

OIL AND GAS DEVELOPMENT COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

		2018	2017	2016
	Note	(Rupees '000)		
SHARE CAPITAL AND RESERVES				
Share capital	5	43,009,284	43,009,284	43,009,284
Reserves	6	13,366,622	12,093,287	10,529,373
Unappropriated profit		494,180,516	457,881,766	425,093,910
		550,556,422	512,984,337	478,632,567
NON CURRENT LIABILITIES				
Deferred taxation	7	19,980,119	19,638,412	15,579,499
Deferred employee benefits	8	21,280,694	19,026,984	14,971,638
Provision for decommissioning cost	9	19,465,075	22,027,796	21,412,687
		60,725,888	60,693,192	51,963,824
CURRENT LIABILITIES				
Trade and other payables	10	36,705,914	39,170,859	46,328,588
Unpaid dividend	11	18,169,267	13,862,361	12,439,784
Unclaimed dividend		319,706	577,224	200,776
		55,194,887	53,610,444	58,969,148
		666,477,197	627,287,973	589,565,539
CONTINGENCIES AND COMMITMENTS				
	12			

The annexed notes 1 to 48 form an integral part of these financial statements.

Chief Financial Officer

Chief Executive

Director

		2018	2017	2016
	Note	(Rupees '000)		
NON CURRENT ASSETS				
Property, plant and equipment	13	124,063,611	128,336,018	120,542,404
Development and production assets - intangible	14	94,403,553	95,159,850	87,990,960
Exploration and evaluation assets	15	6,525,579	10,996,011	6,834,078
		224,992,743	234,491,879	215,367,442
Long term investments	16	27,617,446	42,665,810	112,517,292
Long term loans and receivable	17	7,344,145	6,817,374	5,997,669
Long term prepayments		664,958	852,691	882,466
		260,619,292	284,827,754	334,764,869
CURRENT ASSETS				
Stores, spare parts and loose tools	18	17,984,525	18,442,847	18,251,184
Stock in trade		346,829	376,390	291,904
Trade debts	19	163,691,820	118,574,468	111,204,186
Loans and advances	20	17,300,931	14,079,704	10,459,609
Deposits and short term prepayments	21	1,339,343	1,557,439	1,646,777
Other receivables	22	452,987	440,997	182,211
Income tax - advance	23	37,278,361	49,601,329	41,599,042
Current portion of long term investments	16.2	95,957,967	123,932,250	51,835,027
Other financial assets	24	67,834,662	11,295,722	11,426,964
Cash and bank balances	25	3,670,480	4,159,073	7,903,766
		405,857,905	342,460,219	254,800,670
		666,477,197	627,287,973	589,565,539

OIL AND GAS DEVELOPMENT COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	----- (Rupees '000) -----	
Profit for the year	78,736,295	63,803,402
Other comprehensive income/(loss) for the year		
Items that will not be reclassified to profit or loss:		
Remeasurement loss on employee retirement benefit plans	(625,359)	(7,300,321)
Current tax credit related to remeasurement gain/ loss on employee retirement benefit plans	339,945	3,656,731
Share of other comprehensive loss of the associate - net of taxation	(18,369)	(434)
	(303,783)	(3,644,025)
Total comprehensive income for the year	<u>78,432,512</u>	<u>60,159,377</u>

The annexed notes 1 to 48 form an integral part of these financial statements.

Chief Financial Officer

Chief Executive

Director

OIL AND GAS DEVELOPMENT COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
Note	----- (Rupees '000) -----	
Cash flows from operating activities		
Profit before taxation	112,626,761	89,137,462
Adjustments for:		
Depreciation	10,558,188	9,021,395
Amortization of development and production assets	15,910,719	13,900,593
Royalty	21,970,947	18,518,982
Workers' profit participation fund	5,927,724	4,691,445
Provision for employee benefits	4,380,003	4,870,101
Decommissioning cost	90,790	650,762
Un-winding of discount on provision for decommissioning cost	1,722,384	1,506,604
Reversal due to change in decommissioning cost estimates	(1,173,102)	-
Interest income	(10,984,022)	(12,420,725)
Un-realized loss/ (gain) on investments at fair value through profit or loss	44,904	(84,404)
Exchange (gain)/ loss on foreign currency investment and deposit accounts	(3,079,506)	4,039
Dividend income	(20,431)	(20,431)
(Gain)/ loss on disposal of property, plant and equipment	(59,445)	42,020
Provision for slow moving, obsolete and in transit stores	(19,618)	178,721
Stores inventory written off	421,200	-
Share of profit in associate	(3,074,868)	(1,827,239)
	155,242,628	128,169,325
Changes in:		
Stores, spare parts and loose tools	56,740	(370,384)
Stock in trade	29,561	(84,486)
Trade debts	(45,117,352)	(7,370,282)
Deposits and short term prepayments	218,096	89,338
Advances and other receivables	(3,587,712)	(4,698,586)
Trade and other payables	1,432,270	(1,948,329)
Cash generated from operations	108,274,231	113,786,596
Royalty paid	(19,279,507)	(20,397,735)
Employee benefits paid	(10,471,443)	(11,030,291)
Long term prepayments	187,733	29,775
Payment from self insurance reserve	(1,607)	(2,036)
Decommissioning cost paid	(296,202)	(1,357,317)
Payments to workers' profit participation fund-net	(7,391,445)	(7,637,231)
Income taxes paid	(20,885,846)	(25,620,703)
	(58,138,317)	(66,015,538)
Net cash from operating activities	50,135,913	47,771,058
Cash flows from investing activities		
Capital expenditure	(17,491,305)	(39,805,463)
Interest received	8,649,210	12,312,637
Dividends received	145,069	131,949
Encashment of investments	50,809,086	-
Purchase of investments	(2,519,766)	(422,366)
Proceeds from disposal of property, plant and equipment	96,970	62,430
Net cash generated from/ (used in) investing activities	39,689,264	(27,720,813)
Cash flows from financing activities		
Dividends paid	(36,809,433)	(24,006,545)
Net cash used in financing activities	(36,809,433)	(24,006,545)
Net increase/ (decrease) in cash and cash equivalents	53,015,744	(3,956,300)
Cash and cash equivalents at beginning of the year	15,074,591	19,034,930
Effect of movements in exchange rate on cash and cash equivalents	3,079,506	(4,039)
Cash and cash equivalents at end of the year	71,169,841	15,074,591

The annexed notes 1 to 48 form an integral part of these financial statements.

Chief Financial Officer

Chief Executive

Director

OIL AND GAS DEVELOPMENT COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

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 2016	43,009,284	836,000	7,470,000	2,118,000	20,000	85,373	425,093,910	478,632,567
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	63,803,402	63,803,402
Other comprehensive income/ (loss) for the year	-	-	-	-	-	-	(3,644,025)	(3,644,025)
Total comprehensive income for the year	-	-	-	-	-	-	60,159,377	60,159,377
Transfer to self insurance reserve	-	-	1,452,036	-	-	-	(1,452,036)	-
Charged to self insurance reserve	-	-	(2,036)	-	-	-	-	(2,036)
Transfer to undistributed percentage return reserve by an associated company	-	-	-	-	-	13,914	(13,914)	-
Transfer to self insurance reserve by an associated company	-	-	-	-	100,000	-	(100,000)	-
Transactions with owners of the company								
Distributions								
Final dividend 2016: Rs 2.00 per share	-	-	-	-	-	-	(8,601,857)	(8,601,857)
First interim dividend 2017: Rs 1.50 per share	-	-	-	-	-	-	(6,451,393)	(6,451,393)
Second interim dividend 2017: Re 1.00 per share	-	-	-	-	-	-	(4,300,928)	(4,300,928)
Third interim dividend 2017: Rs 1.50 per share	-	-	-	-	-	-	(6,451,393)	(6,451,393)
Total distributions to owners of the company	-	-	-	-	-	-	(25,805,571)	(25,805,571)
Balance as at 30 June 2017	<u>43,009,284</u>	<u>836,000</u>	<u>8,920,000</u>	<u>2,118,000</u>	<u>120,000</u>	<u>99,287</u>	<u>457,881,766</u>	<u>512,984,337</u>
Balance as at 1 July 2017	43,009,284	836,000	8,920,000	2,118,000	120,000	99,287	457,881,766	512,984,337
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	78,736,295	78,736,295
Other comprehensive income/ (loss) for the year	-	-	-	-	-	-	(303,783)	(303,783)
Total comprehensive income for the year	-	-	-	-	-	-	78,432,512	78,432,512
Transfer to self insurance reserve	-	-	1,051,607	-	-	-	(1,051,607)	-
Charged to self insurance reserve	-	-	(1,607)	-	-	-	-	(1,607)
Transfer to undistributed percentage return reserve by an associated company	-	-	-	-	-	23,335	(23,335)	-
Transfer to self insurance reserve by an associated company	-	-	-	-	200,000	-	(200,000)	-
Transactions with owners of the company								
Distributions								
Final dividend 2017: Rs 2.00 per share	-	-	-	-	-	-	(8,601,857)	(8,601,857)
First interim dividend 2018: Rs 1.75 per share	-	-	-	-	-	-	(7,526,625)	(7,526,625)
Second interim dividend 2018: Rs 3.00 per share	-	-	-	-	-	-	(12,902,785)	(12,902,785)
Third interim dividend 2018: Rs 2.75 per share	-	-	-	-	-	-	(11,827,553)	(11,827,553)
Total distributions to owners of the company	-	-	-	-	-	-	(40,858,820)	(40,858,820)
Balance as at 30 June 2018	<u>43,009,284</u>	<u>836,000</u>	<u>9,970,000</u>	<u>2,118,000</u>	<u>320,000</u>	<u>122,622</u>	<u>494,180,516</u>	<u>550,556,422</u>

The annexed notes 1 to 48 form an integral part of these financial statements.

Chief Financial Officer

Chief Executive

Director

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2018

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 (now the Companies Act, 2017). 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. The shares of the Company are 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.

Geographical location and addresses of all other business units of the Company have been disclosed in note 42.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 BASIS OF MEASUREMENT

These financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position;

- 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.

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2018

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 in profit or loss.

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 in profit or loss.

2.4.4 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 useful 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 useful lives, discount & 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	4,974
Property, plant and equipment would have been higher by	1,736
Development and production assets would have been higher by	2,065
Operating expenses would have been higher by	1,173
Total comprehensive income would have been lower by	785

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2018

2.4.5 Estimation of oil and natural gas reserves

Oil and gas reserves are an important element in calculation of amortization charge and for impairment testing of development and production assets of the Company. Estimates of oil and natural gas reserves are inherently imprecise, require the application of judgement 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.

During the year, the Company revised its estimates of reserves based on report from independent consultant hired for this purpose. The change has been accounted for prospectively, in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

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

	Rupees in million
Amortization charge would have been lower by	850
Development and production assets would have been higher by	850
Deferred tax liability and deferred tax expense would have been higher by	250
Total comprehensive income for the year would have been higher by	600

2.4.6 Employee benefits

Defined benefit plans are provided for permanent employees of the Company. The employees pension and gratuity plan are structured as separate legal entities managed by trustees. The Company recognizes deferred liability for post retirement medical benefits and accumulating compensated absences. 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 write downs 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 thereagainst on annual basis.

2.5 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The following International Financial Reporting Standards (IFRS Standards), interpretations and the amendments are effective for accounting periods beginning from the dates specified below:

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2018

- 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. The amendments are not likely to have an impact on Company's financial statements.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required on adoption of the standard.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.
- Amendment to IFRS 4 'Insurance Contracts'- Applying IFRS 9 'Financial Instruments' with IFRS 4 (effective for annual periods beginning on or after 1 July 2018). The amendment address issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from 1 July 2018 onwards to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied. The amendments are not likely to have an impact on Company's financial statements.
- IFRS 17, 'Insurance contracts' (effective for annual periods beginning on or after 1 January 2021) replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Company's financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current

OIL AND GAS DEVELOPMENT COMPANY LIMITED
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and deferred tax. The Company is currently assessing the requirements of IFRIC 23 to analyse its implications, if any, on the financial statements.

- Amendments to IAS 40 'Investment Property' - Transfers of Investment Property, (effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements
- Annual Improvements to IFRSs 2014-2016 Cycle - the improvements address amendments to following approved accounting standards:

Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.

Amendments to IFRS 1 'First-time adoption of IFRS' (effective for annual periods beginning on or after 1 January 2018) clarifies regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19 and IFRS 10.

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Company's financial statements.

