOINT OPERATIONS

The Company has applied IFRS 11 to all joint arrangements as of 01 July 2015. Under IFRS 11, investment in joint arrangements are classified as either joint operations or joint ventures depending on contractual rights and obligations of the parties to the arrangement. The Company has assessed the nature of its arrangements and determined them to be joint operations.

The Company has recognized its share of assets, liabilities, revenues and expenses jointly held or incurred under the joint operations on the basis of latest available audited financial statements of the joint operations and where applicable, the cost statements received from the operator of the joint venture, for the intervening period up to the balance sheet date. The difference, if any, between the cost statements and audited financial statements is accounted for in the next accounting year.

3.12 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 denominated in foreign currencies are translated into PKR at the rate of exchange ruling on the balance sheet date and exchange differences, if any, are charged to income for the year.

3.13 FINANCIAL INSTRUMENTS

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

Financial assets mainly comprise investments, loans, advances, deposits, trade debts, other receivables and cash and bank balances. Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities are trade and other payables.

All financial assets and liabilities are initially measured at fair value. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be.

3.14 OFFSETTING

Financial assets and liabilities and tax assets and liabilities are set off 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.

3.15 TRADE DEBTS AND OTHER RECEIVABLES

Trade debts and other receivables are stated at original invoice amount as reduced by appropriate provision for impairment. Bad debts are written off when identified while debts considered doubtful of recovery are fully provided for. Provision for doubtful debts is charged to profit and loss account currently.

3.16 TRADE AND OTHER PAYABLES

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

3.17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and at bank and includes short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

3.18 DIVIDEND

Dividend is recognized as a liability in the period in which it is declared.

3.19 SELF INSURANCE SCHEME

The Company is following a policy to set aside reserve for self insurance of rigs, wells, plants, pipelines, vehicles, workmen compensation, losses of petroleum products in transit and is keeping such reserve invested in specified investments.

3.20 IMPAIRMENT

3.20.1 Non-financial assets

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit and loss account.

3.20.2 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

3.21 OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions. The management has determined that the Company has a single reportable segment as the Board of Directors views the Company’s operations as one reportable segment.

4 SHARE CAPITAL

Authorized share capital

2016	2015		2016	2015
------(Number of shares)---------			----------(Rupees '000)---------	
5,000,000,000	5,000,000,000	Ordinary shares of Rs 10 each	50,000,000	50,000,000

Issued, subscribed and paid up capital

2016	2015		2016	2015
1,075,232,100	1,075,232,100	Ordinary shares of Rs 10 each issued for consideration other than cash (note 4.1)	10,752,321	10,752,321
3,225,696,300	3,225,696,300	Ordinary shares of Rs 10 each issued as fully paid bonus shares	32,256,963	32,256,963
4,300,928,400	4,300,928,400		43,009,284	43,009,284

4.1 In consideration for all the properties, rights, assets, obligations and liabilities of 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 Government of Pakistan (GoP) on 23 October 1997. Currently, GoP holds 74.97% (2015: 74.97%) paid up capital of the Company.

5 RESERVES

	Note	2016	2015
		----------(Rupees '000)---------	
Capital reserves:			
Capital reserve	5.1	836,000	836,000
Self insurance reserve	5.2	7,470,000	6,620,000
Capital redemption reserve fund - associated company	5.3	2,118,000	-
Self insurance reserve - associated company	5.4	20,000	-
Other reserves:			
Undistributed percentage return reserve - associated company	5.5	85,373	-
		10,529,373	7,456,000

5.1 This represents bonus shares issued by former wholly owned subsidiary - Pirkoh Gas Company (Private) Limited (PGCL) prior to merger.

5.2 The Company has set aside a specific capital reserve for self insurance of rigs, wells, plants, pipelines, workmen compensation, vehicle repair and losses for petroleum products in transit. Refer note 14.2.1 for investments against this reserve. Accordingly, the reserve is not available for distribution to shareholders.

5.3 This represents Company's share of profit set aside by an associated company to redeem redeemable preference shares in the form of cash to the preference shareholders.

5.4 This represents Company's share of profit set aside by an associated company for self insurance of general assets, vehicles and personal accident for security personnel.

5.5 This represents Company's share of profit set aside by an associated company from distributable profits for the year related to undistributed percentage return reserve.

6 DEFERRED TAXATION

	2016	2015
	----------(Rupees '000)---------	
The balance of deferred tax is in respect of following temporary differences:		
Accelerated depreciation on property, plant and equipment	7,419,066	7,548,441
Expenditure of exploration and evaluation, development and production assets	10,487,778	12,887,530
Provision for decommissioning cost	(1,870,834)	(3,042,951)
Long term investment in associate	414,961	132,767
Provision for doubtful debts, claims and advances	(87,175)	(97,265)
Provision for slow moving and obsolete stores	(784,297)	(821,682)
	15,579,499	16,606,840

		Note	2016	2015
			-----------(Rupees '000)-----------	
7	**DEFERRED EMPLOYEE BENEFITS**			
	Post retirement medical benefits	7.1	10,975,188	8,083,396
	Accumulating compensated absences	7.2	3,996,450	4,374,519
			14,971,638	12,457,915

7.1 Post retirement medical benefits

	2016	2015
Movement in the present value of defined benefit obligation is as follows:		
Present value of defined benefit obligation at beginning of the year	8,083,396	6,770,977
Current service cost	175,262	179,026
Interest cost	783,067	889,503
Benefits paid	(505,446)	(364,126)
Remeasurement loss recognized in Other Comprehensive Income	2,438,909	608,016
Present value of defined benefit obligation at end of the year	10,975,188	8,083,396
Movement in liability recognized in the balance sheet is as follows:		
Opening liability	8,083,396	6,770,977
Expense for the year	958,329	1,068,529
Benefits paid	(505,446)	(364,126)
Remeasurement loss recognized in Other Comprehensive Income	2,438,909	608,016
Closing liability	10,975,188	8,083,396
Expense recognized is as follows:		
Current service cost	175,262	179,026
Interest cost	783,067	889,503
	958,329	1,068,529
The expense is recognized in the following:		
Operating expenses - profit and loss account	504,610	550,979
General and administration expenses - profit and loss account	129,161	141,641
Technical services	324,558	375,909
	958,329	1,068,529

	2016	**2015**
Significant actuarial assumptions used were as follows:		
Discount rate per annum	9%	10%
Medical inflation rate per annum - retired	9%	10%
Medical inflation rate per annum - in service	7.00%	8.50%
Mortality rate	SLIC 2001-2005	SLIC 2001-2005
Withdrawal rate	Low	Low
Weighted average duration of the obligation	10 years	10 years

The calculation of the defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased/(decreased) as a result of a change in respective assumptions.

	Impact on defined benefit obligation		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
		-----------(Rupees '000)-----------	
Discount	1%	(1,640,117)	2,101,304
Medical indexation	1%	2,126,565	(1,683,947)
Withdrawal	10%	6,684	(6,713)

	1 year setback	1 year set forward
	-----------(Rupees '000)-----------	
Mortality	98,777	(97,896)

The impact of changes in assumptions has been determined by revaluation of the obligation on different rates.

The expected medical expense for the next financial year is Rs 1,362.247 million.

7.2 Accumulating compensated absences

	2016	2015
	-----------(Rupees '000)-----------	
Present value of defined benefit obligation at beginning of the year	4,374,519	3,056,584
Charge for the year - net	1,018,489	2,153,682
Payments made during the year	(1,396,558)	(835,747)
Present value of defined benefit obligation at end of the year	3,996,450	4,374,519

The rates of discount at 9% per annum (2015: 10%) and long term salary increase rate of 9% per annum (2015: 9.50%) and short term salary increase rate (next one year) of 12% per annum (2015: 9.50%) were assumed.

	Note	2016	2015
The expense is recognized in the following:		----------(Rupees '000)---------	
Operating expenses - profit and loss account		540,555	1,124,194
General and administration expenses - profit and loss account		122,184	257,461
Technical services		355,750	772,027
		1,018,489	2,153,682

8 PROVISION FOR DECOMMISSIONING COST

	Note	2016	2015
Balance at beginning of the year		20,303,619	20,417,830
Provision during the year		1,101,437	781,004
		21,405,056	21,198,834
Revision due to change in estimates		(1,693,111)	(3,432,053)
Unwinding of discount on provision for decommissioning cost	29	1,700,742	2,536,838
Balance at end of the year		21,412,687	20,303,619
The above provision for decommissioning cost is analyzed as follows:			
Development and production wells		4,450,781	5,518,058
Production facilities		1,815,374	1,339,771
Unwinding of discount on provision for decommissioning cost			
Development and production wells		13,458,767	11,989,714
Production facilities		1,687,765	1,456,076
		15,146,532	13,445,790
		21,412,687	20,303,619

	2016	2015
Significant assumptions used were as follows:		
Discount rate per annum	7.99%	9.14%
Inflation rate per annum	5.98%	6.99%

9 TRADE AND OTHER PAYABLES

	Note	2016	2015
		(Rupees '000)	
Creditors		115,148	1,159,807
Payable to Government of Pakistan - on account of Kunnar discount		-	2,085,112
Accrued liabilities		14,359,034	7,792,656
Payable to partners of joint operations		4,573,507	5,747,349
Retention money payable		6,124,024	6,208,634
Royalty payable		2,499,371	3,759,267
Excise duty payable		235,912	243,798
General sales tax payable		526,179	1,636,792
Gas Infrastructure Development Cess (GIDC) Payable	17.2	2,137,525	6,143,565
Withholding tax payable		735,910	80,791
Trade deposits		119,298	102,210
Workers' profit participation fund - net	9.1	4,237,231	6,685,550
Employees' pension trust	9.2	9,272,728	3,116,025
Gratuity fund	9.3	69,009	-
Un-paid dividend	9.4	12,439,784	16,000,346
Un-claimed dividend		200,776	184,955
Advances from customers		1,133,572	861,045
Other payables		190,140	94,075
		58,969,148	61,901,977

9.1 Workers' profit participation fund - net

	2016	2015
Payable/ (receivable) at beginning of the year	6,685,550	(346,775)
(Paid to)/received from the fund during the year - net	(6,685,550)	346,775
Charge for the year	4,237,231	6,685,550
Payable at end of the year	4,237,231	6,685,550

9.2 Employees' pension trust

	2016	2015
The amount recognized in the balance sheet is as follows:		
Present value of defined benefit obligation	72,609,026	61,669,438
Fair value of plan assets	(63,336,298)	(58,553,413)
Net liability at end of the year	9,272,728	3,116,025
The movement in the present value of defined benefit obligation is as follows:		
Present value of defined benefit obligation at beginning of the year	61,669,438	54,402,957
Current service cost	2,236,272	1,869,247
Interest cost	5,950,393	7,344,399
Benefits paid	(4,331,014)	(2,978,860)
Remeasurement loss recognized in Other Comprehensive Income	7,083,937	1,031,695
Present value of defined benefit obligation at end of the year	72,609,026	61,669,438
The movement in the fair value of plan assets is as follows:		
Fair value of plan assets at beginning of the year	58,553,413	42,611,861
Expected return on plan assets	5,713,104	5,752,601
Contributions	1,486,261	12,767,909
Benefits paid	(4,331,014)	(2,978,860)
Remeasurement gain recognized in Other Comprehensive Income	1,914,534	399,902
Fair value of plan assets at end of the year	63,336,298	58,553,413
The movement in liability recognized in the balance sheet is as follows:		
Opening liability	3,116,025	11,791,096
Expense for the year	2,473,561	3,461,045
Remeasurement loss recognized in Other Comprehensive Income during the year	5,169,403	631,793
Payments to the fund during the year	(1,486,261)	(12,767,909)
Closing liability	9,272,728	3,116,025

	2016	2015
	(Rupees '000)	
Expense recognized is as follows:		
Current service cost	2,236,272	1,869,247
Net interest cost	237,289	1,591,798
	2,473,561	3,461,045
Remeasurement loss recognized in Other Comprehensive Income:		
Remeasurement loss on defined benefit obligation	7,083,937	1,031,695
Remeasurement gain on plan assets	(1,914,534)	(399,902)
	5,169,403	631,793

	2016			2015		
	(Rupees '000)					
Plan assets comprise:	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Bonds	-	21,898,643	21,898,643	-	21,897,999	21,897,999
Mutual funds	1,035,688	-	1,035,688	1,268,493	-	1,268,493
Term deposits Receipts (TDRs)	-	38,401,946	38,401,946	-	33,465,703	33,465,703
Cash and bank balances	-	2,000,021	2,000,021	-	1,921,218	1,921,218
	1,035,688	62,300,610	63,336,298	1,268,493	57,284,920	58,553,413

Quoted plan assets comprise of 1.64% (2015: 2.17%) of total plan assets.

Funds covered were invested within limits specified by regulations governing investment of approved retirement funds in Pakistan. The funds have no investment in the Company's own securities.

The pension plan is a defined benefit final salary plan invested through approved trust fund. The trustees of the fund are responsible for plan administration and investment. The Company appoints the trustees. All trustees are employees of the Company.

The plan exposes the Company to various actuarial risks: investment risk, salary risk and longevity risk from the pension plan.

	2016	2015
	(Rupees '000)	
The expense is recognized in the following:		
Operating expenses - profit and loss account	1,187,622	1,619,276
General and administration expenses - profit and loss account	425,706	617,594
Technical services	860,233	1,224,175
	2,473,561	3,461,045
Actual return on plan assets	7,627,638	6,152,503

Significant actuarial assumptions used were as follows:

	2016	2015
Discount rate per annum	9%	10%
Long term salary increase rate per annum	9%	9.50%
Short term salary increase rate per annum (next one year)	12%	9.50%
Expected rate of return on plan assets per annum	9%	10%
Pension indexation rate per annum	5%	5%
Mortality rate	SLIC 2001-2005	SLIC 2001-2005
Withdrawal rate	Low	Low
Weighted average duration of the obligation	10 years	10 years

The calculation of the defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased/(decreased) as a result of a change in respective assumptions:

		Impact on defined benefit obligation	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
		-----------(Rupees '000)-----------	
Discount	1%	(6,892,800)	8,286,792
Salary increase	1%	770,009	(990,971)
Pension indexation	1%	4,906,249	(4,109,945)
Withdrawal	10%	29,044	(21,783)
		1 year setback	**1 year set forward**
		-----------(Rupees '000)-----------	
Mortality		682,525	(653,481)

The impact of changes in assumptions has been determined by revaluation of the obligation on different rates.

The Company expects to make a contribution of Rs 3,310 million (2015: Rs 5,664 million) to the employees' pension trust during the next financial year.

	2016	**2015**
	----------(Rupees '000)----------	
9.3 Gratuity fund		
Opening liability	-	-
Expense for the year	26,917	-
Other comprehensive income	44,216	-
Benefits paid during the year	(2,124)	-
Closing liability	69,009	-
The expense is recognized in the following:		
Operating expenses - profit and loss account	5,620	-
General and administration expenses - profit and loss account	17,442	-
Technical services	3,855	-
	26,917	-

9.4 This includes an amount of Rs 10,500 million (2015: Rs 9,225 million) payable to OGDCL Employees' Empowerment Trust. The payment of dividend has been withheld since GoP is considering to revamp Benazir Employees' Stock Option Scheme (BESOS) as communicated to the Company by Privatization Commission of Pakistan (PCP). Further, the PCP vide letter No. 13(4)12/BESOS/PC/OGDCL dated 21 July 2016 has informed the Company that all activities regarding BESOS have been withheld till decision is made by the Government of Pakistan.

10 CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

10.1.1 Claims against the Company not acknowledged as debts amounted to Rs 1,556.580 million at year end (2015: Rs 1,483.728 million).

10.1.2 Certain banks have issued guarantees on behalf of the Company in ordinary course of business aggregating Rs 1.707 million (2015: Rs 1.707 million), refer note 23.1 to the financial statements.

10.1.3 The Company's share of associate contingencies at year end are as follows:

- Indemnity bonds given to Collector of Customs against duty concessions on import of equipment and materials amounted to Rs 1.045 million (2015: Rs 1.045 million).

10.1.4 For contingencies related to tax matters, refer note 21.1 to 21.4 and note 30.2.

10.1.5 For contingencies related to sales tax and federal excise duty, refer note 18.1 and 18.2.

10.2 Commitments

10.2.1 Commitments outstanding at year end amounted to Rs 48,618.352 million (2015: Rs 61,786.278 million). These include amounts aggregating to Rs 24,779.797 million (2015: Rs 27,052.325 million) representing the Company's share in the minimum work commitments under Petroleum Concession Agreements.

10.2.2 Letters of credit issued by various banks on behalf of the Company in ordinary course of the business, outstanding at year end amounted to Rs 22,235.046 million (2015: Rs 12,711.536 million).

10.2.3 The Company's share of associate commitments at year end is as follows:

	2016	2015
	(Rupees '000)	
Capital expenditure:		
Share in joint operations	1,218,299	1,501,493
Others	42,454	119,226
	1,260,753	1,620,719

OIL AND GAS DEVELOPMENT COMPANY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

11 PROPERTY, PLANT AND EQUIPMENT

(Rupees '000)

Description	Freehold land	Leasehold land	Buildings, offices and roads on freehold land	Buildings, offices and roads on leasehold land	Plant and machinery	Rigs	Pipelines	Office and domestic equipment	Office and technical data computers	Furniture and fixtures	Vehicles	Decom-missioning cost	Capital work in progress (Note 11.3)	Stores held for capital expenditure	Total
Cost															
Balance as at 1 July 2014	248,974	54,039	4,274,867	5,242,730	76,072,649	5,047,366	11,999,816	784,562	1,681,181	122,234	5,260,728	1,645,073	20,636,857	2,113,359	135,184,435
Additions during the year	5,606	-	63,070	141,870	16,027,130	15,872	3,322,040	152,727	121,123	13,570	274,426	88,603	35,811,246	2,858,062	58,895,345
Revision due to change in estimate	-	-	-	-	-	-	-	-	-	-	-	(393,905)	-	-	(393,905)
Disposals/transfers during the year	-	-	-	-	(45,762)	(18,175)	(2,385)	(3,110)	(20,373)	(88)	(142,186)	-	(12,406,934)	(1,054,993)	(13,694,006)
Adjustments	-	-	(955)	-	321,851	(409,471)	-	84,756	3,874	-	(55)	-	-	-	-
Balance as at 30 June 2015	254,580	54,039	4,336,982	5,384,600	92,375,868	4,635,592	15,319,471	1,018,935	1,785,805	135,716	5,392,913	1,339,771	44,041,169	3,916,428	179,991,869
Balance as at 1 July 2015	254,580	54,039	4,336,982	5,384,600	92,375,868	4,635,592	15,319,471	1,018,935	1,785,805	135,716	5,392,913	1,339,771	44,041,169	3,916,428	179,991,869
Additions during the year	1,678	-	103,141	261,848	11,636,241	401,193	933,261	158,427	144,646	16,263	306,467	269,947	15,164,178	1,928,020	31,325,310
Revision due to change in estimate	-	-	-	-	-	-	-	-	-	-	-	205,656	-	-	205,656
Disposals/transfers during the year	-	-	-	-	(177,960)	(13,342)	-	(3,316)	(23,582)	-	(191,910)	-	(9,542,219)	(3,177,210)	(13,129,539)
Adjustments	-	-	-	-	(67,094)	-	-	-	67,094	-	-	-	-	-	-
Balance as at 30 June 2016	256,258	54,039	4,440,123	5,646,448	103,767,055	5,023,443	16,252,732	1,174,046	1,973,963	151,979	5,507,470	1,815,374	49,663,128	2,667,238	198,393,296
Depreciation															
Balance as at 1 July 2014	-	48,694	1,669,085	1,357,479	41,730,757	1,408,269	9,147,748	632,644	1,346,977	88,677	4,416,098	1,226,261	-	172,084	63,244,773
Charge/(reversal) for the year	-	2,145	266,312	239,904	4,929,190	323,394	608,468	78,107	217,699	8,937	319,594	(302,381)	-	(69,101)	6,622,268
On disposals	-	-	-	-	(45,726)	(18,156)	(2,384)	(2,991)	(19,534)	(81)	(105,085)	-	-	-	(193,957)
Adjustments	-	-	(45)	-	-	-	-	52	45	-	(52)	-	-		-
Balance as at 30 June 2015	-	50,839	1,935,352	1,597,383	46,614,221	1,713,507	9,753,832	707,812	1,545,187	97,533	4,630,555	923,880	-	102,983	69,673,084
Balance as at 1 July 2015	-	50,839	1,935,352	1,597,383	46,614,221	1,713,507	9,753,832	707,812	1,545,187	97,533	4,630,555	923,880	-	102,983	69,673,084
Charge for the year	-	2,145	264,800	246,675	5,655,286	454,760	892,170	82,476	217,707	6,978	315,205	94,908	-	(10,892)	8,222,218
On disposals	-	-	-	-	(177,761)	(13,323)	-	(3,188)	(23,077)	-	(162,107)	-	-	-	(379,456)
Adjustments	-	-	-	-	(5,909)	718	-	-	5,191	-	-	-	-	-	-
Balance as at 30 June 2016	-	52,984	2,200,152	1,844,058	52,085,837	2,155,662	10,646,002	787,100	1,745,008	104,511	4,783,653	1,018,788	-	92,091	77,515,846
Impairment															
Balance as at 1 July 2014	-	-	-	-	135,008	-	333	-	-	-	-	327	-	-	135,668
Charge for the year	-	-	61,204	128,386	8,709	-	-	-	-	-	1,079	-	-	-	199,378
Balance as at 30 June 2015	-	-	61,204	128,386	143,717	-	333	-	-	-	1,079	327	-	-	335,046
Balance as at 1 July 2015	-	-	61,204	128,386	143,717	-	333	-	-	-	1,079	327	-	-	335,046
Charge for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2016	-	-	61,204	128,386	143,717	-	333	-	-	-	1,079	327	-	-	335,046
Carrying amount - 30 June 2015	254,580	3,200	2,340,426	3,658,831	45,617,930	2,922,085	5,565,306	311,123	240,618	38,183	761,279	415,564	44,041,169	3,813,445	109,983,739
Carrying amount - 30 June 2016	256,258	1,055	2,178,767	3,674,004	51,537,501	2,867,781	5,606,397	386,946	228,955	47,468	722,738	796,259	49,663,128	2,575,147	120,542,404
Rates of depreciation (%)	-	3.3~4	2.5~8	2.5~8	4~20	10	10	15	33.33	10	20	2.5~10	-	-	

11.1 Cost and accumulated depreciation as at 30 June 2016 include Rs 48,173 million (2015: Rs 40,425 million) and Rs 26,284 million (2015: Rs 23,019 million) respectively being the Company's share in property, plant and equipment relating to joint operations operated by other working interest owners.