OIL AND GAS DEVELOPMENT COMPANY LIMITED
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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 2018:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

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

- IFRIC 4 – Determining Whether an Arrangement Contains a Lease. Also refer note 44 to the financial
- 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 changes as indicated below:

- The Companies Act, 2017 (the Act) became applicable to the Company for the first time for the preparation of these financial statements. The Act forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. The Act also brought certain changes with regard to preparation and presentation of annual financial statements of the Company. These changes include change in nomenclature of the primary financial statements, reclassification of certain items of financial statements, elimination of duplicative disclosures with the International Financial Reporting Standards (IFRSs) disclosure requirements and incorporation of significant additional disclosures.

Following material reclassifications have been made as required by the Act:

- "Unpaid dividend" and "Unclaimed dividend" have been reclassified from "Trade and other payables" and shown separately on the face of the statement of financial position as required by the Act.
- "Interest accrued" has been reclassified to "current portion of long term investments".

A third statement of financial position as at 1 July 2016 also has been presented in accordance with the requirements of IAS 1 "Presentation of financial statements". Effects of retrospective reclassification are as follows:

	2017	2016
	----- (Rupees '000) -----	
Decrease in trade and other payables	14,439,585	12,640,560
Increase in current portion of long term investments	21,873,164	21,085,027

Additional disclosures required by the Act have been given in note 4, 12, 13, 17, 20, 32, 37, 38 and 42 to these financial statements.

- Amendments to IAS 7 'Statement of Cash Flows' became effective during the year. 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. However, this has no impact on the financial statements of the Company.

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. 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.

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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 records 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 2018. 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 or loss.

3.2 TAXATION

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

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 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 29.42% (2017: 28.24%) 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

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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 13 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 or loss.

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 the statement of profit or loss.

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 in profit or loss 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 profit or loss as they are incurred.

3.4.2 Exploration and evaluation assets

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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 in the statement of profit or loss 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 are charged to profit or loss.

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 or loss.

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 thirty seven 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

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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 statement of profit or loss.

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 in profit or loss, net of any depreciation/ amortization 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, 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

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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 profit or loss.

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 crude oil is recognized at the time of delivery to customers at refineries. Revenue from the sale of gas is recognized on the basis of joint meter reading at respective fields, whereas revenue from liquefied petroleum gas and Sulphur is recognized at the time of delivery to customers at fields.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of government levies. Prices of crude oil and gas are specified in relevant agreements. 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 profit or loss in the period in which they are incurred.

3.11 JOINT OPERATIONS

Investments 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.

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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 profit or loss 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 and receivables, advances, deposits, trade debts, interest accrued, other receivables, other financial assets 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 or loss.

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.

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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 or loss. 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 or loss.

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 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS DURING THE YEAR

The financial position and performance of the Company was particularly affected by following events and transactions during the reporting period:

- 4.1** During the year sales has increased due to commencement of LPG production from Kunnar-Pasakhi and Nashpa fields . Further, sales revenue has also increased due to increase in crude oil and natural gas prices.
- 4.2** During the year 20 wells were drilled in the Company's wholly owned fields/operated joint ventures and 4 wells in non-operated joint ventures.
- 4.3** Refer note 26.3 related to conversion of certain PCA's to Petroleum Policy 2012 and its related impacts on these financial statements.
- 4.4** As disclosed in note 19.1, trade debts have increased due to prevailing Inter-corporate circular debt issue in the Energy sector of Pakistan.
- 4.5** As described in note 16.2.3, past due amount from PHPL as at 30 June 2018 on account of principal and interest amounts to Rs 51,250 million and Rs 22,125 million respectively.
- 4.6** As disclosed in note 2.4.5, the Company has revised its estimates of reserves during the year based on report from independent consultant hired for this purpose.
- 4.7** As disclosed in note 2.4.4, the Company has revised its estimates of decommissioning cost, discount and inflation rates.

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5 SHARE CAPITAL

Authorized share capital

2018 ------(Number of shares)-----	2017		2018 ------(Rupees '000)-----	2017
<u>5,000,000,000</u>	<u>5,000,000,000</u>	Ordinary shares of Rs 10 each	<u>50,000,000</u>	<u>50,000,000</u>

Issued, subscribed and paid up capital

1,075,232,100	1,075,232,100	Ordinary shares of Rs 10 each issued for consideration other than cash (note 5.1)	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
<u>4,300,928,400</u>	<u>4,300,928,400</u>		<u>43,009,284</u>	<u>43,009,284</u>

- 5.1** In consideration for all the properties, rights, assets, obligations and liabilities of Oil and Gas Development Corporation 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% (2017: 74.97%) paid up capital of the Company.

	Note	2018 ------(Rupees '000)-----	2017
6 RESERVES			
Capital reserves:			
Capital reserve	6.1	836,000	836,000
Self insurance reserve	6.2	9,970,000	8,920,000
Capital redemption reserve fund - associated company	6.3	2,118,000	2,118,000
Self insurance reserve - associated company	6.4	320,000	120,000
Other reserves:			
Undistributed percentage return reserve - associated company	6.5	122,622	99,287
		<u>13,366,622</u>	<u>12,093,287</u>

- 6.1** This represents bonus shares issued by former wholly owned subsidiary - Pirkoh Gas Company (Private) Limited (PGCL) prior to merger. Accordingly, the reserve is not available for distribution to shareholders.
- 6.2** The Company has set aside a specific capital reserve for self insurance of rigs, buildings, wells, plants, pipelines, workmen compensation, vehicle repair and losses for petroleum products in transit. Refer note 16.2.1 for investments against this reserve. Accordingly, the reserve is not available for distribution to shareholders.
- 6.3** 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.
- 6.4** 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.
- 6.5** 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.

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	Note	2018 ------(Rupees '000)-----	2017 ------(Rupees '000)-----
7 DEFERRED TAXATION			
The balance of deferred tax is in respect of following temporary differences:			
Accelerated depreciation on property, plant and equipment		13,454,728	11,725,333
Expenditure of exploration and evaluation, development and production assets		7,223,087	9,645,295
Provision for decommissioning cost		(1,648,647)	(1,563,704)
Long term investment in associate		1,195,025	755,246
Provision for doubtful debts, claims and advances		(87,475)	(87,036)
Provision for slow moving and obsolete stores		(865,912)	(836,722)
Others		709,313	-
		<u>19,980,119</u>	<u>19,638,412</u>
8 DEFERRED EMPLOYEE BENEFITS			
Post retirement medical benefits	8.1	15,525,380	13,731,726
Accumulating compensated absences	8.2	5,755,314	5,295,258
		<u>21,280,694</u>	<u>19,026,984</u>
8.1 Post retirement medical benefits			
Movement in the present value of defined benefit obligation is as follows:			
Present value of defined benefit obligation at beginning of the year		13,731,726	10,975,188
Current service cost		340,908	374,480
Interest cost		1,255,181	973,357
Benefits paid		(324,394)	(320,219)
Remeasurement loss recognized in other comprehensive income		521,959	1,728,920
Present value of defined benefit obligation at end of the year		<u>15,525,380</u>	<u>13,731,726</u>
Movement in liability recognized in the statement of financial position is as follows:			
Opening liability		13,731,726	10,975,188
Expense for the year		1,596,089	1,347,837
Benefits paid		(324,394)	(320,219)
Remeasurement loss recognized in other comprehensive income		521,959	1,728,920
Closing liability		<u>15,525,380</u>	<u>13,731,726</u>
Expense recognized is as follows:			
Current service cost		340,908	374,480
Interest cost		1,255,181	973,357
		<u>1,596,089</u>	<u>1,347,837</u>
The expense is recognized in the following:			
Operating expenses - profit or loss		856,426	712,753
General and administration expenses - profit or loss		223,498	187,919
Technical services		516,165	447,165
		<u>1,596,089</u>	<u>1,347,837</u>
		2018	2017
Significant actuarial assumptions used were as follows:			
Discount rate per annum		10.00%	9.25%
Medical inflation rate per annum - retired		10.00%	9.25%
Medical inflation rate per annum - in service		10.00%	8.25%
Mortality rate		Adjusted SLIC 2001-2005	
Withdrawal rate		Low	Low
Weighted average duration of the obligation		11 years	11 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:

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		Impact on defined benefit obligation		
		Change in assumption	Increase in assumption	Decrease in assumption
		----- (Rupees '000) -----		
	Discount	1%	(2,350,640)	3,014,904
	Medical indexation	1%	3,035,083	(2,403,451)
	Withdrawal	10%	(4,734)	4,757
			1 year setback	1 year set forward
			----- (Rupees '000) -----	
	Mortality		20,017	(19,835)
The expected medical expense for the next financial year is Rs 1,924.378 million.				
			2018	2017
			----- (Rupees '000) -----	
8.2	Accumulating compensated absences			
	Present value of defined benefit obligation at beginning of the year		5,295,258	3,996,450
	Charge for the year - net		2,301,795	2,590,157
	Payments made during the year		(1,841,739)	(1,291,349)
	Present value of defined benefit obligation at end of the year		<u>5,755,314</u>	<u>5,295,258</u>
The rates of discount at 10% per annum (2017: 9.25%) and salary increase rate of 10% per annum (2017: 9.25%) were assumed.				
			2018	2017
			----- (Rupees '000) -----	
	The expense is recognized in the following:	Note		
	Operating expenses - profit or loss		1,230,561	1,364,408
	General and administration expenses - profit or loss		283,078	303,820
	Technical services		788,156	921,929
			<u>2,301,795</u>	<u>2,590,157</u>
9	PROVISION FOR DECOMMISSIONING COST			
	Balance at beginning of the year		22,027,796	21,412,687
	Provision during the year		894,272	1,337,053
	Decommissioning cost incurred during the year		(205,412)	(706,556)
			22,716,656	22,043,184
	Revision due to change in estimates		(4,973,965)	(1,521,992)
	Unwinding of discount on provision for decommissioning cost	31	1,722,384	1,506,604
	Balance at end of the year		<u>19,465,075</u>	<u>22,027,796</u>
The above provision for decommissioning cost is analyzed as follows:				
	Development and production wells		2,097,478	3,682,307
	Production facilities		910,691	2,296,513
	Unwinding of discount on provision for decommissioning cost			
	Development and production wells		14,219,101	14,111,220
	Production facilities		2,237,805	1,937,756
			<u>16,456,906</u>	<u>16,048,976</u>
			<u>19,465,075</u>	<u>22,027,796</u>
			2018	2017
Significant financial assumptions used were as follows:				
	Discount rate per annum		8.70%	7.94%
	Inflation rate per annum		5.04%	5.27%

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	Note	2018 ------(Rupees '000)-----	2017
10 TRADE AND OTHER PAYABLES			
Creditors		1,208,256	392,923
Accrued liabilities		10,782,003	13,940,426
Payable to partners of joint operations	10.1	5,974,969	5,415,565
Retention money payable		5,871,359	5,066,326
Royalty payable		3,312,058	620,618
Gas Infrastructure Development Cess (GIDC) payable		3,186,871	929,625
Petroleum Levy payable		121,541	-
Withholding tax payable		756,528	774,943
Trade deposits		127,398	118,298
Workers' profit participation fund - net		-	1,291,445
Employees' pension trust	10.2	3,475,216	8,833,994
Gratuity fund	10.3	184,450	122,881
Provident fund		57,282	-
Advances from customers		1,437,482	1,486,121
Other payables		210,501	177,694
		<u>36,705,914</u>	<u>39,170,859</u>

10.1 This includes payable to related parties amounting to Rs 2,607 million (2017: Rs 2,564 million) as per relevant Petroleum Concession Agreement (PCA).