	Note	2016	2015
		---------(Rupees '000)---------	
11.2 The depreciation charge has been allocated to:			
Operating expenses	25	6,893,094	5,525,660
General and administration expenses	28	205,799	197,940
Technical services		1,123,325	898,668
		8,222,218	6,622,268
11.3 Capital work in progress			
Production facilities and other civil works in progress:			
Wholly owned		47,809,254	36,790,973
Joint operations		1,843,702	7,231,739
		49,652,956	44,022,712
Construction cost of field offices and various bases/offices owned by the Company		10,172	18,457
		49,663,128	44,041,169

11.4 Details of property, plant and equipment sold:

	Cost	Book value	Sale proceeds
	---------------------(Rupees '000)---------------------		
Vehicles sold to following in-service/retiring employees as per Company's policy:			
Mr. Mirza Khalid Baig	1,772	1,614	1,614
Syed Mazhar Ali	1,772	1,604	1,604
Syed Rashid Hassan	1,772	1,650	1,650
Mr. Siraj Ali	1,772	1,622	1,622
Mr. Maqbool Ahmed Somro	1,727	1,070	1,070
Mr. Saleem Ahmed Khan	1,707	937	937
Mr. Rashid Javaid	1,702	1,080	1,080
Mr. Murad Niaz Khan	1,692	565	565
Mr. Mushtaq Ahmad	1,692	484	484
Mr. Asad Ahmed Asad	1,692	523	523
Capt® Muhammad Siddique Awan	1,691	774	774
Mr. Raja Arshad Sultan	1,691	614	614
Mr. Muneer Ahmad Khan	1,571	189	189
Mr. Agha Mujeeb Ur Rehman	1,569	344	344
Mr. Rooh Ullah	1,569	296	296
Mr. Tahir Shaukat	1,569	236	236
Mr. Muhammad Amjad Ehsan	1,569	259	259
Mr. Aijaz Kaleem Ashraf	1,546	1	155
Mr. Basharat Ali Mirza	1,539	346	346
Ms. Mehurnisa Jehangir	1,539	180	180
Mr. Bashir Ahmad	1,477	59	149
Mr. Jehangaz Khan	1,441	1	144
Mr. Tariq Mehmood	1,441	1	144
Mr. Khwaja Masood Ahmed	1,429	1	143
Mr. Daud Ahmad Butt	1,429	1	143
Mr. Asif Nasim	1,429	1	143
Mr. Muhammad Sabir Khan	1,399	1	140
Mr. Muhammad Ismail Laghari	1,210	1	140
Mr. Abdul Jamil Khan	1,203	961	961
Mr. Noor Muhammad	1,073	770	770
Mrs. Lubna Hassan	1,073	817	817
Mr. Shahnawaz Rajpoot	1,024	468	468
Mr. Muhammad Irfan Khan	1,024	516	516
Mr. Ikram Ullah Khan	1,024	551	551

Vehicles sold to following in-service/retiring employees as per Company's policy - continued	Cost	Book value	Sale proceeds
	---------------------	(Rupees '000)	---------------------
Mr. Qamar Raza	1,024	606	606
Mr. Sultan Mehmood	1,024	534	534
Syed Rashid Hassan	1,023	473	473
Mr. Shrafat Ali	1,003	373	373
Mr. Muhammad Arif Bhutto	1,003	422	422
Mr. Abdul Ghani Memon	1,003	464	464
Mr. Abdullah Bajir	1,003	469	469
Mr. Iftikhar Abbasi	1,003	460	460
Mrs. Nusrat Parveen	1,003	453	453
Mr. Javed Iqbal	1,003	456	456
Mr. Muhammad Saghir	1,003	468	468
Mr. Muhammad Iqbal Khan	1,003	473	473
Mr. Manzoor Ahsan	1,003	476	476
Mr. Nazar Abbas Zaidi	1,003	473	473
Mr. Muhammad Tariq Iqbal	1,003	530	530
Mr. Mazhar Ali	1,003	416	416
Mr. Arshad Mehmood	1,003	431	431
Mr. Shahid Waqar Malik	1,003	416	416
Mr. Muhammad Nawaz	968	259	259
Mr. Abdur Raziq Khattak	965	350	350
Mr. Etezaz Ud Din Ahmed	965	369	369
Mr. Jamal Nasir	965	348	348
Dr. Mubashar Ayaz Wyn	925	253	253
Mr. Muhammad Ajaz Sarwar	925	262	262
Dr. Ruhee Fahim	925	308	308
Mr. Muhammad Munir Memon	925	327	327
Mr. Muhammad Iqbal Khosa	925	269	269
Ms. Farida Habib	843	19	84
Mr. Mirza Abdul Waheed	818	1	82
Mr. Khalid Javed	818	1	82
Mr. Shoaib Shabih	818	1	82
Mr. Sher Ullah Khan	818	1	82
Mr. Muhammad Akram Qureshi	818	1	82
Mr. Munawar Ali Khan	818	1	82
Mr. Shoaib Khan	818	1	82
Mr. Muhammad Asghar	817	1	82
Syed Hassan Abbas	817	1	82
Mr. Zafar Ullah	817	1	82
	86,453	29,704	31,813
Computers/mobiles sold to employees as per Company's policy	11,643	348	1,378
Aggregate of other items of property, plant and equipment with individual book value not exceeding Rs 50,000, sold through public auction	202,095	550	57,922
Items written off during the year	109,919	52	-
30 June 2016	410,110	30,654	91,113
30 June 2015	232,079	38,122	56,442

12 DEVELOPMENT AND PRODUCTION ASSETS - intangible

(Rupees '000)

Description	Producing fields		Shut-in fields		Wells in progress (Note 12.1)	Sub total	Decom-missioning cost	Total
	Wholly owned	Joint operations	Wholly owned	Joint operations				
Cost								
Balance as at 1 July 2014	56,662,299	77,159,798	5,628,217	15,560,634	4,894,681	159,905,629	7,863,805	167,769,434
Adjustment	138,082	2,826,198	(138,082)	(2,826,198)	-	-	-	-
Additions during the year	-	-	-	-	15,497,846	15,497,846	692,401	16,190,247
Revision due to change in estimate	-	-	-	-	-	-	(3,038,148)	(3,038,148)
Transfer from exploration and evaluation assets during the year	3,142,089	905,247	2,486,770	2,938,012	-	9,472,118	-	9,472,118
Transfers in/(out) during the year	2,804,640	9,548,048	-	2,972,975	(15,325,663)	-	-	-
Balance as at 30 June 2015	62,747,110	90,439,291	7,976,905	18,645,423	5,066,864	184,875,593	5,518,058	190,393,651
Balance as at 1 July 2015	62,747,110	90,439,291	7,976,905	18,645,423	5,066,864	184,875,593	5,518,058	190,393,651
Adjustment	(191,393)	(596,044)	191,393	596,044	-	-	-	-
Additions during the year	-	-	-	-	17,728,636	17,728,636	831,490	18,560,126
Revision due to change in estimate	-	-	-	-	-	-	(1,898,767)	(1,898,767)
Transfer from exploration and evaluation assets during the year	1,531,998	1,887,665	2,150,270	4,652,100	-	10,222,033	-	10,222,033
Transfers in/(out) during the year	6,400,016	7,447,147	122,356	1,509,998	(15,479,517)	-	-	-
Balance as at 30 June 2016	70,487,731	99,178,059	10,440,924	25,403,565	7,315,983	212,826,262	4,450,781	217,277,043
Amortization								
Balance as at 1 July 2014	37,586,738	48,162,315	322,631	462,003	-	86,533,687	5,949,325	92,483,012
Adjustment	(91,493)	29,329	91,493	(29,329)	-	-	-	-
Charge/(reversal of charge) for the year	4,642,207	12,856,284	-	-	-	17,498,491	(1,217,154)	16,281,337
Balance as at 30 June 2015	42,137,452	61,047,928	414,124	432,674	-	104,032,178	4,732,171	108,764,349
Balance as at 1 July 2015	42,137,452	61,047,928	414,124	432,674	-	104,032,178	4,732,171	108,764,349
Adjustment	(320,545)	(413,375)	169,009	413,376	-	(151,535)	(440,826)	(592,361)
Charge/(reversal of charge) for the year	5,047,860	11,407,703	24,771	32,271	-	16,512,605	(1,246,037)	15,266,568
Balance as at 30 June 2016	46,864,767	72,042,256	607,904	878,321	-	120,393,248	3,045,308	123,438,556
Impairment								
Balance as at 1 July 2014	545,089	-	332,013	-	-	877,102	79,847	956,949
Adjustment	-	-	(154,847)	154,847	-	-	-	-
Charge for the year	-	1,004,360	-	1,391,639	-	2,395,999	15,667	2,411,666
Balance as at 30 June 2015	545,089	1,004,360	177,166	1,546,486	-	3,273,101	95,514	3,368,615
Balance as at 1 July 2015	545,089	1,004,360	177,166	1,546,486	-	3,273,101	95,514	3,368,615
Adjustment	437,291	-	-	-	-	437,291	155,070	592,361
Charge for the year	709,154	-	788,869	373,810	-	1,871,833	14,718	1,886,551
Balance as at 30 June 2016	1,691,534	1,004,360	966,035	1,920,296	-	5,582,225	265,302	5,847,527
Carrying amounts - 30 June 2015	20,064,569	28,387,003	7,385,615	16,666,263	5,066,864	77,570,314	690,373	78,260,687
Carrying amounts - 30 June 2016	21,931,430	26,131,443	8,866,985	22,604,948	7,315,983	86,850,789	1,140,171	87,990,960

12.1 Wells in progress at year end represent:

	2016	2015
	(Rupees '000)	
Wholly owned	3,277,101	2,137,978
Joint operations	4,038,882	2,928,886
	7,315,983	5,066,864

		Note	2016	2015
			(Rupees '000)	
13	**EXPLORATION AND EVALUATION ASSETS**			
	Balance at beginning of the year		6,103,544	7,913,076
	Additions during the year		14,182,070	12,512,724
			20,285,614	20,425,800
	Cost of dry and abandoned wells during the year	27	(4,909,724)	(4,850,138)
	Cost of wells transferred to development and production assets during the year		(10,222,033)	(9,472,118)
			(15,131,757)	(14,322,256)
			5,153,857	6,103,544
	Stores held for exploration and evaluation activities	13.1	1,680,221	2,035,892
	Balance at end of the year		6,834,078	8,139,436
13.1	**Stores held for exploration and evaluation activities**			
	Balance at beginning of the year		2,035,892	1,724,712
	Additions		1,155,565	1,123,234
	Issuances		(1,511,236)	(812,054)
	Balance at end of the year		1,680,221	2,035,892
13.2	**Liabilities, other assets and expenditure incurred on exploration and evaluation activities are:**			
	Liabilities related to exploration and evaluation		2,303,095	883,804
	Exploration and prospecting expenditure	27	14,548,295	11,627,518

		Note	2016	2015
14	**LONG TERM INVESTMENTS**			
	Investment in related party	14.1	3,393,185	1,401,173
	Investments held to maturity	14.2	109,124,107	129,792,155
			112,517,292	131,193,328
14.1	**Investment in related party - associate, quoted**			
	Mari Petroleum Company Limited (MPCL)			
	Cost of investment (22,050,000 (2015: 22,050,000) fully paid ordinary shares of Rs 10 each including 14,700,000 (2015: 14,700,000) bonus shares)		73,500	73,500
	Post acquisition profits brought forward		1,327,673	302,307
			1,401,173	375,807
	Share of profit for the year - net of taxation	14.1.2	2,188,899	1,043,741
	Share of other comprehensive loss of the associate - net of taxation		(17,125)	-
	Dividend received		(179,762)	(18,375)
			1,992,012	1,025,366
			3,393,185	1,401,173

14.1.1 MPCL is incorporated in Pakistan and is principally engaged in exploration, production and sale of hydrocarbons. The Company has 20% (2015: 20%) holding in the associate. The market value of the investment in associate as of the year end is Rs 20,026 million (2015: Rs 10,333 million).

14.1.2 Share of profit for the year ended 30 June 2016 includes Rs 978.608 million related to prior years.

14.1.3 The tables below provide summarized financial information for the associate that is material to the Company. The information disclosed reflects the amounts presented in the annual audited financial statements of the associate for the year ended 30 June 2016 and not the Company's share of those amounts.

	2016	2015
	(Rupees '000)	
Summarized balance sheet		
Current assets	32,727,282	41,868,075
Non- current assets	26,832,365	23,785,743
Current liabilities	(35,017,149)	(39,398,626)
Non- current liabilities	(7,576,575)	(14,758,974)
Net assets	16,965,923	11,496,218
Reconciliation to carrying amounts:		
Opening net assets	11,496,218	16,822,231
Total comprehensive income for the year	5,965,830	5,674,228
Opening net assets transferred to redeemable preference shares- liability	-	(10,590,001)
Dividends paid	(496,125)	(410,240)
Closing net assets	16,965,923	11,496,218
Company's percentage shareholding in the associate	20%	20%
Company's share in carrying value of net assets	3,393,185	2,299,244
Others	-	(898,071)
Carrying amount of investment	3,393,185	1,401,173
Summarized statement of comprehensive income		
Revenue for the year	94,997,719	88,239,537
Profit for the year	6,051,455	5,650,313
Other comprehensive (loss)/income for the year	(85,625)	23,915
Total comprehensive income for the year	5,965,830	5,674,228

14.1.4 Effective 1 July 2014, the cost plus wellhead gas pricing formula is replaced with a crude oil price linked formula which provides a discounted wellhead gas price to be gradually achieved in five (5) years from 1 July 2014. The revised formula provides dividend distribution to be continued for next ten (10) years in line with the previous cost plus formula and any residual profit are to be reinvested for exploration and development activities in Mari as well as outside Mari field. Under the revised formula, the Government of Pakistan will no more provide exploration funds to MPCL. MPCL has issued non voting, non cumulative redeemable preference shares during the year ended 30 June 2015, against undistributable balance of profit and loss account at 30 June 2014 and investment of Government of Pakistan in Mari Seismic Unit amounting to Rs 10,590 million. During the year ended 30 June 2016, MPCL approved redemption of all preference shares in cash after obtaining requisite approvals of Board of Directors, members and Government of Pakistan (GoP). The Economic Coordination Committee (ECC) of the Cabinet approved the above arrangement and the revised Mari Wellhead Gas Price Agreement was signed by MPCL and the President of Islamic Republic of Pakistan on 29 July 2015.

		Note	2016	2015
			(Rupees '000)	
14.2	**Investments held to maturity**			
	Term Deposit Receipts (TDRs)	14.2.1	6,384,972	5,862,129
	Investment in Pakistan Investment Bonds	14.2.2	51,489,135	52,180,026
	Investment in Term Finance Certificates	14.2.3	82,000,000	82,000,000
			139,874,107	140,042,155
	Less: Current maturity of Term Finance Certificates		(30,750,000)	(10,250,000)
			109,124,107	129,792,155

14.2.1 These represent investments in local currency TDRs. Face value of these investments is Rs 6,385 million (2015: Rs 5,862 million) and carry effective interest rate of 7.35% (2015: 9.91%) per annum. These investments are due to mature within next 12 months, however, these have not been classified as current assets based on the management's intention to reinvest them in the like investments for a longer term. These investments are earmarked against self insurance reserve as explained in note 5.2 to the financial statements.

14.2.2 In 2013, Ministry of Finance, Government of Pakistan, approved the plan for partial settlement of circular debt issue prevailing in the energy sector. These PIBs were subscribed by the Company in order to settle its overdue receivables from oil refineries and gas companies. The face value of these PIBs is Rs 50.773 billion carrying interest rate of 11.50% per annum. These PIBs were issued on 19 July 2012 for a period of five years maturing on 19 July 2017. Premium on investment is amortized over the remaining term of the investment using effective interest method.

14.2.3 This represents investment in Privately Placed Term Finance Certificates (TFCs) amounting to Rs 82 billion. In 2013, the Government of Pakistan, for partial resolution of circular debt issue prevailing in the energy sector, approved issuance of TFCs amounting to Rs 82 billion by Power Holding (Private) Limited (PHPL). These TFCs were subscribed by the Company in order to settle its overdue receivables from oil refineries and gas companies.

TFCs are for a period of seven (7) years including grace period of three (3) years carrying interest rate of KIBOR + 1%, payable semi-annually. The principal portion of these TFCs shall be repaid in eight (8) equal installments starting from 42nd month of date of transaction. National Bank of Pakistan executed the transaction on 10 September 2012 as Trustee. These TFCs are secured by Sovereign Guarantee, covering the principal, markup, and/or any other amount becoming due for payment in respect of investment in TFCs. Principal repayment amounting to Rs 10,250 million (2015: Nil) is past due as at 30 June 2016. Further, interest due as of 30 June 2016 was Rs 18,139 million (2015: Rs 11,502 million) of which Rs 16,270 million (2015: Rs 9,151 million) was past due as of the balance sheet date. The Company considers the principal and interest to be fully recoverable as these are backed by Sovereign Guarantee of Government of Pakistan.

	Note	2016	2015
		-------------(Rupees '000)-------------	
15 LONG TERM LOANS AND RECEIVABLE			
Long term loans:			
Secured	15.1	5,757,931	5,692,868
Unsecured	15.2	239,738	239,738
		5,997,669	5,932,606
15.1 Long term loans - secured			
Considered good:			
Executives		4,618,807	3,801,069
Other employees		2,095,113	2,848,183
		6,713,920	6,649,252
Current portion shown under loans and advances	18	(955,989)	(956,384)
		5,757,931	5,692,868

15.1.1 Movement of carrying amount of loans to executives and other employees:

	Balance as at 1 July 2015	Disbursements during the year	Adjustments during the year	Repayments during the year	Balance as at 30 June 2016
			(Rupees '000)		
Due from:					
Executives	3,801,069	331,764	1,157,913	(671,939)	4,618,807
Other employees	2,848,183	649,836	(1,157,913)	(244,993)	2,095,113
30 June 2016	6,649,252	981,600	-	(916,932)	6,713,920
30 June 2015	5,722,379	1,760,951	-	(834,078)	6,649,252

15.1.2 The loans are granted to the employees of the Company in accordance with the Company's service rules. House building and conveyance loans are for maximum period of 15 and 5 years respectively. These loans are secured against the underlying assets. Included in these are loans of Rs 5,635.351 million (2015: Rs 5,506.893 million) which carry no interest. The balance amount carries an effective interest rate of 10.53% (2015: 11.79%) per annum. Interest free loans to employees have not been discounted as required by IAS 39 "Financial Instruments: Recognition and Measurement" as the amount involved is deemed immaterial.

The maximum amount due from executives at the end of any month during the year was Rs 4,618.807 million (2015: Rs 3,801.069 million).

15.2 The Company and other working interest owners in Chanda, Nashpa and Tal joint operations have entered into an agreement dated 20 October 2010 with National Highway Authority (NHA) for provision of interest free loan to NHA amounting to Rs 700 million for construction of new Bridge on River Indus, District Kohat. The bridge will facilitate operations of these joint operations including transportation of crude oil & condensate, materials & equipment and staff etc. According to the agreement, share of Tal, Nashpa and Chanda joint operations in the loan will be 68.63%, 23.09% and 8.28% respectively and will be paid to NHA by the Company in stages based on percentage completion of work. Proportionate share in stage-wise payments of the loan will be recovered by the Company from other working interest owners.

As per terms and conditions of the agreement, NHA will design, construct, operate and maintain the new bridge and shall commission the bridge within 27 months from the date of agreement. NHA shall not charge the Company and other operator the toll tax for the use of new bridge till the entire loan stands repaid. The loan is repayable by NHA in seven years in 84 equal monthly installments, with grace period of one year, starting from one year after the commissioning of the bridge. The bridge has been inaugurated on 28 July 2014 and is currently operational. The amount of Rs 239.738 million as on 30 June 2016 (2015: Rs 239.738 million) represents the Company's net share, based on effective working interest ownership of 38.05% (2015: 38.05%) which have not been discounted as required by IAS 39 "Financial Instruments: Recognition and Measurement" as the amount involved is deemed immaterial.

	Note	2016	2015
		-------------(Rupees '000)-------------	
16 STORES, SPARE PARTS AND LOOSE TOOLS			
Stores, spare parts and loose tools		20,069,409	19,251,264
Stores and spare parts in transit		965,949	216,764
		21,035,358	19,468,028
Provision for slow moving, obsolete and in transit stores	16.1	(2,784,174)	(2,620,996)
		18,251,184	16,847,032

16.1 Movement of provision for slow moving, obsolete and in transit stores

	2016	2015
Balance as at 1 July	2,620,996	2,383,569
Provision for the year	163,178	237,427
Balance as at 30 June	2,784,174	2,620,996

17 TRADE DEBTS

	2016	2015
Un-secured, considered good	111,204,979	121,411,485
Un-secured, considered doubtful	111,989	112,782
	111,316,968	121,524,267
Provision for doubtful debts	(111,989)	(112,782)
Trade debts written off	(793)	-
	111,204,186	121,411,485

17.1 Trade debts include overdue amount of Rs 78,704 million (2015: Rs 76,990 million) on account of Inter-Corporate Circular debt, receivable from oil refineries and gas companies out of which Rs 59,395 million (2015: Rs 60,702 million) and Rs 16,525 million (2015: 10,380 million) is overdue from related parties, Sui Southern Gas Company Limited and Sui Northern Gas Pipeline Limited respectively. The Government of Pakistan (GoP) is pursuing for satisfactory settlement of Inter-Corporate Circular debt issue and the Company considers this amount to be fully recoverable.

17.2 Included in trade debts is an amount of Rs 3,171 million (2015: 8,043 million) receivable from three Independent Power Producers and a fertilizer Company on account of Gas Infrastructural Development Cess (GIDC) and related sales tax paid/payable thereon. Retrospective imposition of GIDC has finally been confirmed by the Government of Pakistan through promulgation of GIDC Act 2015. Accordingly, where applicable, the Company has charged GIDC to its customers and has recognized its liability in these financial statements.

18 LOANS AND ADVANCES

	Note	2016	2015
		(Rupees '000)	
Advances considered good:			
Suppliers and contractors		2,046,796	1,070,013
Partners in joint operations		2,065,882	2,463,683
Sales tax	18.1 & 18.2	4,816,374	3,511,537
Others		574,568	42,151
		9,503,620	7,087,384
Current portion of long term loans - secured	15.1	955,989	956,384
		10,459,609	8,043,768
Advances considered doubtful		187,033	187,033
		10,646,642	8,230,801
Provision for doubtful advances		(187,033)	(187,033)
		10,459,609	8,043,768

18.1 This includes an amount of Rs 3,180 million (2015: Rs 3,180 million) paid under protest to Federal Board of Revenue (FBR) on account of sales tax demand raised in respect of capacity invoices from Uch Gas Field for the period July 2004 to March 2011. Based on Sales Tax General Order (STGO) 1 of 2000 dated 24 January 2000, the matter was argued before various appellate forums, however, the Supreme Court of Pakistan finally decided the issue against the Company on 15 April 2013. The FBR granted time relaxation to the Company for issuance of debit note for an amount of Rs 750 million for the period April 2011 to May 2012, accounted for as trade debt. Uch Power Limited (UPL) challenged the grant of time relaxation to the Company by FBR before Islamabad High Court. On 27 December 2013, the Honorable Court decided the matter in favor of the Company. In light of the Islamabad High Court decision, the Company has applied to FBR for obtaining condonation of time limit for issuing debit notes to UPL for the remaining amount of Rs 3,180 million for the period July 2004 to March 2011 and currently the matter is pending with FBR.

UPL has filed an Intra Court appeal against the decision of the Islamabad High Court and the Islamabad High Court has granted stay against recovery of Rs 750 million to UPL. Management and its legal advisor are confident that the stay will be vacated and the Intra Court appeal by UPL will also be decided in favor of the Company.

18.2 This also includes recoveries of Rs 317 million (2015: Nil) made by the tax department against sales tax and Federal Excise Duty (FED) demand of Rs 6,699 million, issued by the Deputy Commissioner Inland Revenue (DCIR). In addition, DCIR has also issued a show cause notice of Rs 5,271 million against sales tax and FED, response against which is yet to be submitted by the management. These demands and show cause notice have been raised by tax authorities due to difference between computation of sales/production reported by the Company in its sales tax return and sales/production based on other sources of data. The Company has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR), Islamabad and the hearing is yet to be fixed. The Company has obtained stay from ATIR against further recovery of the outstanding demand notice. The Company believes that these demands have been raised without legal validity.