10.2 Employees' pension trust

The amount recognized in the statement of financial position is as follows:

Present value of defined benefit obligation	85,457,981	85,239,047
Fair value of plan assets	<u>(81,982,765)</u>	<u>(76,405,053)</u>
Net liability at end of the year	<u>3,475,216</u>	<u>8,833,994</u>

The movement in the present value of defined benefit obligation is as follows:

Present value of defined benefit obligation at beginning of the year	85,239,047	72,609,026
Current service cost	2,872,823	2,611,515
Interest cost	7,598,534	6,717,574
Benefits paid	(6,185,462)	(4,458,735)
Past service cost	(474,085)	-
Remeasurement (gain)/ loss recognized in other comprehensive income	<u>(3,592,876)</u>	<u>7,759,667</u>
Present value of defined benefit obligation at end of the year	<u>85,457,981</u>	<u>85,239,047</u>

The movement in the fair value of plan assets is as follows:

Fair value of plan assets at beginning of the year	76,405,053	63,336,298
Expected return on plan assets	7,165,219	5,923,466
Contributions	8,299,022	9,418,723
Benefits paid	(6,185,462)	(4,458,735)
Remeasurement (loss)/ gain recognized in other comprehensive income	<u>(3,701,067)</u>	<u>2,185,301</u>
Fair value of plan assets at end of the year	<u>81,982,765</u>	<u>76,405,053</u>

The movement in liability recognized in the statement of financial position is as follows:

Opening liability	8,833,994	9,272,728
Expense for the year	2,832,053	3,405,623
Remeasurement loss recognized in other comprehensive income during the year	108,191	5,574,366
Payments to the fund during the year	<u>(8,299,022)</u>	<u>(9,418,723)</u>
Closing liability	<u>3,475,216</u>	<u>8,833,994</u>

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	2018	2017
	----- (Rupees '000) -----	
Expense recognized is as follows:		
Current service cost	2,872,823	2,611,515
Net interest cost	433,315	794,108
Past service cost	(474,085)	-
	<u>2,832,053</u>	<u>3,405,623</u>
Remeasurement (gain)/ loss recognized in other comprehensive income:		
Remeasurement (gain)/ loss on defined benefit obligation	(3,592,876)	7,759,667
Remeasurement loss/ (gain) on plan assets	3,701,067	(2,185,301)
	<u>108,191</u>	<u>5,574,366</u>

Plan assets comprise:	2018			2017		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
	----- (Rupees '000) -----					
Regular Income Certificates	-	46,445,567	46,445,567	-	26,898,643	26,898,643
Special Saving Account	-	15,921,598	15,921,598	-	11,285,088	11,285,088
Mutual funds	1,754,233	-	1,754,233	1,766,253	-	1,766,253
Term Deposits Receipts	-	16,485,127	16,485,127	-	35,656,031	35,656,031
Cash and bank balances	-	1,376,240	1,376,240	-	799,038	799,038
	<u>1,754,233</u>	<u>80,228,532</u>	<u>81,982,765</u>	<u>1,766,253</u>	<u>74,638,800</u>	<u>76,405,053</u>

Quoted plan assets comprise of 2.14% (2017: 2.31%) 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.

	2018	2017
	----- (Rupees '000) -----	
The expense is recognized in the following:		
Operating expenses - profit or loss	1,277,627	1,639,735
General and administration expenses - profit or loss	449,466	612,159
Technical services	1,104,960	1,153,729
	<u>2,832,053</u>	<u>3,405,623</u>
Actual return on plan assets	<u>3,464,152</u>	<u>8,108,767</u>

Significant actuarial assumptions used were as follows:

	2018	2017
Discount rate per annum	10.00%	9.25%
Salary increase rate per annum	10.00%	9.25%
Expected rate of return on plan assets per annum	10.00%	9.25%
Pension indexation rate per annum	5.50%	5.25%
Mortality rate	Adjusted SLIC 2001-2005	
Withdrawal rate	Low	Low
Weighted average duration of the obligation	11 years	11 years

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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%	(7,715,153)	9,255,583
Salary increase	1%	532,586	(571,932)
Pension indexation	1%	5,871,893	(5,041,971)
Withdrawal	10%	(4,968)	4,984
		1 year setback	1 year set forward
		------(Rupees '000)-----	
Mortality		(31,234)	34,707

The Company expects to make a contribution of Rs 3,475 million (2017: Rs 8,834 million) to the employees' pension trust during the next financial year and the expected expense for the next year amounts to Rs 2,945 million.

	2018	2017
	------(Rupees '000)-----	
10.3 Gratuity fund		
Opening liability	122,881	69,009
Expense for the year	72,597	56,837
Other comprehensive income	(4,739)	(2,965)
Benefits paid during the year	(6,289)	-
Closing liability	<u>184,450</u>	<u>122,881</u>

The expense is recognized in the following:

Operating expenses - profit or loss	37,014	25,997
General and administration expenses - profit or loss	10,700	23,311
Technical services	24,883	7,529
	<u>72,597</u>	<u>56,837</u>

11 UNPAID DIVIDEND

This includes an amount of Rs 17,356 million (2017: Rs 13,250 million) payable to OGDCL Employees' Empowerment Trust (OEET). 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, PCP vide letter no. F. No. 13(4)12/PC/BESOS/OGDCL dated 15 May 2018 has informed that the matter of BESOS, as a scheme, is pending adjudication before the Honorable Supreme Court of Pakistan, hence status quo may be maintained till final decision of Honourable Supreme Court of Pakistan.

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12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

12.1.1 Claims against the Company not acknowledged as debts amounted to Rs 1,845.976 million at year end (2017: Rs 1,568.441 million). Details of the major legal proceedings disclosed as contingencies are as follows:

Parties involved	Date of institution of the case	Court, agency or authority where proceedings are pending	Facts of the case and relief sought	2018	2017
				------(Rupees '000)-----	
Commissioner Inland Revenue	28-Dec-16	Supreme Court of Pakistan	Alleged default surcharge and penalty on short payment of sales tax for the period of 1999-2000 to 2007-08, in respect of Uch gas field. Islamabad High court passed judgement against OGDCL. OGDCL has filed a Civil Petition for Leave to Appeal (CPLA) in Supreme Court against the judgement. Management believes that there was no willful default and the matter was decided by ATIR in Company's favor.	515,967	515,967
Commissioner Inland Revenue	12-Apr-13	Appellate Tribunal Inland Revenue (ATIR)	Alleged short payment of sales tax for the period 2008-2009, mainly relating to inadmissible input tax on account of hotel charges, inventory write off and disallowing adjustment of credit notes. OGDCL has filed an appeal before ATIR against the decision of CIRA. Management believes that the Company has rightfully adjusted credit notes and claimed input tax in its returns.	337,364	337,364
Deputy Commissioner Inland Revenue (LTU), Islamabad	13-Jun-18	Commissioner Inland Revenue Appeals (CIRA)	Alleged short payment of sales tax for the period 2014-2015, relating to inadmissible input tax on account of hotel charges, vehicles and parts and input tax in respect of which out put tax is unverified. The case is currently pending before CIRA. Management believes that the Company has rightfully claimed input tax in its returns.	271,231	-
M/s Sprint Oil and Gas Service Pakistan	14-Sep-17	Islamabad High Court	OGDCL withheld sales tax on services provided by Sprint Oil and Gas Services Pakistan. Sprint filed a petition claiming that it is the responsibility of OGDCL to bear the tax and that Sprint Oil should be paid the amount in full, as per contract. However, management claims that as per the contract, any past or future taxes will be paid by Sprint. The case is in the High Court for hearing.	123,020	-
Other immaterial cases				1,247,582	853,331
				598,394	715,110
				1,845,976	1,568,441

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12.1.2 Certain banks have issued guarantees on behalf of the Company in ordinary course of business aggregating Rs 1.281 million (2017: Rs 1.321 million), refer note 25.1 to the financial statements.

12.1.3 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 vehicles amounted to Rs Nil (2017: Rs 1.045 million).

12.1.4 For contingencies related to tax matters, refer note 23.1 to 23.3 and note 32.2.1.

12.1.5 For contingencies related to sales tax and federal excise duty, refer note 20.4 and 20.5.

12.1.6 For matter relating to conversion of certain blocks to Petroleum Policy 2012, refer note 26.3.

12.2 Commitments

12.2.1 Commitments outstanding at year end amounted to Rs 56,311.686 million (2017: Rs 30,237.700 million). These include amounts aggregating to Rs 44,097.541 million (2017: Rs 22,567.871 million) representing the Company's share in the minimum work commitments under Petroleum Concession Agreements.

12.2.2 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 5,106.050 million (2017: Rs 6,644.095 million).

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

	2018	2017
	----- (Rupees '000) -----	
Capital expenditure:		
Share in joint operations	1,036,518	992,261
Others	349,020	288,608
	<u>1,385,538</u>	<u>1,280,869</u>

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13 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	Decommissioning cost	Capital work in progress (Note 13.3)	Stores held for capital expenditure	Total
Cost															
Balance as at 1 July 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
Additions during the year	8,068	-	74,748	1,018,107	48,419,917	87,789	3,296,028	92,521	84,930	8,078	266,713	898,055	13,872,787	340,009	68,467,750
Revision due to change in estimate	-	-	-	-	-	-	-	-	-	-	-	(416,916)	-	-	(416,916)
Disposals/transfers during the year	-	-	(61,331)	(27,950)	(35,593)	(5)	-	(862)	(19,794)	-	(123,963)	-	(49,379,841)	(739,247)	(50,388,586)
Balance as at 30 June 2017	264,326	54,039	4,453,540	6,636,605	152,151,379	5,111,227	19,548,760	1,265,705	2,039,099	160,057	5,650,220	2,296,513	14,156,074	2,268,000	216,055,544
Balance as at 1 July 2017	264,326	54,039	4,453,540	6,636,605	152,151,379	5,111,227	19,548,760	1,265,705	2,039,099	160,057	5,650,220	2,296,513	14,156,074	2,268,000	216,055,544
Additions during the year	-	-	54,599	265,939	16,856,552	143,776	613,712	44,599	115,400	7,328	64,922	350,219	2,767,510	2,746,601	24,031,157
Revision due to change in estimate	-	-	(16,200)	-	(1,003,049)	-	(18,511)	-	-	-	-	(698,282)	-	-	(1,736,042)
Disposals/transfers during the year	-	-	(19,086)	(8,886)	(310,155)	(68,324)	-	(7,159)	(105,121)	(58)	(260,989)	-	(14,559,847)	(426,908)	(15,766,533)
Balance as at 30 June 2018	264,326	54,039	4,472,853	6,893,658	167,694,727	5,186,679	20,143,961	1,303,145	2,049,378	167,327	5,454,153	1,948,450	2,363,737	4,587,693	222,584,126
Depreciation															
Balance as at 1 July 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
Charge for the year	-	1,052	223,481	304,843	7,414,802	417,606	1,025,565	95,478	154,075	7,921	285,065	104,920	-	(1,126)	10,033,682
On disposals	-	-	(19,657)	(3,166)	(18,538)	(5)	-	(804)	(18,985)	-	(103,893)	-	-	-	(165,048)
Balance as at 30 June 2017	-	54,036	2,403,976	2,145,735	59,482,101	2,573,263	11,671,567	881,774	1,880,098	112,432	4,964,825	1,123,708	-	90,965	87,384,480
Balance as at 1 July 2017	-	54,036	2,403,976	2,145,735	59,482,101	2,573,263	11,671,567	881,774	1,880,098	112,432	4,964,825	1,123,708	-	90,965	87,384,480
Charge for the year	-	-	198,327	320,605	8,810,245	413,833	1,219,973	93,502	124,308	8,391	266,560	89,718	-	(2,220)	11,543,242
On disposals	-	-	(10,752)	(8,886)	(308,988)	(68,287)	-	(6,882)	(103,692)	(56)	(234,710)	-	-	-	(742,253)
Balance as at 30 June 2018	-	54,036	2,591,551	2,457,454	67,983,358	2,918,809	12,891,540	968,394	1,900,714	120,767	4,996,675	1,213,426	-	88,745	98,185,469
Impairment															
Balance as at 1 July 2016	-	-	61,204	128,386	143,717	-	333	-	-	-	1,079	327	-	-	335,046
Charge for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2017	-	-	61,204	128,386	143,717	-	333	-	-	-	1,079	327	-	-	335,046
Balance as at 1 July 2017	-	-	61,204	128,386	143,717	-	333	-	-	-	1,079	327	-	-	335,046
Charge for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2018	-	-	61,204	128,386	143,717	-	333	-	-	-	1,079	327	-	-	335,046
Carrying amount - 30 June 2017	264,326	3	1,988,360	4,362,484	92,525,561	2,537,964	7,876,860	383,931	159,001	47,625	684,316	1,172,478	14,156,074	2,177,035	128,336,018
Carrying amount - 30 June 2018	264,326	3	1,820,098	4,307,818	99,567,652	2,267,870	7,252,088	334,751	148,664	46,560	456,399	734,697	2,363,737	4,498,948	124,063,611
Rates of depreciation (%)	-	3.3~4	2.5~8	2.5~8	4~20	10	10	15	33.33	10	20	2.5~10	-	-	-

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13.1 Particulars of Company's significant immovable property including location and area of land are as follows:

Particulars of land and buildings	Field/ Location	District	Area of land in Acres
Dakhni plant residential colony	Dakhni	Attock	65.58
Dakhni (expansion of plant)	Dakhni	Attock	7.04
Sadqal road	Sadqal	Attock	1.33
I-9 workshop/ Store/ OGTI Islamabad	Base Store I-9	Islamabad	10.91
Head office blue area Islamabad	Head Office	Islamabad	0.73
Masood Mansion	F-8 Markaz	Islamabad	0.33
Plot	Kuri Road	Islamabad	10.00
Plant residential colony	Nandpur	Multan	21.54
Plant residential colony	Dhodhak Plant	Taunsa	367.46
Dhodak colony	Regional office	Multan	31.92
Kot Adu	Logistic base	Taunsa	29.74
Regional office	Quetta (Mastung)	Quetta	62.38
Filling point	Tando Alam	Hyderabad	20.28
Officers residential colony	Tando Alaom	Hyderabad	11.02
Plant residential colony	Bobbi	Sanghar	46.00
Plant residential colony	Qadirpur	Ghotki	389.63
Uch pipe line	Uch	Dera Bugti	84.35
Tabular yard	Korangi	Karachi	2.53
Base store/ Workshop	Korangi	Karachi	15.60
Bungalow No. JM-298	Medical Center	Karachi	0.15
Lodge , D-35	Clifton	Karachi	0.20
Computer Center	Fateh Jang	Attock	0.50
Security check post	Nashpa Plant	Karak	14.99
Base Store	Khadeje	Karachi	61.00
Base Store	Chak Naurang	Chakwal	2.46
Dhuliyani Guest House	Pindi Gheb	Attock	0.25

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13.2 Cost and accumulated depreciation as at 30 June 2018 include Rs 51,131 million (2017: Rs 49,729 million) and Rs 33,288 million (2017: Rs 29,756 million) respectively being the Company's share in property, plant and equipment relating to joint operations operated by other working interest owners and are not in possession and control of the Company.