19 DEPOSITS AND SHORT TERM PREPAYMENTS

	2016	2015
	(Rupees '000)	
Security deposits	22,112	21,025
Short term prepayments	1,624,665	1,393,408
	1,646,777	1,414,433

20 OTHER RECEIVABLES

	2016	2015
Development surcharge	80,391	80,391
Claims receivable	78,134	31,504
Others	23,686	71,930
	182,211	183,825
Claims considered doubtful	10,439	10,439
	192,650	194,264
Provision for doubtful claims	(10,439)	(10,439)
	182,211	183,825

21 INCOME TAX - ADVANCE

	Note	2016	2015
		-------------(Rupees '000)-------------	
Income tax- advance at beginning of the year		24,059,740	14,319,141
Income tax paid during the year		35,025,909	50,613,873
Income tax recovered by tax authorities during the year		50,558	3,942,695
Provision for current taxation for the year- Profit and loss account	30	(21,853,820)	(37,279,117)
Tax credit related to remeasurement loss on employee retirement benefit plans for the year - Other Comprehensive Income		4,026,760	624,129
Provision for taxation - prior years	30	289,894	(8,160,981)
Income tax - advance at end of the year	21.1 to 21.4	41,599,042	24,059,740

21.1 This includes amount of Rs 13,846 million (2015: 13,225 million) paid to tax authorities on account of disallowance of actuarial loss amounting to Rs 27,556 million which the Company claimed in its return for the tax years 2014 and 2015. This actuarial loss was recognized in the books as a result of retrospective application of IAS 19 (as revised in June 2011) 'Employee Benefits' from the year ended 30 June 2014 and onwards. The Commissioner Inland Revenue Appeals (CIRA) through its order dated 3 November 2015 related to tax year 2014, accepted the Company's viewpoint, however, ordered to claim the expenditure over a period of seven years. The Company has filed an appeal against the order of CIRA in Appellate Tribunal Inland Revenue which is currently pending. The management, based on opinion of its tax consultant dated 29 January 2015, believes that there is reasonable probability that the matter will be decided in favor of the Company by appellate forums available under the law.

21.2 During the year ended 30 June 2014, tax authorities raised demands of Rs 13,370 million by disallowing effect of price discount on sale of crude from Kunnar field and have recovered Rs 5,368 million (2015: Rs 5,317 million) from the Company upto 30 June 2016. During the year ended 30 June 2015, appeal before Appellate Tribunal Inland Revenue (ATIR) against the said demands were decided against the Company. The Company filed a reference application before Islamabad High Court (IHC) against the decision of ATIR. The Islamabad High Court remanded the case back to ATIR with the instructions to pass a speaking order which is currently pending with ATIR. Further, ATIR has granted stay for recovery of fifty days with effect from 02 August 2016 or till the decision of appeals, whichever is earlier. Management and its legal advisor are of the view that the price discount is not income of the Company and hence not liable to tax. Accordingly, management is confident that the matter will be resolved in favor of the Company as the discounted price for Kunnar field was finally determined by the Ministry of Petroleum and Natural Resources (MPNR) and the total amount of price discount amount has been paid to the Government of Pakistan (GoP) upon directions from the Ministry of Finance, to this effect.

21.3 Income tax advance includes Rs 2,746 million (2015: Rs Nil) paid to tax authorities during the year on account of super tax relating to tax year 2015. The Company is currently contesting applicability of super tax at the rate of 3 percent of taxable profits from oil and gas operations under Petroleum Concession Agreements (PCAs) and has filed an appeal before CIRA in this respect. Management based on opinion of its tax consultant is confident that the Company has probable chances to defend its case before appellate authorities due to clauses relating to charge of tax under PCAs. Accordingly, no provision has been made in this respect in the financial statements for the years ended 30 June 2015 and 30 June 2016.

21.4 Income tax advance includes Rs 5,805 million (2015: Rs Nil) paid to tax authorities during the year mainly on account of disallowances made by the Additional Commissioner Inland Revenue (ACIR) against workers' profit participation fund expense, decommissioning cost and employee benefits claimed by the Company in its return of income for the year ended 30 June 2015. The Company has field an appeal with CIRA against the disallowances made by ACIR. Management believes that disallowances are against income tax laws and regulations and accordingly no provision has been made in this respect in the financial statements.

22 OTHER FINANCIAL ASSETS

	Note	2016	2015
		-------------(Rupees '000)-------------	
Investment in Term Deposits	22.1	11,131,164	9,525,037
Investment at fair value through profit or loss - NIT units		295,800	289,444
		11,426,964	9,814,481

22.1 This include foreign currency TDRs amounting to USD 106.305 million (2015: USD 94.448 million), carrying interest rate ranging from 1.60% to 2.65% (2015: 1.75% to 2.35%) per annum, having maturities between one month to three months.

	Note	2016	2015
		-------------(Rupees '000)-------------	
23 CASH AND BANK BALANCES			
Cash at bank:			
Deposit accounts	23.1	7,692,851	12,849,120
Current accounts		146,976	110,855
		7,839,827	12,959,975
Cash in hand		63,939	42,773
		7,903,766	13,002,748

23.1 These deposit accounts carry interest rate of 0.20% to 5.75% (2015: 0.20% to 7.00%) per annum and include foreign currency deposits amounting to USD 4.995 million (2015: USD 52.413 million). Deposits amounting to Rs 1.707 million (2015: Rs 1.707 million) with banks were under lien to secure bank guarantees issued on behalf of the Company.

	2016	2015
	--------------(Rupees '000)--------------	
24 SALES - NET		
Gross sales		
Crude oil	59,080,776	94,317,109
Gas	125,009,124	139,478,446
Liquefied petroleum gas	6,285,313	6,751,228
Sulphur	299,907	377,987
Gas processing	60,698	61,771
	190,735,818	240,986,541
Government levies		
General sales tax	(19,132,696)	(21,310,910)
Gas Infrastructure Development Cess (GIDC)	(5,579,173)	(5,734,982)
Excise duty	(3,157,371)	(3,315,692)
Development surcharge	-	(49)
	(27,869,240)	(30,361,633)
	162,866,578	210,624,908

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

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

24.3 The Company has signed the supplemental Agreements with GoP for conversion of Petroleum Concession Agreements (PCA) to the Petroleum Exploration and Production Policy, 2012 in respect of various blocks. Price regimes prevailing in Petroleum Policy 2007, Petroleum Policy 2009 and Petroleum Policy 2012 shall be applicable correlated with the spud date of wells in the respective policies starting from 27 November 2007 and for future exploratory efforts under respective blocks.

In terms of supplemental agreements, draft statements in respect of Sheikhan, Gopang and Pakhro, TAL block - Mamikhel, Maramzai & Makori East discoveries - have been submitted to the GoP. GoP shall facilitate for issuance of necessary gas price notifications for payments to be made to the parties. Effect of adjustment arising from revision in sale price will be recognized upon issuance of gas price notifications by OGRA.

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

25 OPERATING EXPENSES

	Note	2016	2015
		(Rupees '000)	
Salaries, wages and benefits	25.1	15,214,752	14,065,027
Stores and supplies consumed		1,439,904	1,913,121
Contract services		1,854,126	1,709,615
Joint operations expenses		2,250,488	2,089,230
Workover charges		1,398,851	1,091,708
Traveling and transportation		800,648	651,539
Repairs and maintenance		935,596	1,239,635
Rent, fee and taxes		810,339	685,642
Insurance		215,869	309,134
Communication		42,544	42,757
Utilities		336,264	245,186
Land and crops compensation		736,160	553,803
Desalting, decanting and naphtha storage charges		58,104	68,780
Training, welfare and Corporate Social Responsibility (CSR)		2,107,025	959,743
Provision for slow moving, obsolete and in transit stores		163,178	237,427
Stores inventory written off		3,814	9,031
Depreciation	11.2	6,893,094	5,525,660
Amortization of development and production assets	12	15,266,568	16,281,337
Impairment on development and production assets	12	1,886,551	2,411,666
Impairment on property, plant and equipment	11	-	199,378
Transfer from general and administration expenses	28	2,538,202	2,533,226
Miscellaneous		8,601	9,686
		54,960,678	52,832,331
Stock of crude oil and other products:			
Balance at beginning of the year		317,476	420,626
Balance at end of the year		(291,904)	(317,476)
		54,986,250	52,935,481

25.1 These include charge against employee retirement benefits of Rs 1,698 million (2015: Rs 2,170 million).

26 OTHER INCOME

	Note	2016	2015
		(Rupees '000)	
Income from financial assets			
Interest income on:			
Investments and bank deposits		12,908,363	16,921,497
Delayed payments from joint operations partners		10,241	-
Delayed payments from customers		2,053	2,493
		12,920,657	16,923,990
Dividend income from NIT units		19,296	18,615
Un-realized gain on investments at fair value through profit or loss		6,356	13,893
Exchange (loss)/ gain - net		(37,543)	1,043,079
		12,908,766	17,999,577
Income from non financial assets			
Gain on disposal of property, plant and equipment		60,458	18,320
Gain on disposal of stores, spare parts and loose tools		40,421	40,396
Others		1,693,326	1,127,898
		1,794,205	1,186,614
		14,702,971	19,186,191

27 EXPLORATION AND PROSPECTING EXPENDITURE

	Note	2016	2015
Cost of dry and abandoned wells	13	4,909,724	4,850,138
Prospecting expenditure		9,638,571	6,777,380
		14,548,295	11,627,518

28 GENERAL AND ADMINISTRATION EXPENSES

	Note	2016	2015
		-----------(Rupees '000)-----------	
Salaries, wages and benefits	28.1	4,965,364	4,710,471
Joint operations expenses		1,097,036	1,013,500
Unallocated expenses of technical services		896,277	1,323,643
Traveling and transportation		312,882	327,882
Repairs and maintenance		104,421	140,200
Stores and supplies consumed		124,642	123,062
Rent, fee and taxes		154,471	157,969
Communication		52,361	47,794
Utilities		57,149	64,177
Training and scholarships		30,971	30,359
Legal and professional services		50,377	44,354
Contract services		172,865	146,307
Auditors' remuneration	28.2	20,310	18,016
Advertising		83,293	128,898
Insurance		3,895	3,759
Donations		-	330,000
Depreciation	11.2	205,799	197,940
Miscellaneous		40,151	48,818
		8,372,264	8,857,149
Allocation of expenses to:			
Operations	25	(2,538,202)	(2,533,226)
Technical services		(2,063,455)	(2,015,668)
		(4,601,657)	(4,548,894)
		3,770,607	4,308,255

28.1 These include charge against employee retirement benefits of Rs 572 million (2015: Rs 759 million).

28.2 Auditors' remuneration

	2016	2015
	-----------(Rupees '000)-----------	
M/s KPMG Taseer Hadi & Co., Chartered Accountants		
Annual audit fee	2,000	2,000
Half yearly review	800	800
Out of pocket expenses	280	280
Concession audit fee	4,391	4,150
Audit fee for claims lodged by employees under BESOS	262	270
Verification of Central Depository Company record	110	110
Certification of fee payable to OGRA	110	110
Dividend certification	300	400
	8,253	8,120
M/s A. F. Ferguson & Co., Chartered Accountants		
Annual audit fee	2,000	2,000
Half yearly review	800	800
Out of pocket expenses	280	280
Concession audit fee	4,608	4,395
Verification of Central Depository Company record	110	110
Dividend certification	100	-
Tax services	4,159	2,286
Audit of Employees Benevolent Fund	-	25
	12,057	9,896
	20,310	18,016