Operator wise breakup is summarised below:

	2018	2017	2018	2017
	Cost		Accumulated depreciation	
	------(Rupees '000)-----			
Pakistan Petroleum Limited	8,812,232	8,072,165	3,229,947	2,556,950
Eni Pakistan Limited	19,658,084	19,544,514	14,258,271	13,042,199
Pakistan Oilfields Limited	819,865	796,961	819,031	838,598
United Energy Pakistan Limited	2,837,472	2,770,634	2,636,580	2,441,546
Spud Energy Ptv Limited	118,649	116,160	118,604	118,551
Ocean Pakistan Limited	339,532	301,675	267,230	250,057
MOL Pakistan Oil and Gas B.V.	13,371,917	12,933,603	7,952,538	6,709,001
OMV (Pakistan) Exploration	5,079,667	5,101,942	3,918,515	3,714,920
Petroleum Exploration (Pvt) Limited	93,138	91,798	87,151	84,610
	<u>51,130,556</u>	<u>49,729,452</u>	<u>33,287,867</u>	<u>29,756,432</u>

	Note	2018	2017
		------(Rupees '000)-----	
13.3 The depreciation charge has been allocated to:			
Operating expenses	27	10,346,292	8,824,249
General and administration expenses	30	211,896	197,146
Technical services		985,054	1,012,287
		<u>11,543,242</u>	<u>10,033,682</u>

13.4 Capital work in progress		2018	2017
		------(Rupees '000)-----	
Production facilities and other civil works in progress:			
Wholly owned		880,146	4,709,830
Joint operations		1,396,354	9,388,608
		<u>2,276,500</u>	<u>14,098,438</u>
Construction cost of field offices and various bases/offices owned by the Company		87,237	57,636
		<u>2,363,737</u>	<u>14,156,074</u>

13.5 Details of property, plant and equipment sold:	Cost	Book value	Sale proceeds	Gain/ (loss)
	------(Rupees '000)-----			

Vehicles sold to following in-service/retiring employees as per Company's policy:

Mr. Amjad Saeed Yazdanie	1,994	1,628	1,628	-
Mr. Aijaz Kaleem Ashraf	1,807	1,515	1,515	-
Mr. Karimullah Khan	1,784	1,599	1,599	-
Mr. Mushtaq Ahmed Memon	1,772	1,168	1,168	-
Mr. Afzal Unus	1,772	1,094	1,094	-
Mr. Syed Irsahd Ali	1,772	1,024	1,024	-
Mr. Nazar Abass Zaidi	1,772	1,063	1,063	-
Mr. Khawaja Masood Ahmed	1,772	981	981	-
Mr. Saleem Jahangir	1,772	925	925	-
Mr. Mohammad Siddiqui	1,727	379	379	-
Mr. Saadullah Khan	1,727	295	295	-
Mr. Ashraf Anis	1,727	1,581	1,581	-
Mr. Ayub Shah	1,707	171	171	-
Dr. Syed Ahmed Nadeem	1,692	1	169	168
Mr. Mohammad Ayaz	1,692	1	169	168
Mr. Manzoor Hussain Memon	1,691	254	254	-
Mr. Syed Qasim Raza Naqvi	1,691	199	199	-
Dr. Asghar Ali	1,691	198	198	-
Mr. Liaqat Ali	1,691	169	169	-
Mr. Hassan Akhtar Javed	1,691	171	171	-

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13.5 Details of property, plant and equipment sold- Continued

	Cost	Book value	Sale proceeds	Gain/ (loss)
	------(Rupees '000)-----			
Mr. Momin Khan	1,691	70	169	99
Mr. Amanat Ali Qureshi	1,691	91	169	78
Mr. Abdul Rashid Wattoo	1,691	1	169	168
Mr. Abdul Rauf Mirza	1,691	1	169	168
Mr. Ayyaz Ahmad	1,691	1	169	168
Mr. Sohail Sharif	1,691	1	169	168
Mr. M. Fasih Akhtar	1,691	1	169	168
Mr. Ameen Aftab Khan	1,691	1	169	168
Mr. Shakeel Ahmad	1,691	1	169	168
Mr. S. Iftikhar Mustafa	1,691	1	169	168
Mr. Zahid Abbas	1,691	1	169	168
Mr. Abid Hussain Bhatti	1,691	1	169	168
Mr. Arshad Majeed	1,691	1	169	168
Mr. Muhammad Rizwan	1,691	1	169	168
Mr. Maqsood Ahmad	1,691	1	169	168
Mr. Fazal Karim Mangi	1,691	1	169	168
Mr. Ghulam Yasin	1,691	30	169	139
Mr. Shabbir Hussain	1,691	1	169	168
Mr. Nisar Ahmad	1,691	1	169	168
Mr. Naveed Rehmat	1,691	1	169	168
Mr. Aitzaz Ahmed	1,691	1	169	168
Mr. Khan Alam	1,691	1	169	168
Mr. Mohammad Zaib Khan	1,691	1	169	168
Mr. Mohammad Hussain	1,691	1	169	168
Mr. Arshad Malik	1,689	1,088	1,088	-
Syed Nadeem Hassan Rizvi	1,626	1	163	162
Mr. Malik Muhammad Afzal	1,626	1	163	162
Mr. Masood Nabi	1,626	1	163	162
Mr. Mukhtar Ahmad Anjum	1,399	1	140	139
Dr. Naseem Ahmad	1,369	1	137	136
Mr. Muhammaad Dawood	1,073	335	335	-
Mr. Altaf Hussain	1,073	492	492	-
Mr. Rizwan UL Haq	1,073	484	484	-
Mr. Qamar Husnain Naqvi	1,073	449	449	-
Mr. Mohammad Iqbal	1,073	427	427	-
Mr. Raees Ahmed	1,073	463	463	-
Mr. Nisar Mohammad	1,073	425	425	-
Mr. M. Nadeem Mian	1,073	314	314	-
Mr. Khurshid Ahmed	1,053	336	336	-
Mr. Khan Mohammad	1,053	546	546	-
Mr. Saifullah	1,053	447	447	-
Mr. Habibur Rehman	1,033	188	188	-
Mr. Ishrat Ullah	1,033	180	180	-
Mr. Abdul Razzaq	1,024	92	102	10
Mr. S Kaleem Akhtar	1,024	183	183	-
Mr. Qaiser Mehmood	1,024	192	192	-
Mr. Hameed Ullah Khan	1,024	55	102	47
Mr. Jamil Sarwar	1,024	55	102	47
Mr. Zulfiqar Ahmed	1,023	45	102	57
Mr. Liaqat Ali Farooq	1,023	122	122	-
Mr. Fayyaz Ahmad Memon	1,023	155	155	-
Mr. Rafiq Ahmad Khawaja	1,023	153	153	-
Mr. Munawar Ali Abbasi	1,023	153	153	-
Mr. Qurban Ali	1,023	153	153	-
Mr. Zahid Rasheed	1,023	75	102	27
Mr. Muhammad Ali Mirani	1,023	169	169	-
Mr. Azhar Mahmood	1,023	127	127	-
Mr. Ahsanullah Sheikh	1,023	18	102	84
Mr. Muhammad Mudassir	1,023	18	102	84
Mr. Muhammad Farooq	1,023	18	102	84

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13.5 Details of property, plant and equipment sold- Continued

	Cost	Book value	Sale proceeds	Gain/ (loss)
	----- (Rupees '000) -----			
Mr. Sohail Anwar	1,023	127	127	-
Mr. Zaheer Ahmad Mirza	1,023	127	127	-
Mr. Pir Asim Jan Sirhindi	1,023	125	125	-
Mr. Mumtaz Ali Soomro	1,023	140	140	-
Mr. Mohammad Ifrahim	1,023	155	155	-
Mr. Baig Ali	1,023	1	102	101
Mr. Abdul Jabbar	1,023	1	102	101
Mr. Nasir Jamal	1,023	1	102	101
Mr. Muhammad Ilyas	1,023	1	102	101
Mr. Nasir Khan	1,023	1	102	101
Mr. Mushfiq Hameed	1,023	1	102	101
Mr. Shams-ud-din Baig	1,003	106	106	-
Mr. Shahid Manzoor Malik	1,003	1	100	99
Mr. Mohammad Fahim	1,003	106	106	-
Mr. Shaukat Hayat	1,003	106	106	-
Mr. Irshad Muhammad	1,003	107	107	-
Mr. Khalid Amin Khan	1,003	92	100	8
Mr. Masood Iqbal	1,003	87	100	13
Mr. Niaz Ahmed Khaskheli	1,003	200	200	-
Mr. Muhammad Ali	1,003	18	100	82
Mr. Muhammad Ashraf	1,003	35	100	65
Ms. Shazia Talat	1,003	35	100	65
Mr. Imran Sadiq	1,003	1	100	99
Mr. Azhar Hussain Malik	1,003	1	100	99
Mr. Sajid Mehmood Khan	1,003	1	100	99
Mr. M. Asghar Khan	1,003	1	100	99
Mr. Gulzar Ahmad	1,003	1	100	99
Mr. Mohsin Ghani Shaikh	1,003	1	100	99
Mr. Abid Kamal	968	1	97	96
Mr. Mohammad Farooq	965	1	97	96
Mr. Manzoor Hussain Panhwar	965	1	97	96
Mr. Nasir ud Din	965	1	97	96
Mr. Sikandar Ali	884	697	697	-
Mr. Harish Chand Mannani	884	670	670	-
Mr. Sain Bux jamali	884	682	682	-
Mr. Shabir Ahmad	818	1	82	81
Mr. Malik Ejaz Ahmad Iqbal	818	1	81	80
Mr. Ghulam Abbas	811	1	81	80
Mr. Rashid Jamil Chauhan	811	1	81	80
Mr. Prevez Saeed	797	1	85	84
Mr. Hameed Afzal	774	1	77	76
	155,716	26,228	34,006	7,778
Computers/mobile phones, with individual book value not exceeding Rs 500,000, sold to employees as per Company's policy	18,290	710	2,165	1,455
Property, plant and equipment sold through public auction:				
Generating set to bidder, Mr. Riaz Hussain	2,270	505	180	(325)
Items with individual book value not exceeding Rs 500,000	562,600	1,724	60,140	58,416
	564,870	2,229	60,320	58,091
Items written off:				
Clifton Lodge, Karachi scrapped	13,223	8,334	478	(7,856)
Items with individual book value not exceeding Rs 500,000	27,679	24	1	(23)
	40,902	8,358	479	(7,879)
30 June 2018	779,778	37,525	96,970	59,445
30 June 2017	269,498	104,450	62,430	(42,020)

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14 DEVELOPMENT AND PRODUCTION ASSETS - intangible