29 FINANCE COST

	Note	2016	2015
		(Rupees '000)	
Unwinding of discount on provision for decommissioning cost	8	1,700,742	2,536,838
Others		17,147	13,229
		1,717,889	2,550,067

30 TAXATION

	2016	2015
Current - charge/(credit)		
- for the year	21,853,820	37,279,117
- for prior year	(289,894)	8,160,981
	21,563,926	45,440,098
Deferred - (credit)/charge		
- for the year	(617,397)	706,322
- for prior year	(409,944)	(6,369,999)
	(1,027,341)	(5,663,677)
	20,536,585	39,776,421

30.1 Reconciliation of tax charge for the year:

	2016	2015
Accounting profit	80,507,387	127,025,453
Tax rate	52.62%	50.34%
Tax on accounting profit at applicable rate	42,362,987	63,944,613
Tax effect of royalty allowed for tax purposes	(7,032,918)	(9,320,933)
Tax effect of depletion allowance	(9,988,702)	(12,546,508)
Tax effect of amount not admissible for tax purposes	(782,751)	(977,230)
Tax effect of exempt income	(10,154)	(9,371)
Tax effect of income chargeable to tax at reduced corporate rate	(3,663,025)	(3,466,975)
Tax effect of prior years	(699,838)	1,790,982
Effect of super tax	410,559	526,977
Others	(59,573)	(165,134)
	20,536,585	39,776,421

30.2 Various appeals in respect of assessment years 1992-93 to 2002-03, tax years 2003 to 2015 are pending at different appellate forums in the light of the order of the Commissioner of Inland Revenue (Appeals) and decision of the Adjudicator, appointed by both the Company as well as the Federal Board of Revenue (FBR) mainly on the issues of decommissioning cost, depletion allowance, prospecting, exploration and development expenditure and tax rate. Total amount of tax demand against the major issues, raised in respect of assessment years 1992-93 to 2002-03 and tax years 2003-2015 amounts to Rs 66,643 million out of which an amount of Rs 63,302 million has been paid to tax authorities. Also refer to note 21.1 to 21.4 of the financial statements.

31 EARNINGS PER SHARE - BASIC AND DILUTED

	2016	2015
Profit for the year (Rupees '000)	59,970,802	87,249,032
Average number of shares outstanding during the year ('000)	4,300,928	4,300,928
Earnings per share - basic (Rupees)	13.94	20.29

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

32 OPERATING SEGMENTS

The financial statements have been prepared on the basis of a single reportable segment. Revenue from external customers for products of the Company is disclosed in note 24.

Revenue from five major customers of the Company constitutes 77% (2015: 75%) of the total revenue during the year ended 30 June 2016.

33 FINANCIAL INSTRUMENTS

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board's Risk Management Committee assists the Board in the identification and monitoring of the principal risks and opportunities of the Company ensuring that appropriate systems and internal control framework are in place to manage these risks and opportunities, including, safeguarding the public reputation of the Company. The Committee is required to over-see, report and make recommendations to the Board in respect of financial and non-financial risks faced by the Company.

33.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

The Company is exposed to credit risk from its operating and certain investing activities and the Company's credit risk exposures are categorized under the following headings:

33.1.1 Counterparties

The Company conducts transactions with the following major types of counterparties:

Trade debts

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. Majority of sales to the Company's customers are made on the basis of agreements approved by GoP.

Sale of crude oil and natural gas is at prices determined in accordance with the agreed pricing formula as approved by GoP under respective agreements. Prices of liquefied petroleum gas are determined by the Company subject to maximum of preceding months' average prices of Saudi Aramco. Sale of refined petroleum products is made at prices notified by OGRA.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade debts. This allowance is based on the management's assessment of a specific loss component that relates to individually significant exposures.

Bank balances and investments

The Company limits its exposure to credit risk by investing in liquid securities and maintaining bank accounts only with counterparties that have a credit rating of at least A1 and A. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations. In addition to the exposure with Banks, the Company also holds investments in Pakistan Investment Bonds and Term Finance Certificates issued by the State Bank of Pakistan and Power Holding (Private) Limited held by GoP respectively. These investments are considered highly secured. Investment in TFCs and PIBs are secured by GoP guarantee. The credit rating of the counterparties is as follows:

	2016		2015		
	Short term	Long term	Short term	Long term	Credit rating agency
National Bank of Pakistan	A-1+	AAA	A-1+	AAA	JCR-VIS
Allied Bank of Pakistan	A1+	AA+	A1+	AA+	PACRA
Askari Bank Limited	A1+	AA+	A1+	AA	PACRA
Bank Al-Falah Limited	A1+	AA	A1+	AA	PACRA
Bank Al-Habib limited	A1+	AA+	A1+	AA+	PACRA
Faysal Bank	A1+	AA	A1+	AA	PACRA
Habib Bank Limited	A-1+	AAA	A-1+	AAA	JCR-VIS
Habib Metropolitan Bank	A1+	AA+	A1+	AA+	PACRA
MCB Bank	A1+	AAA	A1+	AAA	PACRA
NIB Bank	A1+	AA-	A1+	AA-	PACRA
Soneri Bank Limited	A1+	AA-	A1+	AA-	PACRA
United Bank limited	A-1+	AAA	A-1+	AA+	JCR-VIS
Citibank N.A.	P-1	A1	P-1	A2	Moody's
Meezan Bank Limited	A1+	AA-	-	-	JCR-VIS

33.1.2 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2016	2015
	-----------(Rupees '000)-----------	
Long term investments	109,124,107	129,792,155
Long term loans and receivable	5,997,669	5,932,606
Trade debts - net of provision	111,204,186	121,411,485
Loans and advances	3,596,439	3,462,218
Deposits	22,112	21,025
Other receivables	101,820	103,434
Interest accrued	21,085,027	14,433,563
Current maturity of Term Finance Certificates	30,750,000	10,250,000
Other financial assets	11,131,164	9,525,037
Bank balances	7,839,827	12,959,975
	300,852,351	307,891,498

The maximum exposure to credit risk for financial assets at the reporting date by type of customer was:

	2016	2015
	-----------(Rupees '000)-----------	
Oil refining companies	12,270,830	18,057,449
Oil and gas marketing companies	90,096,501	88,783,767
Power generation companies	7,669,316	11,702,291
Banks and financial institutions	79,791,366	94,960,730
Power Holding (Private) Limited	100,138,759	93,501,837
Others	10,885,579	885,424
	300,852,351	307,891,498

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

	Note	2016	2015
		-----------(Rupees '000)-----------	
Investments			
AAA	14.2.1	6,384,972	5,862,129
Unrated	14.2.2 & 14.2.3	133,489,135	134,180,026
		139,874,107	140,042,155
Trade debts			
Customers with no defaults in the past one year		-	-
Customers with some defaults in past one year which have been fully recovered		3,322,833	2,496,615
Customers with defaults in past one year which have not yet been recovered		25,792,369	37,331,589
		29,115,202	39,828,204
Other financial assets			
AA+	22.1	11,131,164	9,525,037
Bank balances			
AAA		2,036,297	7,725,585
AA+		1,855,424	3,985,819
AA		3,943,739	1,248,489
AA-		4,357	72
A1		10	10
	23	7,839,827	12,959,975

The Company's most significant customers, an oil refining company and a gas marketing company (related party), accounts for Rs 69,420 million of the trade debts carrying amount at 30 June 2016 (2015: Rs 78,105 million).

The maximum exposure to credit risk for trade debts at the reporting date by type of product was:

	2016	2015
	-----------(Rupees '000)-----------	
Crude oil	12,270,727	18,057,346
Gas	98,845,594	103,229,734
Kerosene oil	1,984	1,984
High speed diesel oil	86	86
Naphtha	103	103
Liquefied petroleum gas	52,010	91,527
Other operating revenue	33,682	30,705
	111,204,186	121,411,485

33.1.3 Impairment losses

The aging of trade debts at the reporting date was:

	Note	30 June 2016		30 June 2015	
		Gross debts	Impaired	Gross debts	Impaired
		--------------------------------(Rupees '000)--------------------------------			
Not past due		29,115,202	-	39,828,204	-
Past due 0-30 days		3,968,071	-	8,194,459	-
Past due 31-60 days		2,641,376	-	6,522,394	-
Past due 61-90 days		2,755,428	-	5,066,143	-
Over 90 days		72,836,098	(111,989)	61,913,067	(112,782)
	17	111,316,175	(111,989)	121,524,267	(112,782)

The aging of trade debts from related parties at the reporting date was:

	Total	Not past due	Past due 0-30 days	Past due 31-90 days	Over 90 days	Impaired balance
	(Rupees '000)					
30 June 2016						
Enar Petrotech Services Limited	988,108	1,186,570	-	-	(198,462)	-
Pak Arab Refinery Company Limited	2,136,263	2,136,263	-	-	-	-
Sui Northern Gas Pipelines Limited	25,864,252	8,517,438	2,178,193	3,138,027	12,030,594	-
Sui Southern Gas Company Limited	64,230,178	4,834,990	1,163,159	1,778,031	56,453,998	-
WAPDA	21,282	-	-	-	21,282	(21,282)
Pakistan State Oil	1,867	-	-	-	1,867	-
	93,241,950	**16,675,261**	**3,341,352**	**4,916,058**	**68,309,279**	**(21,282)**
30 June 2015						
Enar Petrotech Services Limited	1,080,082	1,293,328	-	-	(213,246)	-
Pak Arab Refinery Company Limited	1,203,287	1,203,287	-	-	-	-
Sui Northern Gas Pipelines Limited	19,575,029	8,458,397	2,618,485	5,245,633	3,252,514	-
Sui Southern Gas Company Limited	69,206,667	8,504,813	2,588,324	5,086,509	53,027,021	-
WAPDA	21,282	-	-	-	21,282	(21,282)
Pakistan State Oil	1,867	-	-	-	1,867	-
	91,088,214	**19,459,825**	**5,206,809**	**10,332,142**	**56,089,438**	**(21,282)**

The movement in the allowance for impairment in respect of trade debts during the year was as follows:

	2016	2015
	-----------(Rupees '000)-----------	
Balance at beginning of the year	112,782	112,782
Written off during the year	(793)	-
Balance at end of the year	111,989	112,782

As explained in note 17 to the financial statements, the Company believes that no impairment allowance is necessary in respect of trade debts past due other than the amount provided. Trade debts are essentially due from oil refining companies, natural gas and liquefied petroleum gas transmission and distribution companies and power generation companies, the Company is actively pursuing for recovery of debts and the Company does not expect these companies to fail to meet their obligations.

The movement in the allowance for impairment in respect of loans, advances and other receivables during the year was as follows:

	2016	2015
	-----------(Rupees '000)-----------	
Balance at beginning of the year	197,472	197,472
Provision made during the year	-	-
Balance at end of the year	197,472	197,472

The allowance accounts in respect of trade receivables, loans and advances are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible, at that point the amount considered irrecoverable is written off against the financial asset directly.

The aging of principal amount of TFCs at the reporting date was:

	2016	2015
	(Rupees '000)	
Not past due	71,750,000	82,000,000
Over 90 days	10,250,000	-
	82,000,000	82,000,000

The aging of interest accrued on TFCs at the reporting date was:

	2016	2015
Not past due	1,868,432	2,350,772
Past due	16,270,327	9,151,065
	18,138,759	11,501,837

33.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to close out market positions due to dynamic nature of the business. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The maturity profile of the Company's financial liabilities based on the contractual amounts is as follows:

	30 June 2016		30 June 2015	
Trade and other payables	**Carrying amount**	**Contractual cash flows**	**Carrying amount**	**Contractual cash flows**
	(Rupees '000)		(Rupees '000)	
All the trade and other payables have maturity upto one year	38,121,711	38,121,711	39,455,935	39,455,935

33.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, equity price and crude oil price will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

33.3.1 Foreign currency risk management

PKR is the functional currency of the Company and as a result currency exposure arise from transactions and balances in currencies other than PKR. The Company's potential currency exposure comprise;

- Transactional exposure in respect of non functional currency monetary items.
- Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below;

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure is incurred by the Company in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as a part of overall risk management strategy. The Company does not enter into forward exchange contracts.

Exposure to foreign currency risk

The Company's exposure to foreign currency risk was as follows based on carrying values:

	2016	2015
USD ($)	-----------(Rupees '000)-----------	
Trade debts	67,059	100,696
Investments held to maturity	106,305	94,448
Cash and bank balances	4,995	52,413
Trade and other payables	(148,608)	(102,733)
	29,751	144,824
Euro (€)		
Trade and other payables	3,437	6,457

Foreign currency commitments outstanding at year end are as follows:

	2016	2015
	-----------(Rupees '000)-----------	
Euro (€)	6,173,974	9,555,780
USD ($)	35,594,447	31,255,354
GBP (£)	14,540	21,080
	41,782,961	40,832,214

The following significant exchange rates were applied during the year:

	Average rate		Reporting date mid spot rate	
	2016	2015	2016	2015
	----------------------------------(Rupees)----------------------------------			
USD 1	104.56	102.14	104.91	101.05

Foreign currency sensitivity analysis

A 10 percent strengthening of the PKR against the USD at 30 June 2016 would have decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 30 June 2015.

	2016	2015
	-----------(Rupees '000)-----------	
Profit and loss account	312,118	1,463,447

A 10 percent weakening of the PKR against the USD at 30 June 2016 would have had the equal but opposite effect on USD to the amounts shown above, on the basis that all other variables remain constant.

33.3.2 Interest rate risk management

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period. The Company adopts a policy to ensure that interest rate risk is minimized by investing in fixed rate investments like DSCs and TDRs while the Company has no borrowings.

Profile

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	2016	2015	2016	2015
	-------------------%	-------------------	-----------(Rupees '000)	-----------
Fixed rate instruments				
Financial assets				
Long term investments	7.35 to 11.5	9.91 to 11.5	57,874,107	58,042,155
Long term loans	10.53	11.79	1,078,569	1,142,360
Other financial assets	1.60 to 2.65	1.75 to 2.35	11,131,164	9,525,037
Cash and bank balances	0.20 to 5.75	0.20 to 7.00	7,692,851	12,849,120
			77,776,691	81,558,672
Financial liabilities			-	-
			77,776,691	81,558,672

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not have derivatives as hedging instruments recognized under fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

33.3.3 Other market price risk

The Company is following a policy to set aside reserve for self insurance of rigs, wells, plants, pipelines, vehicles, workmen compensation, losses of petroleum products in transit and is keeping such reserve invested in specified investments. The primary goal of the Company's investment strategy is to maximize investment returns on surplus funds. The Company's price risk arises from investments in NIT units which are designated at fair value through profit or loss, however, in accordance with the investment strategy the performance of NIT units is actively monitored and they are managed on a fair value basis.

Sensitivity analysis of price risk

A change of Rs 5 in the value of investments at fair value through profit and loss would have increased or decreased profit and loss by Rs 22.701 million (2015: Rs 22.701 million).

Sensitivity analysis of crude oil price risk

A change of USD 5 in average price of crude oil would increase or decrease profit by Rs 7,585 million (2015: Rs 7,372 million) on the basis that all other variables remain constant.

33.4 Fair values and risk management

The following table shows the carrying amounts and fair values of financial assets and liabilities. The fair value of financial asset measured at fair value is shown below. It does not include fair value information for financial asset and financial liabilities not measured at fair value as the carrying amount is a reasonable approximation of fair value.

		Carrying amount				
		Loans and receivables	Investments at fair value through profit or loss	Held to maturity	Other financial liabilities	Total
30 June 2016	**Note**	(Rupees '000)				
Financial assets measured at fair value						
Other financial assets	22	-	295,800	-	-	295,800
Financial assets not measured at fair value						
Long term investments	14.1 & 14.2	3,393,185	-	109,124,107	-	112,517,292
Long term loans and receivable	15	5,997,669	-	-	-	5,997,669
Trade debts - net of provision	17	111,204,186	-	-	-	111,204,186
Loans and advances	18	3,596,439	-	-	-	3,596,439
Deposits	19	22,112	-	-	-	22,112
Interest accrued		21,085,027	-	-	-	21,085,027
Other receivables	20	101,820	-	-	-	101,820
Current maturity of Term Finance Certificates	14.2	-	-	30,750,000	-	30,750,000
Other financial assets	22	11,131,164	-	-	-	11,131,164
Cash and bank balances	23	7,903,766	-	-	-	7,903,766
		164,435,368	295,800	139,874,107	-	304,605,275
Financial liabilities not measured at fair value						
Trade and other payables	9	-	-	-	38,121,711	38,121,711
		-	-	-	38,121,711	38,121,711

		Carrying amount				
		Loans and receivables	Investments at fair value through profit or loss	Held to maturity	Other financial liabilities	Total
30 June 2015	**Note**	(Rupees '000)				
Financial assets measured at fair value						
Other financial assets - NIT units	22	-	289,444	-	-	289,444
Financial assets not measured at fair value						
Long term investments	14.1 & 14.2	1,401,173	-	129,792,155	-	131,193,328
Long term loans and receivable	15	5,932,606	-	-	-	5,932,606
Trade debts - net of provision	17	121,411,485	-	-	-	121,411,485
Loans and advances	18	3,462,218	-	-	-	3,462,218
Deposits	19	21,025	-	-	-	21,025
Interest accrued		14,433,563	-	-	-	14,433,563
Other receivables	20	103,434	-	-	-	103,434
Current maturity of Term Finance Certificates	14.2	-	-	10,250,000	-	10,250,000
Other financial assets	22	9,525,037	-	-	-	9,525,037
Cash and bank balances	23	13,002,748	-	-	-	13,002,748
		169,293,289	289,444	140,042,155	-	309,624,888
Financial liabilities not measured at fair value						
Trade and other payables	9	-	-	-	39,455,935	39,455,935
		-	-	-	39,455,935	39,455,935

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. Since the majority of the financial assets are fixed rate instruments, there is no significant difference in market rate and the rate of instrument, fair value significantly approximates to carrying value.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3
	---------------------	(Rupees '000)	---------------------
30 June 2016			
Financial assets measured at fair value			
Other financial assets - NIT units	295,800	-	-
30 June 2015			
Financial assets measured at fair value			
Other financial assets - NIT units	289,444	-	-

Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

Investment in fair value through profit and loss account - held for trading

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date.

Investment in associate

The fair value of investment in associate is determined by reference to their quoted closing bid price at the reporting date. The fair value is determined for disclosure purposes.

Non - derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and/or issue new shares. There were no changes to Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirement.

34 CASH AND CASH EQUIVALENTS

	Note	2016	2015
		-----------(Rupees '000)-----------	
Cash and bank balances	23	7,903,766	13,002,748
Short term highly liquid investments	22	11,131,164	9,525,037
		19,034,930	22,527,785

35 NUMBER OF EMPLOYEES

	2016	2015
Total number of employees at the end of the year were as follows:		
Regular	9,077	9,475
Contractual	299	27
	9,376	9,502
Average number of employees during the year were as follows:		
Regular	9,276	9,690
Contractual	163	25
	9,439	9,715

36 RELATED PARTIES TRANSACTIONS

Government of Pakistan owns 74.97% (2015: 74.97%) shares of the Company. Therefore, all entities owned and controlled by the Government of Pakistan are related parties of the Company. Other related parties comprise associated company, major shareholders, directors, companies with common directorship, key management personnel, OGDCL employees empowerment trust and employees pension trust. The Company in normal course of business pays for electricity, gas and telephone to entities controlled by Government of Pakistan which are not material, hence not disclosed in these financial statements. Transactions of the Company with related parties and balances outstanding at year end are as follows:

	2016	2015
	-----------(Rupees '000)-----------	
Associated company		
Share of profit in associate - net of taxation	2,188,899	1,043,741
Major shareholders		
Government of Pakistan		
Dividend paid	17,267,376	29,988,201
Payable on account of Kunnar discount at 30 June	-	2,085,112
Payment on account of Kunnar discount during the year ended 30 June	2,085,112	-
Dividend payable at 30 June	1,451,040	5,078,640
OGDCL Employees' Empowerment Trust (OEET)		
Dividend paid	756,331	-
Dividend payable	10,500,000	9,225,000
Related parties by virtue of common directorship and GoP holdings		
Government Holdings (Private) Limited (GHPL)		
GHPL share (various fields) - net receivable	740,625	1,166,592
Power Holding (Private) Limited (PHPL)		
Markup earned	6,636,923	8,673,803
Balance of investment in TFCs receivable not yet due as at 30 June	71,750,000	82,000,000
Balance of past due principal repayment on TFCs as at 30 June	10,250,000	-
Balance of markup receivable on TFCs not yet due as at 30 June	1,868,432	2,350,772
Balance of past due markup receivable on TFCs as at 30 June	16,270,327	9,151,065
State Bank of Pakistan		
Interest earned on Pakistan Investment Bonds (PIBs)	5,867,299	5,838,861
Balance of investment in PIBs and markup receivable as at 30 June	54,149,061	53,380,191

	Note	2016	2015
		-----------(Rupees '000)-----------	
RELATED PARTIES TRANSACTIONS - Continued			
Pak Arab Refinery Company Limited			
Sale of crude oil		7,951,721	9,530,107
Trade debts as at 30 June		2,136,263	1,203,287
Sui Northern Gas Pipelines Limited			
Sale of natural gas		53,793,498	52,919,073
Purchase of high BTU value gas		-	2,991,030
Trade debts as at 30 June		25,864,252	19,575,029
Payable as at 30 June		73,880	473,503
Sui Southern Gas Company Limited			
Sale of natural gas		38,070,256	53,413,428
Pipeline rental charges		36,660	36,660
Trade debts as at 30 June		64,230,178	69,206,667
Pakistan State Oil Company Limited			
Purchase of petroleum, oil and lubricants		4,262,212	3,763,690
Trade debts as at 30 June		1,867	1,867
Payable as at 30 June		2,700	97,026
National Insurance Company Limited			
Insurance premium paid		624,631	523,358
Payable as at 30 June		-	9,565
National Logistic Cell			
Crude transportation charges paid		1,822,565	1,588,145
Payable as at 30 June		365,400	382,591
Enar Petrotech Services Limited			
Consultancy services		106,926	33,816
Sale of crude oil		7,798,062	9,261,452
Trade debts as at 30 June		988,108	1,080,082
Payable as at 30 June		-	4,748
Other related parties			
Contribution to staff benefit funds		1,486,261	12,767,909
Remuneration including benefits and perquisites of key management personnel	36.1	489,455	533,774

36.1 Key management personnel

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

	2016	2015
	-----------(Rupees '000)-----------	
Managerial remuneration	174,233	173,208
Housing and utilities	123,680	123,536
Other allowances and benefits	150,694	176,619
Medical benefits	3,117	4,511
Leave encashment	10,222	8,708
Contribution to pension fund	27,509	47,192
	489,455	533,774
Number of persons	31	40

36.2 The amounts of the trade debts outstanding are unsecured and will be settled in cash. No expense has been recognized in the current or prior years for bad or doubtful debts in respect of the amounts owed by related parties.

37 REMUNERATION OF CHIEF EXECUTIVES, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these financial statements for the remuneration of the chief executives and executives was as follows:

	2016		2015	
	Chief Executive	Executives	Chief Executives	Executives
	(Rupees '000)			
Managerial remuneration	14,912	3,529,780	8,725	3,184,496
Housing and utilities	8,090	2,757,985	5,914	2,372,960
Other allowances and benefits	13,501	3,859,869	9,727	3,547,221
Medical benefits	5	226,439	16	200,738
Leave encashment	556	48,737	1,961	51,737
Contribution to pension fund	2,325	557,946	2,377	867,654
	39,389	10,980,756	28,720	10,224,806
Number of persons including those who worked part of the year	1	2,153	2	2,110

- Executive means any employee whose basic salary exceeds Rs 500,000 (2015: Rs 500,000) per year.
- The remuneration of chief executives includes an amount of Rs 7.154 million (2015: Rs 20.845 million) related to final settlement of chief executives retired in prior years.
- The aggregate amount charged in these financial statements in respect of fee to 11 directors (2015: 13) was Rs 11.390 million (2015: Rs 27.755 million).