Description	Producing fields		Shut-in fields		Wells in progress (Note 14.1)	Sub total	Decommissioning cost	Total
	Wholly owned	Joint operations	Wholly owned	Joint operations				
(Rupees '000)								
Cost								
Balance as at 1 July 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
Adjustment	893,454	2,844,084	(893,454)	(2,844,084)	-	-	-	-
Additions during the year	-	-	-	-	18,374,740	18,374,740	438,998	18,813,738
Revision due to change in estimate	-	-	-	-	-	-	(1,105,076)	(1,105,076)
Transfer from exploration and evaluation assets during the year	-	157,474	-	3,203,347	-	3,360,821	-	3,360,821
Transfers in/(out) during the year	5,087,714	11,301,709	2,303,365	220,003	(18,912,791)	-	-	-
Balance as at 30 June 2017	76,468,899	113,481,326	11,850,835	25,982,831	6,777,932	234,561,823	3,784,703	238,346,526
Balance as at 1 July 2017	76,468,899	113,481,326	11,850,835	25,982,831	6,777,932	234,561,823	3,784,703	238,346,526
Adjustment	236,818	3,983,068	(236,818)	(3,983,068)	-	-	-	-
Additions during the year	-	-	-	-	11,068,387	11,068,387	544,052	11,612,439
Revision due to change in estimate	(1,094,447)	(758,011)	(20,723)	(11,583)	-	(1,884,764)	(180,057)	(2,064,821)
Transfer from exploration and evaluation assets during the year	1,745,812	1,019,517	626,964	2,214,511	-	5,606,804	-	5,606,804
Transfers in/(out) during the year	2,431,727	8,873,836	3,026,508	857,805	(15,189,876)	-	-	-
Balance as at 30 June 2018	79,788,809	126,599,736	15,246,766	25,060,496	2,656,443	249,352,250	4,148,698	253,500,948
Amortization								
Balance as at 1 July 2016	46,864,767	72,042,256	607,904	878,321	-	120,393,248	3,045,308	123,438,556
Adjustment	(270,508)	(870,198)	270,508	870,198	-	-	-	-
Charge/(reversal of charge) for the year	5,338,032	9,069,252	8,784	5,649	-	14,421,717	(521,124)	13,900,593
Balance as at 30 June 2017	51,932,291	80,241,310	887,196	1,754,168	-	134,814,965	2,524,184	137,339,149
Balance as at 1 July 2017	51,932,291	80,241,310	887,196	1,754,168	-	134,814,965	2,524,184	137,339,149
Adjustment	529,961	(229,892)	(529,961)	229,892	-	-	-	-
Charge for the year	6,286,035	9,384,604	45,102	(2,919)	-	15,712,822	197,897	15,910,719
Balance as at 30 June 2018	58,748,287	89,396,022	402,337	1,981,141	-	150,527,787	2,722,081	153,249,868
Impairment								
Balance as at 1 July 2016	1,691,534	1,004,360	966,035	1,920,296	-	5,582,225	265,302	5,847,527
Charge for the year	-	-	-	-	-	-	-	-
Balance as at 30 June 2017	1,691,534	1,004,360	966,035	1,920,296	-	5,582,225	265,302	5,847,527
Balance as at 1 July 2017	1,691,534	1,004,360	966,035	1,920,296	-	5,582,225	265,302	5,847,527
Charge for the year	-	-	-	-	-	-	-	-
Balance as at 30 June 2018	1,691,534	1,004,360	966,035	1,920,296	-	5,582,225	265,302	5,847,527
Carrying amounts - 30 June 2017	22,845,074	32,235,656	9,997,604	22,308,367	6,777,932	94,164,633	995,217	95,159,850
Carrying amount - 30 June 2018	19,348,988	36,199,354	13,878,394	21,159,059	2,656,443	93,242,238	1,161,315	94,403,553

14.1 Wells in progress at year end represent:

Wholly owned
Joint operations

	2018	2017
	----- (Rupees '000) -----	
	1,428,411	3,320,371
	1,228,032	3,457,561
	2,656,443	6,777,932

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	Note	2018 ------(Rupees '000)-----	2017 ------(Rupees '000)-----
15 EXPLORATION AND EVALUATION ASSETS			
Balance at beginning of the year		8,720,362	5,153,857
Additions during the year		13,302,297	10,954,246
		<u>22,022,659</u>	<u>16,108,103</u>
Cost of dry and abandoned wells during the year	29	(10,086,127)	(4,026,920)
Cost of wells transferred to development and production assets during the year		(5,606,804)	(3,360,821)
		<u>(15,692,931)</u>	<u>(7,387,741)</u>
		6,329,728	8,720,362
Stores held for exploration and evaluation activities		195,851	2,275,649
Balance at end of the year		<u>6,525,579</u>	<u>10,996,011</u>
15.1 Liabilities, other assets and expenditure incurred on exploration and evaluation activities are:			
Liabilities related to exploration and evaluation		2,272,618	2,493,048
Exploration and prospecting expenditure	29	16,190,496	13,268,575
16 LONG TERM INVESTMENTS			
Investment in related party	16.1	8,040,333	5,108,472
Investments held to maturity	16.2	19,577,113	37,557,338
		<u>27,617,446</u>	<u>42,665,810</u>
16.1 Investment in related party - associate, quoted			
Mari Petroleum Company Limited (MPCL)			
Cost of investment (22,050,000 (2017: 22,050,000) fully paid ordinary shares of Rs 10 each including 14,700,000 (2017: 14,700,000) bonus shares)		73,500	73,500
Post acquisition profits brought forward		5,034,972	3,319,685
		<u>5,108,472</u>	<u>3,393,185</u>
Share of profit for the year - net of taxation		3,074,868	1,827,239
Share of other comprehensive loss of the associate - net of taxation		(18,369)	(434)
Dividend received		(124,638)	(111,518)
		<u>2,931,861</u>	<u>1,715,287</u>
		<u>8,040,333</u>	<u>5,108,472</u>
16.1.1 MPCL is a listed company incorporated in Pakistan and is principally engaged in exploration, production and sale of hydrocarbons. The Company has 20% (2017: 20%) holding in the associate. The market value of the investment in associate as of the year end is Rs 33,211 million (2017: Rs 34,743 million). The investment in associate company was made in accordance with the requirements under the repealed Companies Ordinance, 1984. During the year no new investments in associated company have been made.			
16.1.2 The tables below provides summarized financial statements 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 2018 (2017: year ended 30 June 2017) and not the Company's share of those amounts.			

	2018 ------(Rupees '000)-----	2017 ------(Rupees '000)-----
Summarized statement of financial position		
Current assets	114,405,530	65,303,768
Non-current assets	29,760,170	28,291,199
Current liabilities	(96,021,626)	(56,400,758)
Non-current liabilities	(7,952,336)	(11,656,539)
Net assets	<u>40,191,738</u>	<u>25,537,670</u>

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Reconciliation to carrying amounts:

Opening net assets	25,537,670	16,965,923
Total comprehensive income for the year	15,282,493	9,134,022
Dividends paid	(628,425)	(562,275)
Closing net assets	40,191,738	25,537,670
Company's percentage shareholding in the associate	20%	20%
Company's share in carrying value of net assets	8,038,348	5,107,534
Others	1,985	938
Carrying amount of investment	8,040,333	5,108,472

Summarized statement of comprehensive income

Revenue for the year - Gross	100,042,839	96,775,974
Profit for the year	15,374,340	9,136,194
Other comprehensive loss for the year	(91,847)	(2,172)
Total comprehensive income for the year	15,282,493	9,134,022

16.1.3 Effective 1 July 2014, the cost plus wellhead gas pricing formula was 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 years, from 2014, in line with the previous cost plus formula. Accordingly, the shareholders are entitled to a minimum return of 30%, net of all taxes, on shareholders' funds which is to be escalated in the event of increase in MPCL's gas or equivalent oil production beyond the level of 425 MMSCFD at the rate of 1%, net of all taxes, on shareholders' funds for each additional 20 MMSCFD of gas or equivalent oil produced, prorated for part thereof on annual basis, subject to a maximum of 45%. Any residual profits for the next ten years, from 2014, are to be reinvested for exploration and development activities in Mari as well as outside Mari field.

		2018	2017
	Note	----- (Rupees '000) -----	
		Restated	
16.2 Investments held to maturity			
Term Deposit Receipts (TDRs)	16.2.1	9,513,663	7,047,280
Investment in Pakistan Investment Bonds (PIBs)	16.2.2	-	53,452,792
Investment in Term Finance Certificates (TFCs)	16.2.3	106,021,417	100,989,516
		<u>115,535,080</u>	<u>161,489,588</u>
Less: Current portion shown under current assets			
Term Deposit Receipts (TDRs)		(186,559)	(239,942)
Investment in Pakistan Investment Bonds (PIBs)		-	(53,452,792)
Investment in Term Finance Certificates (TFCs)		(95,771,408)	(70,239,516)
	16.2.4	<u>(95,957,967)</u>	<u>(123,932,250)</u>
		<u>19,577,113</u>	<u>37,557,338</u>

16.2.1 These represent investments in local currency TDRs. Face value of these investments is Rs 9,327 million (2017: Rs 6,807 million) and carry effective interest rate of 6.70% (2017: 6.50%) 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 6.2 to the financial statements.

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16.2.2 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 was Rs 50.773 billion and carried interest rate of 11.50% per annum. These PIBs were issued on 19 July 2012 for a period of five years and matured on 19 July 2017 and were encashed by the Company.

16.2.3 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), which is government owned entity and a related party. These TFCs were subscribed by the Company in order to settle its overdue receivables from oil refineries and gas companies.

As per original terms of investor agreement between the Company and PHPL, 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 paid 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. As per original terms, principal repayment amounting to Rs 51,250 million (2017: Rs 30,750 million) was past due as at 30 June 2018. Further, interest due as of 30 June 2018 was Rs 24,021 million (2017: Rs 18,989 million) of which Rs 22,125 million (2017: Rs 17,179 million) was past due as of the statement of financial position date. The Company considers the principal and interest to be fully recoverable as these are backed by Sovereign Guarantee of Government of Pakistan.

On 23 October 2017, PHPL has communicated to the Company that a proposal was submitted by the Ministry of Energy (Power Division) to Economic Coordination Committee (ECC) of the Cabinet for extension in the tenure of TFCs of Rs 82 billion from 07 years to 10 years including extension in grace period from 03 years to 06 years. The ECC of the Cabinet considered and approved the proposal of Ministry of Energy (Power Division) subject to the condition that a revised term sheet, based on above, with the Company shall be agreed by PHPL. Pursuant to the approval, the principal installment payments shall be deferred till March 2019. PHPL has requested the Company to prepare revised term sheet for onward submission to Finance Division for approval. The Company has not yet agreed on the deferment plan and has requested Ministry of Energy to address the Company's point of view on overdue markup, etc and also define a mechanism of payments under the facility. As of 30 June 2018, the Company expects to realise the TFCs in accordance with the original terms of the investor agreement and accordingly adjustments, if any, in the financial statements will be made on finalization of the matter.

16.2.4 Current portion includes Rs 275 million (2017: Rs 240 million), Rs Nil (2017: Rs 2,644 million) and Rs 24,021 million (2017: Rs 18,990 million) accrued markup related to TDRs, PIBs and TFCs respectively.

	Note	2018 ------(Rupees '000)-----	2017
17 LONG TERM LOANS AND RECEIVABLE			
Long term loans:			
Secured	17.1	7,344,145	6,577,636
Unsecured		-	239,738
		<u>7,344,145</u>	<u>6,817,374</u>
17.1 Long term loans - secured			
Considered good:			
Loans to employess		8,647,829	7,726,096
Current portion shown under loans and advances	20	<u>(1,303,684)</u>	<u>(1,148,460)</u>
		<u>7,344,145</u>	<u>6,577,636</u>
17.1.1 Movement of carrying amount of loans to executives and other employees:			
Balance at beginning of the year		7,726,096	6,713,920
Disbursements		2,273,648	2,143,983
Repayments		<u>(1,351,915)</u>	<u>(1,131,807)</u>
Balance at end of the year		<u>8,647,829</u>	<u>7,726,096</u>

17.1.2 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 7,526.808 million (2017: Rs 6,605.666 million) which carry no interest. The balance amount carries an effective interest rate of 6.54% (2017: 7.37%) per annum. Interest free loans to employees have not been discounted as required by IAS 39 "Financial Instruments: Recognition and Measurement" as its effect is immaterial.

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17.1.3 Loans to employees include an amount of Rs 5.266 million (2017: Rs 11.469 million) receivable from key management personnel disclosed in note 38.2. Maximum aggregate amount outstanding at any time during the year was Rs 10.917 million (2017: Rs 17.413 million).

17.1.4 Loans to employees exceeding Rs 1 million.

Category	2018		2017	
	No of employees	Amount (Rupees '000)	No of employees	Amount (Rupees '000)
Rs 1 to Rs 2 million	854	1,243,701	976	1,366,523
Exceeding Rs 2 million upto Rs 3 million	710	1,766,388	598	1,482,005
Exceeding Rs 3 million upto Rs 5 million	669	2,500,205	614	2,329,389
Exceeding Rs 5 million upto Rs 10 million	158	991,393	111	717,630
Exceeding Rs 10 million upto Rs 25 million	27	343,464	12	139,698
	<u>2,418</u>	<u>6,845,151</u>	<u>2,311</u>	<u>6,035,245</u>

18 STORES, SPARE PARTS AND LOOSE TOOLS	Note	2018	2017
		----- (Rupees '000) -----	
Stores, spare parts and loose tools		19,980,453	20,196,020
Stores and spare parts in transit		947,349	1,209,722
		<u>20,927,802</u>	<u>21,405,742</u>
Provision for slow moving, obsolete and in transit stores	18.1	(2,943,277)	(2,962,895)
		<u>17,984,525</u>	<u>18,442,847</u>
18.1 Movement of provision for slow moving, obsolete and in transit stores			
Balance as at 1 July		2,962,895	2,784,174
(Reversal)/ provision for the year		(19,618)	178,721
Balance as at 30 June		<u>2,943,277</u>	<u>2,962,895</u>
19 TRADE DEBTS			
Un-secured, considered good		163,691,820	118,575,727
Un-secured, considered doubtful		110,730	110,730
		<u>163,802,550</u>	<u>118,686,457</u>
Provision for doubtful debts		(110,730)	(110,730)
Trade debts written off		-	(1,259)
		<u>163,691,820</u>	<u>118,574,468</u>

19.1 Trade debts include overdue amount of Rs 121,313 million (2017: Rs 82,707 million) on account of Inter-Corporate Circular debt, receivable from oil refineries and gas companies out of which Rs 70,969 million (2017: Rs 64,660 million) and Rs 38,111 million (2017: Rs 13,048 million) is overdue from related parties, Sui Southern Gas Company Limited and Sui Northern Gas Pipeline Limited respectively. The Government of Pakistan (GoP) is committed, hence continuously pursuing for satisfactory settlement of Inter-Corporate Circular debt issue, however, the progress is slower than expected resulting in accumulation of Company's trade debts. The Company considers this amount to be fully recoverable because the Government of Pakistan has been assuming the responsibility to settle the Inter-corporate circular debt in the Energy sector.

19.2 Total amount due from related parties as on 30 June 2018 is Rs 127,488 million (2017: 94,854 million) and maximum amount due at the end of any month during the year was Rs 129,381 million (2017: Rs 104,358 million). For name wise details refer note 38.

19.3 Included in trade debts is an amount of Rs 4,177 million (2017: Rs 2,981 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.

19.4 For aging of amount due from related parties, refer note 35.1.3.

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	Note	2018 ------(Rupees '000)-----	2017 ------(Rupees '000)-----
20 LOANS AND ADVANCES			
Advances considered good:			
Suppliers and contractors		229,678	379,447
Partners in joint operations	20.1 to 20.3	4,310,731	4,925,331
Sales tax	20.4 & 20.5	9,884,790	5,848,419
Gas Infrastructure Development Cess (GIDC)		-	753,857
Excise duty		890,207	435,724
Others		681,841	588,466
		<u>15,997,247</u>	<u>12,931,244</u>
Current portion of long term loans - secured	17.1	1,303,684	1,148,460
		<u>17,300,931</u>	<u>14,079,704</u>
Advances considered doubtful		187,835	187,835
		<u>17,488,766</u>	<u>14,267,539</u>
Provision for doubtful advances		(187,835)	(187,835)
		<u>17,300,931</u>	<u>14,079,704</u>

20.1 Total amount due from related party and associated companies as partner in joint operations in accordance with terms of related Petroleum Concession Agreement (PCA) in relation to operational activities of the Concessions as on 30 June 2018 is Rs 3,087 million (2017: 3,872 million) and maximum amount due at the end of any month during the year was Rs 4,194 million (2017: Rs 4,394 million). For name wise details refer note 38.

20.2 Advances to partners, having jurisdiction outside Pakistan, in joint operations located in Pakistan in accordance with the terms of relevant PCA in relation to operational activities of the Concession in Pakistan, are as under:

		2018 ------(Rupees '000)-----	2017 ------(Rupees '000)-----
Partners in Joint operations	Jurisdiction		
Ocean Pakistan Limited	Texas, USA	360,650	230,464
IPR Transoil Corporation	Texas, USA	88,191	14,915
Tullow Pakistan (Development) Limited	Dublin, Ireland	71,993	95,561
Spud Energy Pty Limited	Sydney, Australia	157,543	27,050
United Energy Pakistan Limited	Mauritius, East Africa	15,545	17,426
PKP Exploration Limited	London, England	3,276	20,692
OMV (Pakistan) Exploration	Vienna, Austria	-	158,747
KUFPEC Pakistan B.V.	Amsterdam, The Netherlands	-	27,277
PKP Exploration 2 Limited	Bedfordshire, United Kingdom	-	6,699
		<u>697,198</u>	<u>598,831</u>

20.3 For aging of amount due from related parties, refer note 35.1.3.

20.4 This includes an amount of Rs 3,180 million (2017: 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/revision of sales tax returns 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 filed an Intra Court appeal against the decision of the Islamabad High Court (IHC). IHC through its order dated 17 November 2016 dismissed the intra court appeal in favour of the Company. In January 2017, UPL filed Civil Petition for Leave to Appeal (CPLA) against the Company and others, before the Honorable Supreme Court of Pakistan against the decision of IHC, which is not yet fixed for hearing. FBR has linked the disposal of OGDCL's condonation request with the outcome of UPL's aforementioned CPLA. The Company and its legal advisors are confident that CPLA of UPL before Honorable Supreme Court of Pakistan will also be decided in favour of the Company and required condonations will be obtained and the amount will be recovered from UPL. Accordingly no provision in this respect has been made in these financial statements.

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20.5 This also includes recoveries of Rs 317 million (2017: Rs 317 million) made by the tax department during the year ended 30 June 2016, against Sales Tax and Federal Excise Duty (FED) demand of Rs 7,373 million (2017: Rs 6,968 million) relating to periods July 2011 to June 2015. The Honorable Appellate Tribunal Inland Revenue (ATIR) has accepted the companies appeals for the period 2011-12, 2012-13 and 2013-14 and annulled the demands of Rs 260 million, Rs 1,821 million and Rs 4,887 million respectively, passed by the tax authorities being void ab-intio and without jurisdiction respectively. The Commissioner Inland Revenue (CIRA) has filed sales tax reference before Islamabad High Court (IHC) against judgments of ATIR for the period 2012-13 and 2013-14 on 9 February 2018. The company has filed appeal before CIRA for the period 2014-15 on 13 June 2018, which is currently pending before CIRA. These demands were 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 believes that these demands were raised without legal validity and will be decided by IHC and CIRA in its favour as already decided by ATIR.

	2018	2017
	------(Rupees '000)-----	
21 DEPOSITS AND SHORT TERM PREPAYMENTS		
Security deposits	29,057	26,718
Short term prepayments	1,310,286	1,530,721
	<u>1,339,343</u>	<u>1,557,439</u>

		2018	2017
		------(Rupees '000)-----	
22 OTHER RECEIVABLES	Note		
Development surcharge		80,391	80,391
Claims receivable		55,873	140,664
Workers' profit participation fund - net	22.1	172,276	-
Others		144,447	219,942
		<u>452,987</u>	<u>440,997</u>
Claims considered doubtful		9,637	9,637
		<u>462,624</u>	<u>450,634</u>
Provision for doubtful claims		(9,637)	(9,637)
		<u>452,987</u>	<u>440,997</u>

22.1 Workers' profit participation fund - net

Payable at beginning of the year	(1,291,445)	(4,237,231)
Paid to the fund during the year - net	7,391,445	7,637,231
Charge for the year	(5,927,724)	(4,691,445)
Receivable/(payable) at end of the year	<u>172,276</u>	<u>(1,291,445)</u>

23 INCOME TAX - ADVANCE

Income tax- advance at beginning of the year		49,601,329	41,599,042
Income tax paid during the year		20,885,846	25,616,740
Income tax recovered by tax authorities during the year		-	3,963
Provision for current taxation - Profit or loss	32	(33,548,759)	(21,275,147)
Tax (charge)/credit related to remeasurement gain/loss on employee retirement benefit plans for the year - other comprehensive income		339,945	3,656,731
Income tax - advance at end of the year	23.1 to 23.3	<u>37,278,361</u>	<u>49,601,329</u>

23.1 This includes amount of Rs 21,467 million (2017: Rs 17,819 million) paid to tax authorities on account of disallowance of actuarial loss amounting to Rs 42,509 million which the Company claimed in its return for the tax years 2014, 2015, 2016 and 2017. 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 Company has filed appeals against the orders of CIRA in Appellate Tribunal Inland Revenue (ATIR) for tax years 2014, 2015 and 2016 on 8 January 2016, 8 June 2017, and 5 January 2018 respectively, and against order of Additional Commissioner Inland Revenue (ACIR) in CIRA for tax year 2017 on 27 June 2018 which are currently pending. The management, based on opinion of its tax consultant, believes that the actuarial loss is an admissible expense under the tax laws and there is reasonable probability that the matter will be decided in favor of the Company by appellate forums available under the law.

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23.2 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 5,372 million (2017: Rs 5,372 million) from the Company upto 30 June 2018. 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 vide order dated 17 February 2016, set aside the order of ATIR and remanded the case back to ATIR with the instructions to pass a speaking order. The case is currently pending before ATIR. Further, IHC vide order dated 20 August 2018 directed ATIR to preferably hear and decide the appeal of the Company within a period of sixty days and till the decision of ATIR, no coercive measures shall be adopted against the Company for recovery of disputed tax liability. 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 Energy (Petroleum Division) 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.

23.3 Income tax advance includes Rs 3,885 million (2017: Rs 3,580 million) mainly on account of disallowances made by the Additional Commissioner Inland Revenue (ACIR) in respect of decommissioning cost for tax year 2015 and workers' profit participation fund expense for tax year 2017 claimed by the Company in its return of income for the years ended 30 June 2015 and 2017. The Company has filed appeals against the said disallowances with ATIR on 8 June 2017 for tax year 2015 and with CIRA on 27 June 2018 for the tax year 2017, which are currently pending. Management believes that these disallowances are against income tax laws and regulations and accordingly no provision has been made in this respect in these financial statements.

	Note	2018 ----- (Rupees '000) -----	2017
24 OTHER FINANCIAL ASSETS			
Investment in Term Deposits	24.1	24,643,010	10,915,518
Investment in Treasury Bills - Government of Pakistan	24.2	42,856,351	-
Investment at fair value through profit or loss - NIT units		335,301	380,204
		<u>67,834,662</u>	<u>11,295,722</u>

24.1 This includes foreign currency TDRs amounting to USD 202.542 million (2017: USD 104.086 million), carrying interest rate ranging from 3.51% to 3.95% (2017: 2.75% to 3.35%) per annum, having maturities upto six months (2017: six months).

24.2 Treasury Bills were purchased on 26 June 2018 for 50 days at yield of 6.751% per annum respectively.

	Note	2018 ----- (Rupees '000) -----	2017
25 CASH AND BANK BALANCES			
Cash at bank:			
Deposit accounts	25.1	2,720,704	3,992,865
Current accounts		900,802	117,366
		3,621,506	4,110,231
Cash in hand		48,974	48,842
		<u>3,670,480</u>	<u>4,159,073</u>

25.1 These deposit accounts carry interest rate of 0.20% to 6.00% (2017: 0.20% to 5.70%) per annum and include foreign currency deposits amounting to USD 8.604 million (2017: USD 6.808 million). Deposits amounting to Rs 1.281 million (2017: Rs 1.321 million) with banks were under lien to secure bank guarantees issued on behalf of the Company.

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	2018	2017
	------(Rupees '000)-----	
26 SALES - NET		
Gross sales		
Crude oil	90,670,375	72,774,702
Gas	127,525,920	117,298,735
Liquefied petroleum gas	17,336,322	8,419,685
Sulphur	335,897	348,103
Gas processing	97,841	97,358
	<u>235,966,355</u>	<u>198,938,583</u>
Government levies		
General sales tax	(21,393,236)	(18,370,843)
Gas Infrastructure Development Cess (GIDC)	(5,365,237)	(5,620,883)
Petroleum Levy	(824,915)	-
Excise duty	(3,047,967)	(3,117,493)
	<u>(30,631,355)</u>	<u>(27,109,219)</u>
	<u>205,335,000</u>	<u>171,829,364</u>

- 26.1** Gas sales include sales from Uch II and Nur-Bagla fields invoiced on provisional prices. There may be adjustment in revenue upon issuance of final wellhead prices notification by Ministry of Energy (Petroleum Division), impact of which cannot be determined at this stage.
- 26.2** Kunnar Pasahki Deep (KPD) field final prices will be agreed between Sui Southern Gas Company Limited and the Company upon execution of Gas Sale Agreement (GSA) and adjustment, if any, will be incorporated in the books on finalization of GSA.
- 26.3** In respect of six of its operated concessions, namely, Gurgalot, Sinjhor, Bitrisim, Khewari, Nim and TAY Blocks and one non-operated Tal Block, Petroleum Concession Agreements (PCAs) were executed under the framework of Petroleum Policies 1994 and 1997. Later on, in pursuance to the option available under Petroleum Policy 2012, the Tal Block working interest owners wherein the Company's working interest is 27.7632% signed the Supplemental Agreement (SA) dated 28 August 2015 with the GoP for conversion of eligible existing and future discoveries under Tal PCA to the Petroleum Policy (PP), 2012. Further for aforementioned operated Concessions the Company also signed the SAs for conversion to PP 2012. Under the said arrangement, price regimes prevailing in PP 2007, PP 2009 and PP 2012 in terms of PP 2012 shall be applicable, correlated with the spud dates of the wells in the respective policies starting from 27 November 2007. The conversion package as defined in the SAs included windfall levy on natural gas only.