38 INFORMATION RELATING TO PROVIDENT FUND

Oil and Gas Development Company Limited (OGDCL) Employees' Provident Fund is a contribution plan for benefit of permanent employees of the Company. The Company does not contribute to the fund and the contributions are made by the employees only. The details based on unaudited financial statements of the Fund are as follows:

	2016	2015
	(Rupees '000)	
Net assets	4,724,312	4,359,446
Cost of investments made	4,653,623	4,214,749
Percentage of investments made	99%	97%
Fair value of investments	4,852,507	4,471,061
Break-up of investments at cost:		
NIT units	545,229	545,229
Term Deposit Receipts	2,800,000	2,600,000
Regular Income Certificates	850,000	850,000
Bank Balances	458,394	219,520
	4,653,623	4,214,749

All investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

During the year, the Company changed its policy for entitlement of pension fund whereby employees regularized after 01 January 2016 will contribute one basic salary towards provident fund annually and the Company shall match the contribution. No employee has been regularized after 01 January 2016.

39 DISCLOSURE REQUIREMENTS FOR ALL SHARES ISLAMIC INDEX

Following information has been disclosed with reference to circular No. 14 of 2015 dated 21 April 2016, issued by the Securities and Exchange Commission of Pakistan relating to "All Shares Islamic Index".

	Description	Explanation	
i)	Long term investments - asset	Interest bearing	
ii)	Long term loans and receivables - asset	Interest bearing/Non-interest bearing (Refer Note 15)	
iii)	Other financial assets	Interest bearing	
iv)	Loans and Advances - asset	Non-interest bearing	
v)	Deposits - asset	Non-interest bearing	
vi)	Segment Revenue	Disclosed in note 32	
vii)	Relationship with banks having Islamic windows	Mezan Bank Limited	
viii)	Bank Balances as at 30 June 2016		**(Rupees '000)**
		Placed under interest arrangement	7,688,568
		Placed under Shariah permissible arrangement	4,283
			7,692,851
vi)	Interest income on bank deposits for the year ended 30 June 2016	Placed under interest arrangement	216,518
		Placed under Shariah permissible arrangement	51
			216,569
vii)	Interest income on investments for the year ended 30 June 2016	Placed under interest arrangement	6,135,765
		Placed under Shariah permissible arrangement	-
			6,135,765
viii)	All sources of other income	Disclosed in note 26	
ix)	Exchange gain	Earned from actual currency fluctuations	

Disclosures other than above are not applicable to the Company.

40 INTEREST IN JOINT OPERATIONS

This disclosure is given to comply with the requirements of IFRS 11 'Joint Arrangements' and on the basis of management's interpretation, the Company has working interest in the following operated and non operated exploration licenses/ leases in Pakistan:

	Working interest	
	2016	**2015**
Exploration Licenses /Leases	%	%
Operated by OGDCL		
Nim Petroleum Concession		
- Exploratory	95.00	95.00
- Development	77.50	77.50
Tando Allah Yar Petroleum Concession		
- Exploratory	95.00	77.50
- Development	77.50	77.50
Nashpa Petroleum Concession		
- Exploratory	65.00	65.00
- Development	56.45	56.45
Sinjhoro Petroleum Concession		
- Exploratory	76.00	76.00
- Development	62.50	62.50
Guddu Petroleum Concession		
- Exploratory	70.00	70.00
- Development	57.76	57.76
Jakhro Development and Production Lease	77.50	77.50
Chaknaurang Mining Lease	85.00	85.00
Qadirpur Development and Production Lease	75.00	75.00
Jhal Magsi South Development and Production Lease	56.00	56.00
Chanda Mining Lease	72.00	72.00
Gurgalot Petroleum Concession	75.00	75.00
Khewari Petroleum Concession	95.00	95.00
Zin Petroleum Concession	95.00	95.00
Bitrism Petroleum Concession	95.00	95.00
Kohlu Petroleum Concession	40.00	40.00
Kalchas Petroleum Concession	50.00	40.00
Kohat Petroleum Concession	30.00	30.00
Armala Petroleum Concession	97.50	97.50

		Working interest	
		2016	2015
		%	
Hetu Petroleum Concession*		97.14	97.14
Pezu Petroleum Concession*		95.88	95.88
Ranipur Petroleum Concession*		95.00	95.00
Zorgarh Petroleum Concession*		95.80	95.80
Baratai Petroleum Concession*		97.50	97.50
Orakzai Petroleum Concession*		97.16	97.16
Tirah Petroleum Concession*		97.50	97.50
Zhob Petroleum Concession*		97.50	97.50
Pasni West Petroleum Concession*		97.50	97.50
Khanpur Petroleum Concession*		97.50	97.50
Plantak Petroleum Concession*		97.50	97.50
Gawadar Petroleum Concession*		97.50	97.50
Rakhshan Petroleum Concession*		97.50	97.50
South Kharan Petroleum Concession*		97.50	97.50
Khuzdar North Petroleum Concession*		97.50	97.50
Warnali Petroleum Concession*		97.50	97.50
Kulachi Petroleum Concession*		95.45	95.45

**Deeds of assignment of these Concessions have not yet been finalized.*

Non Operated	**Operator**		
Badin II Petroleum Concession	United Energy Petroleum Limited	49.00	49.00
Badin II (Revised) Petroleum Concession	United Energy Petroleum Limited	24.00	24.00
Badin III Petroleum Concession	United Energy Petroleum Limited	15.00	15.00
TAL Petroleum Concession			
- Exploratory	MOL Pakistan Oil and gas	30.00	30.00
- Development	MOL Pakistan Oil and gas	27.76	27.76
North Potwar Petroleum Concession	Ocean Pakistan Limited	20.00	20.00
Soan Petroleum Concession	Ocean Pakistan Limited	50.00	50.00
Ratana Petroleum Concession	Ocean Pakistan Limited	25.00	25.00
Pindori Petroleum Concession	Pakistan Oilfields Limited	50.00	50.00
East Potwar Petroleum Concession	Pakistan Petroleum Limited	50.00	50.00
Tajjal Petroleum Concession	ENI Pakistan	50.00	50.00
Kirthar Petroleum Concession	ENI Pakistan	20.00	20.00
East Badin Petroleum Concession	Spud Energy (Pty) Limited	40.00	40.00
Block 20 Petroleum Concession	OMV (Pakistan) Exploration GmbH	52.00	52.00
Ghouspur Petroleum Concession	Pakistan Exploration Limited	50.00	50.00
Block 28 Petroleum Concession	Tullow Oil Plc	5.00	5.00
Bannu West Petroleum Concession	Tullow Oil Plc	40.00	40.00
Offshore Block G Petroleum Concession	ENI Pakistan	33.33	33.33
Offshore Block U Petroleum Concession	United Energy Petroleum Limited	27.50	27.50
Offshore Block S Petroleum Concession	United Energy Petroleum Limited	50.00	50.00

41 APPLICABILITY OF IFRIC 4 "DETERMINING WHETHER AN ARRANGEMENT CONTAINS A LEASE"

International Accounting Standards Board (IASB) has issued IFRIC-4 “Determining whether an Arrangement contains a Lease”, which is effective for financial periods beginning on or after 1 January 2006. According to the said interpretation an arrangement conveys the right to use the asset, if the arrangement conveys to the purchaser (lessee) the right to control the use of the underlying asset. The right to control the use of the underlying asset is conveyed when the purchaser has the ability or right to operate the asset or direct others to operate the asset in a manner it determines while obtaining or controlling more than an insignificant amount of the output or other utility of the asset. Such arrangements are to be accounted for as a finance lease in accordance with the requirements of IAS 17- "Leases".

The Company signed gas sale agreements with Uch Power Limited and UCH II Power (Private) Limited, Independent Power Producers (IPPs), for supply of total output by production facilities at Uch and Uch II fields respectively. Both arrangement appears to fall in the definition of lease under the criteria specified in IFRIC 4. However, Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O No. 24(I)/2012 has decided to defer the implementation of IFRIC 4 to all companies which have executed implementation agreements with the Government/Authority or entity, this relaxation would be available till the conclusion of their agreements, entered on or before 30 June 2010. However, impact of IFRIC-4 is mandatory to be disclosed in the financial statements as per requirements of IAS-8.

Had this interpretation been applied, following adjustments to profit and loss account and balance sheet would have been made:

	2016	2015
	-----------(Rupees '000)-----------	
Profit for the year	59,970,802	87,249,032
Depreciation reversed	293,940	184,376
Amortization reversed	472,550	454,719
Finance income recognized	8,775,929	6,622,345
Addition to property, plant and equipment reversed	(287,348)	(59,222)
Sales revenue reversed	(8,435,679)	(6,280,954)
Tax impact at estimated effective rate	(231,150)	(290,843)
Adjusted profit for the year	60,559,044	87,879,453

Carried forward balance of unappropriated profit at the end of year would have been as follows:

	2016	2015
Adjusted unappropriated profit brought forward	408,398,297	361,768,113
Adjusted profit for the year	60,559,044	87,879,453
	468,957,341	449,647,566
Transfer to capital and other reserves	(3,075,319)	(850,000)
Other Comprehensive Income	(3,642,893)	(615,680)
Dividend paid	(20,214,364)	(39,783,589)
Adjusted unappropriated profit at end of the year	442,024,765	408,398,297
Unadjusted unappropriated profit at end of the year	425,093,910	392,055,684

42 Application of IFRS 2 - Share Based Payment

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme (the "Scheme") for employees of certain State Owned Enterprises (SOEs) and non-State Owned Enterprises where GoP holds significant investments (non-SOEs). The Scheme is applicable to permanent and contractual employees who were in employment of these entities on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The Scheme provides a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this Scheme, GoP shall transfer 12% of its investment in such SOEs and non-SOEs to a Trust Fund to be created for the purpose by each of such entities. The eligible employees would be allotted units by each Trust Fund in proportion to their respective length of service and on retirement or termination such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units as would be determined based on market price of listed entities or breakup value for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP.

The Scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund managed by the Privatization Commission of Pakistan for the payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP.

The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of the State Owned Enterprises need to be accounted for by the covered entities, including the Company, under the provisions of the amended International Financial Reporting Standard to share based payment (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities and Exchange Commission of Pakistan on receiving representation from some of the entities covered under the scheme and after having consulted the Institute of Chartered Accountants of Pakistan vide their Letter No. CAIDTS/PS& TAC/2011-2036 dated 02 February 2011 has granted exemption to such entities from the application of IFRS2 to the Scheme vide SRO 587 (I)/2011 dated 07 June 2011.

Had the exemption not been granted the staff costs of the Company for the year would have been higher by Rs Nil (2015: Rs 753 million), profit after taxation and unappropriated profit would have been lower by Rs Nil (2015: Rs 753 million), earnings per share would have been lower by Rs Nil (2015: Rs 0.18) per share and reserves would have been higher by Rs 30,137 million (2015: Rs 30,137 million).

The Privatization Commission has not paid any claims to unit holders since June 2011. The management believes that GoP is considering changes to the Scheme, and impact of any such changes cannot be determined as of 30 June 2016. Also refer note 9.4.

43 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors recommended final cash dividend at the rate of Rs 2.00 per share amounting to Rs 8,602 million in its meeting held on 24 August 2016 for approval of shareholders.

44 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 24 August 2016 by the Board of Directors of the Company.

45 GENERAL

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

Chief Executive **Director**