Oil and Gas Regulatory Authority (OGRA) has been notifying the revised wellhead prices in accordance with the Tal block SA for the period from the commencement of production of the respective discoveries. Accordingly, the financial impacts of the price revision were duly accounted for in the financial statements for the years ended 30 June 2016, 30 June 2017 and these financial statements on completion of the process laid down in the law and in line with the Company's accounting policy. Furthermore, these financial statements also include an amount of Rs 3,677 million which represents impact of the aforesaid gas price revisions of Tal block pertaining to the prior-period.

On 27 December 2017, the Ministry of Energy (Petroleum Division) notified amendments in Petroleum Policy 2012 after approval from the Council of Common Interests (CCI) dated 24 November 2017. These amendments include imposition of Windfall Levy on Oil/Condensate (WLO). Under the said Notification, the Supplemental Agreements already executed for conversion from Petroleum policies of 1994 and 1997 shall be amended within 90 days, failing which the working interest owners will not remain eligible for gas price incentive. On 03 January 2018, Directorate General Petroleum Concessions (DGPC) has required all exploration and production companies to submit supplemental agreements to incorporate the aforementioned amendments in Petroleum Concession Agreements (PCAs) signed under 1994 and 1997 policies, for execution within the stipulated time as specified above.

Based on a legal advice, the Company is of the view that terms of the existing PCAs as amended to-date through the Supplemental Agreements already executed cannot unilaterally be amended by the GoP through introduction of amendment nor can the GoP lawfully require and direct that such amendments be made to include imposition of WLO retrospectively and nor the GoP unilaterally hold and direct that the gas price incentive to which the Company is presently entitled to and receiving under the conversion package as enshrined under the Supplemental Agreement stands withdrawn or the Company ceases to be eligible for such incentive in case of failure to adopt the unilateral amendments in the existing PCAs. Accordingly, the aforementioned amendments as well as the subsequent letters requiring implementation of the amendments are not enforceable or binding upon the Company.

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The Company along with other Joint Venture Partners has challenged the applicability of WLO against the backdrop of Supplemental Agreements already executed pursuant to PP 2012 in the Honorable Islamabad High Court which has granted stay order till next date of hearing against the CCI decision dated 24 November 2017 on imposition of WLO. As mentioned above, the Company on the advice of its legal counsel is confident that it has sound grounds to defend the aforesaid issue in the Court and that the issue will be decided in favour of the Company.

The cumulative past benefit accrued and recorded in these financial statements by the Company upto 23 November 2017 in the form of revenue and profit after tax is Rs 8,550 million and 4,426 million, respectively. However, without prejudice to the Company's stance in the court case and as a matter of prudence, revenue of Rs 1,995 million related to gas price incentive against the supplemental agreements has been set aside on a point forward basis effective 24 November 2017 (the date of decision of CCI).

	Note	2018 ------(Rupees '000)-----	2017
27 OPERATING EXPENSES			
Salaries, wages and benefits	27.1	19,500,695	18,572,989
Stores and supplies consumed		1,587,361	1,339,252
Contract services		1,909,283	1,721,837
Joint operations expenses		1,474,275	1,943,713
Workover charges		2,039,726	1,681,124
Decommissioning cost		90,790	650,762
Travelling and transportation		578,335	524,715
Repairs and maintenance		1,148,193	945,506
Rent, fee and taxes		852,377	865,930
Insurance		167,942	167,833
Communication		44,459	41,842
Utilities		460,988	370,449
Land and crops compensation		452,392	449,958
Desalting, decanting and naphtha storage charges		82,010	115,104
Training, welfare and Corporate Social Responsibility (CSR)		1,036,469	1,471,368
Provision for slow moving, obsolete and in transit stores		(19,618)	178,721
Stores inventory written off		421,200	-
Depreciation	13.3	10,346,292	8,824,249
Amortization of development and production assets	14	15,910,719	13,900,593
Reversal due to change in decommissioning cost estimates		(1,173,102)	-
Transfer from general and administration expenses	30	3,263,763	2,898,070
Miscellaneous		9,350	5,685
		60,183,899	56,669,700
Stock of crude oil and other products:			
Balance at beginning of the year		376,390	291,904
Balance at end of the year		(346,829)	(376,390)
		60,213,460	56,585,214

27.1 These include charge against employee retirement benefits of Rs 2,171 million (2017: Rs 2,378 million).

	Note	2018 ------(Rupees '000)-----	2017
28 OTHER INCOME			
Income from financial assets			
Interest income on:			
Investments and bank deposits		10,979,511	12,127,451
Delayed payments from customers		4,511	293,274
		10,984,022	12,420,725
Dividend income from NIT units		20,431	20,431
Un-realized (loss)/gain on investments at fair value through profit or loss		(44,904)	84,404
Exchange gain - net		2,993,545	152,275
		13,953,094	12,677,835
Income from non financial assets			
Signature bonus	28.1	1,266,238	2,500,566
Gain/(loss) on disposal of property, plant and equipment		59,445	(42,020)
Gain on disposal of stores, spare parts and loose tools		100,173	38,950
Others		629,168	845,002
		2,055,024	3,342,498
		16,008,118	16,020,333

28.1 This represents amounts received as signature bonus in respect of allocation of LPG quota.

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	2018	2017	
Note	----- (Rupees '000) -----		
29 EXPLORATION AND PROSPECTING EXPENDITURE			
Cost of dry and abandoned wells	15	10,086,127	4,026,920
Prospecting expenditure		6,104,369	9,241,655
		<u>16,190,496</u>	<u>13,268,575</u>
30 GENERAL AND ADMINISTRATION EXPENSES			
Salaries, wages and benefits	30.1	6,263,584	6,128,367
Joint operations expenses		908,569	843,692
Unallocated expenses of technical services		921,859	936,519
Travelling and transportation		394,462	387,928
Repairs and maintenance		51,424	85,229
Stores and supplies consumed		21,487	99,874
Rent, fee and taxes		163,586	150,233
Communication		55,448	49,823
Utilities		66,854	56,072
Training and scholarships		44,205	32,953
Legal and professional services		48,466	47,315
Contract services		207,424	177,872
Auditors' remuneration	30.2	29,476	39,812
Advertising		74,904	77,808
Insurance		207	208
Depreciation	13.3	211,896	197,146
Miscellaneous		58,079	37,570
		<u>9,521,930</u>	<u>9,348,421</u>
Allocation of expenses to:			
Operations	27	(3,263,763)	(2,898,070)
Technical services		(2,170,305)	(2,210,709)
		<u>(5,434,068)</u>	<u>(5,108,779)</u>
		<u>4,087,862</u>	<u>4,239,642</u>

30.1 These include charge against employee retirement benefits of Rs 684 million (2017: Rs 823 million).

	2018	2017
Note	----- (Rupees '000) -----	
30.2 Auditors' remuneration		
M/s KPMG Taseer Hadi & Co., Chartered Accountants		
Annual audit fee	2,420	2,200
Half yearly review	968	880
Out of pocket expenses	339	308
Concession audit fee	4,363	4,417
Audit fee for claims lodged by employees under BESOS	240	262
Verification of Central Depository Company record	110	110
Verification of statement of free float of shares	220	-
Certification of fee payable to OGRA	220	220
UCH-II project cost verification	550	-
Dividend certification	330	210
Other non audit services	605	-
	<u>10,365</u>	<u>8,607</u>
M/s A. F. Ferguson & Co., Chartered Accountants		
Annual audit fee	2,420	2,200
Half yearly review	968	880
Out of pocket expenses	339	308
Concession audit fee	4,270	4,756
Verification of Central Depository Company record	110	110
Verification of statement of free float of shares	220	-
Dividend certification	110	210
Tax services	10,674	10,715
Other non audit services	-	12,026
	<u>19,111</u>	<u>31,205</u>
	<u>29,476</u>	<u>39,812</u>

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	Note	2018 ------(Rupees '000)-----	2017
31 FINANCE COST			
Unwinding of discount on provision for decommissioning cost	9	1,722,384	1,506,604
Others		7,502	8,030
		<u>1,729,886</u>	<u>1,514,634</u>
32 TAXATION			
Current - charge			
- for the year		33,548,759	17,766,128
- for prior years		-	3,509,019
		<u>33,548,759</u>	<u>21,275,147</u>
Deferred - charge for the year		341,707	4,058,913
		<u>33,890,466</u>	<u>25,334,060</u>
32.1 Reconciliation of tax charge for the year:			
Accounting profit		112,626,761	89,137,462
Tax rate		51.36%	47.41%
Tax on accounting profit at applicable rate		57,845,104	42,260,071
Tax effect of royalty allowed for tax purposes		(8,765,514)	(7,940,763)
Tax effect of depletion allowance		(11,848,492)	(9,218,842)
Tax effect of amount not admissible for tax purposes		(861,554)	(679,697)
Tax effect of exempt income		(10,493)	(9,686)
Tax effect of income chargeable to tax at reduced corporate rate		(4,026,359)	(3,178,565)
Tax effect of prior years		-	3,509,019
Effect of super tax		2,498,092	1,392,565
Others		(940,318)	(800,042)
		<u>33,890,466</u>	<u>25,334,060</u>

32.2 Management assessment of sufficiency of current income tax provision

A comparison of provision on account of income taxes with most recent tax assessment for last three years is as follows:

	2017	2016	2015
	------(Rupees '000)-----		
Tax assessed as per most recent tax assessment	22,976,877	22,677,647	44,618,122
Provision in financial statements *	14,109,397	18,973,167	39,496,917
	<u>8,867,480</u>	<u>3,704,480</u>	<u>5,121,205</u>

* This represents provision recorded in the financial statements till 30 June 2018 in respect of relevant tax years.

32.2.1 Various appeals in respect of assessment years 1992-93 to 2002-03, tax years 2003 to 2017 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, tax rate and super tax. Total amount of tax demand against the major issues, raised in respect of assessment years 1992-93 to 2002-03 and tax years 2003-2017 amounts to Rs 87,389 million out of which an amount of Rs 84,048 million has been paid to tax authorities. Also refer to note 23.1 to 23.3 of the financial statements. The Company computes tax based on the generally accepted interpretations of the tax laws and considering views followed by tax authorities to ensure that the sufficient provision for the purpose of taxation is available. According to management, the tax provision made in the financial statements is sufficient.

	2018	2017
33 EARNINGS PER SHARE - BASIC AND DILUTED		
Profit for the year (Rupees '000)	<u>78,736,295</u>	<u>63,803,402</u>
Average number of shares outstanding during the year ('000)	<u>4,300,928</u>	<u>4,300,928</u>
Earnings per share - basic (Rupees)	<u>18.31</u>	<u>14.83</u>

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

34 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 26.

Revenue from three major customers of the Company constitutes 61% (2017: 60%) of the total revenue during the year ended 30 June 2018.

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35 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 oversee, report and make recommendations to the Board in respect of financial and non-financial risks faced by the Company.

35.1 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:

35.1.1 Counterparties

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

Trade debts

Trade debts are essentially due from oil refining companies, gas distribution 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 six 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 Treasury Bills and Term Finance Certificates issued by the State Bank of Pakistan and Power Holding (Private) Limited respectively. Investment in TFCs and Treasury Bills are secured by GoP guarantee. The credit rating of the counterparties is as follows:

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	2018		2017		Credit rating agency
	Short term	Long term	Short term	Long term	
National Bank of Pakistan	A-1+	AAA	A-1+	AAA	JCR-VIS
Allied Bank of Pakistan	A1+	AAA	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
Standard Chartered Bank	A1+	AAA	A1+	AAA	PACRA
Barclays Bank	A-1	A	A-2	A-	Standards & Poor's
Deutsche Bank	A-2	BBB+	A-2	A-	Standards & Poor's
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
Dubai Islami Bank	A1	AA-	A1	AA-	JCR-VIS
MCB Bank	A1+	AAA	A1+	AAA	PACRA
Soneri Bank Limited	A1+	AA-	A1+	AA-	PACRA
United Bank limited	A-1+	AAA	A-1+	AAA	JCR-VIS
Citibank N.A.	P-1	A1	P-1	A1	Moody's
Meezan Bank Limited	A-1+	AA+	A1+	AA	JCR-VIS

35.1.2 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:

	2018	2017
	----- (Rupees '000) -----	
Long term investments	19,577,113	37,557,338
Long term loans and receivable	7,344,145	6,817,374
Trade debts - net of provision	163,691,820	118,574,468
Loans and advances	6,296,256	5,513,797
Deposits	29,057	26,718
Other receivables	200,320	360,606
Current portion of long term investments	95,957,967	123,932,250
Other financial assets	67,834,662	10,915,518
Bank balances	3,621,506	4,110,231
	<u>364,552,846</u>	<u>307,808,300</u>

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

	2018	2017
	----- (Rupees '000) -----	
Oil refining companies	22,599,449	15,209,166
Gas distribution companies	125,121,669	93,392,015
Power generation companies	16,538,448	8,552,991
State Bank of Pakistan	42,856,351	53,452,792
National Bank of Pakistan	557,271	7,116,236
Banks and financial institutions-others	37,220,908	14,956,793
Power Holding (Private) Limited	106,021,417	100,989,516
Others	13,637,333	14,138,791
	<u>364,552,846</u>	<u>307,808,300</u>

The credit quality of financial assets that can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

		2018	2017
		----- (Rupees '000) -----	
Long term investments			
AAA	16.2.1	9,513,663	7,047,280
Unrated	16.2.2 & 16.2.3	106,021,417	154,442,308
		<u>115,535,080</u>	<u>161,489,588</u>

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	Note	2018 ----- (Rupees '000) -----	2017
Trade debts			
Customers with no defaults in the past one year		-	92,563
Customers with some defaults in past one year which have been fully recovered		3,983,188	2,409,100
Customers with defaults in past one year which have not yet been recovered		37,155,775	30,677,460
		<u>41,138,963</u>	<u>33,179,123</u>
Other financial assets			
AA+	24	<u>67,499,361</u>	<u>10,915,518</u>
Bank balances			
AAA		3,528,149	1,682,444
AA+		81,011	180,760
AA		5,655	2,245,285
AA-		6,682	1,733
A1		9	9
	25	<u>3,621,506</u>	<u>4,110,231</u>

The Company's most significant customers, an oil refining company and a gas distribution company (related party), amounts to Rs 91,539 million of trade debts as at 30 June 2018 (2017: Rs 79,330 million).

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

	2018 ----- (Rupees '000) -----	2017
Crude oil	22,599,449	15,301,729
Gas	140,914,486	103,120,999
Kerosene oil	1,984	1,984
High speed diesel oil	86	86
Liquefied petroleum gas	85,937	116,759
Other operating revenue	89,878	32,911
	<u>163,691,820</u>	<u>118,574,468</u>

35.1.3 Impairment losses

The aging of trade debts at the reporting date was:

	Note	2018		2017	
		Gross debts	Impaired	Gross debts	Impaired
----- (Rupees '000) -----					
Not past due		41,138,963	-	33,179,123	-
Past due 0-30 days		8,056,582	-	6,672,914	-
Past due 31-60 days		8,525,671	-	4,175,799	-
Past due 61-90 days		8,670,419	-	3,852,659	-
Over 90 days		97,410,915	(110,730)	70,804,703	(110,730)
	19	<u>163,802,550</u>	<u>(110,730)</u>	<u>118,685,198</u>	<u>(110,730)</u>

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

	Total	Not past due	Past due 0-30 days	Past due 31-60 days	Past due 61-90 days	Over 90 days	Impaired balance
----- (Rupees '000) -----							
30 June 2018							
Enar Petroleum Refining Facility	2,364,918	2,578,164	-	-	-	(213,246)	-
Pak Arab Refinery Company Limited	1,893,408	1,859,828	4,124	82	1,837	27,537	-
Sui Northern Gas Pipelines Limited	47,108,297	8,661,386	1,891,320	3,487,291	3,149,401	29,918,899	-
Sui Southern Gas Company Limited	78,013,372	7,044,024	2,837,389	2,791,533	2,493,767	62,846,659	-
WAPDA	21,282	-	-	-	-	21,282	(21,282)
Pakistan State Oil	1,867	-	-	-	-	1,867	-
	<u>129,403,144</u>	<u>20,143,402</u>	<u>4,732,833</u>	<u>6,278,906</u>	<u>5,645,005</u>	<u>92,602,998</u>	<u>(21,282)</u>

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30 June 2017

Enar Petroleum Refining Facility	1,462,469	1,675,715	-	-	-	(213,246)	-
Pak Arab Refinery Company Limited	2,195,180	2,143,796	51,384	-	-	-	-
Sui Northern Gas Pipelines Limited	22,250,325	8,648,457	2,252,470	1,378,063	2,032,594	7,938,741	-
Sui Southern Gas Company Limited	71,139,620	6,479,805	2,047,636	1,932,431	1,720,204	58,959,544	-
WAPDA	21,282	-	-	-	-	21,282	(21,282)
Pakistan State Oil	1,867	-	-	-	-	1,867	-
	<u>97,070,743</u>	<u>18,947,773</u>	<u>4,351,490</u>	<u>3,310,494</u>	<u>3,752,798</u>	<u>66,708,188</u>	<u>(21,282)</u>

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

	2018	2017
	----- (Rupees '000) -----	
Balance at beginning of the year	110,730	111,989
Written off during the year	-	(1,259)
Balance at end of the year	<u>110,730</u>	<u>110,730</u>

As explained in note 19 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 aging of loan and advances from related parties at the reporting date was:

	2018	2017
	----- (Rupees '000) -----	
Not past due	3,087	3,872
Past due	-	-
	<u>3,087</u>	<u>3,872</u>
Impaired	-	-
	<u>3,087</u>	<u>3,872</u>

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

	2018	2017
	----- (Rupees '000) -----	
Balance at beginning of the year	197,472	197,472
Provision made during the year	-	-
Balance at end of the year	<u>197,472</u>	<u>197,472</u>

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:

	2018	2017
	----- (Rupees '000) -----	
Not past due	30,750,000	51,250,000
Past due	51,250,000	30,750,000
	<u>82,000,000</u>	<u>82,000,000</u>

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

	2018	2017
Not past due	1,896,357	1,810,043
Past due	22,125,060	17,179,473
	<u>24,021,417</u>	<u>18,989,516</u>

35.2 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.

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

	2018		2017	
	Carrying amount	Contractual cash flows	Carrying amount	Contractual cash flows
(Rupees '000)				
All the trade and other payables have maturity upto one year				
Trade and other payables	24,174,486	24,174,486	25,111,232	25,111,232
Unpaid dividend	18,169,267	18,169,267	13,862,361	13,862,361
Unclaimed dividend	319,706	319,706	577,224	577,224
	<u>42,663,459</u>	<u>42,663,459</u>	<u>39,550,817</u>	<u>39,550,817</u>

35.3 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.

35.3.1 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:

	2018	2017
USD (\$)		
Trade debts	111,526	81,965
Investments held to maturity	202,542	104,086
Cash and bank balances	8,621	6,808
Trade and other payables	(97,971)	(120,017)
	<u>224,718</u>	<u>72,842</u>
Euro (€)		
Trade and other payables	1,918	1,758

	2018	2017
(Rupees '000)		
Foreign currency commitments outstanding at year end are as follows:		
Euro	5,564,569	1,757,195
USD	32,630,567	29,314,245
GBP	44,712	11,092
	<u>38,239,848</u>	<u>31,082,532</u>

The following significant exchange rates were applied during the year:

USD 1	Average rate		Reporting date mid spot rate	
	2018	2017	2018	2017
(Rupees)				
	<u>110.094</u>	<u>104.94</u>	<u>121.63</u>	<u>105.07</u>

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Foreign currency sensitivity analysis

A 10 percent strengthening of the PKR against the USD at 30 June 2018 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 2017.

	2018	2017
	----- (Rupees '000) -----	
Profit and loss account	2,733,245	765,351

A 10 percent weakening of the PKR against the USD at 30 June 2018 would have had the equal but opposite effect on USD to the amounts shown above, on the basis that all other variables remain constant.

35.3.2 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 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:

	2018	2017	2018	2017
	----- % -----		----- (Rupees '000) -----	
Fixed rate instruments				
Financial assets				
Investments	6.7	6.50 to 11.5	9,513,663	60,500,072
Long term loans	6.54	7.37	1,121,021	1,120,430
Other financial assets	3.51 to 6.75	2.75 to 3.35	67,499,361	10,915,518
Cash and bank balances	0.20 to 6.00	0.20 to 5.70	2,720,704	3,992,865
			80,854,749	76,528,885
Financial liabilities			-	-
			80,854,749	76,528,885

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.

35.3.3 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 (2017: 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 8,184 million (2017: Rs 7,585 million) on the basis that all other variables remain constant.

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35.4 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 assets measured at fair value is shown below. It does not include fair value information for financial assets 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 2018	Note	----- (Rupees '000) -----				
Financial assets measured at fair value						
Other financial assets	24	-	335,301	-	-	335,301
Financial assets not measured at fair value						
Long term investments	16.1 & 16.2	8,040,333	-	19,577,113	-	27,617,446
Long term loans and receivable	17	7,344,145	-	-	-	7,344,145
Trade debts - net of provision	19	163,691,820	-	-	-	163,691,820
Loans and advances	20	6,296,256	-	-	-	6,296,256
Deposits	21	29,057	-	-	-	29,057
Other receivables	22	200,320	-	-	-	200,320
Current portion of long term investments	16	-	-	95,957,967	-	95,957,967
Other financial assets	24	67,499,361	-	-	-	67,499,361
Cash and bank balances	25	3,670,480	-	-	-	3,670,480
		<u>256,771,772</u>	<u>335,301</u>	<u>115,535,080</u>	<u>-</u>	<u>372,642,153</u>
Financial liabilities not measured at fair value						
Trade and other payables	10	-	-	-	24,174,486	24,174,486
Unpaid dividend		-	-	-	18,169,267	18,169,267
Unclaimed dividend		-	-	-	319,706	319,706
		<u>-</u>	<u>-</u>	<u>-</u>	<u>42,663,459</u>	<u>42,663,459</u>
		Carrying amount				
		Loans and receivables	Investments at fair value through profit or loss	Held to maturity	Other financial liabilities	Total
30 June 2017	Note	----- (Rupees '000) -----				
Financial assets measured at fair value						
Other financial assets - NIT units	24	-	380,204	-	-	380,204
Financial assets not measured at fair value						
Long term investments	16.1 & 16.2	5,108,472	-	37,557,338	-	42,665,810
Long term loans and receivable	17	6,817,374	-	-	-	6,817,374
Trade debts - net of provision	19	118,574,468	-	-	-	118,574,468
Loans and advances	20	5,513,797	-	-	-	5,513,797
Deposits	21	26,718	-	-	-	26,718
Other receivables	22	360,606	-	-	-	360,606
Current portion of long term investments	16.2	-	-	123,932,250	-	123,932,250
Other financial assets	24	10,915,518	-	-	-	10,915,518
Cash and bank balances	25	4,159,073	-	-	-	4,159,073
		<u>151,476,026</u>	<u>380,204</u>	<u>161,489,588</u>	<u>-</u>	<u>313,345,818</u>
Financial liabilities not measured at fair value						
Trade and other payables	10	-	-	-	25,111,232	25,111,232
Unpaid dividend		-	-	-	13,862,361	13,862,361
Unclaimed dividend		-	-	-	577,224	577,224
		<u>-</u>	<u>-</u>	<u>-</u>	<u>39,550,817</u>	<u>39,550,817</u>

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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 2018			
Financial assets measured at fair value			
Other financial assets - NIT units	335,301	-	-
30 June 2017			
Financial assets measured at fair value			
Other financial assets - NIT units	380,204	-	-

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.

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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		2018	2017
	Note	------(Rupees '000)-----	
36 CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	3,670,480	4,159,073
Short term highly liquid investments			
Investment in Term Deposits	24	24,643,010	10,915,518
Investment in Treasury Bills	24	42,856,351	-
		67,499,361	10,915,518
		71,169,841	15,074,591

		2018	2017
37 NUMBER OF EMPLOYEES			
Total number of employees at the end of the year were as follows:			
Regular		8,529	8,862
Contractual		3,098	1,975
37.1 This includes 5,805 (2017: 5,272) employees posted at various fields/ plants of the company	37.1	11,627	10,837
Average number of employees during the year were as follows:			
Regular		8,696	8,970
Contractual		2,537	1,137
37.2 This includes 5,539 (2017: 4,890) employees posted at various fields/ plants of the company	37.2	11,233	10,107

38 RELATED PARTIES TRANSACTIONS

Government of Pakistan owns 74.97% (2017: 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:

	2018	2017
	------(Rupees '000)-----	
MPCL- Associated company (20% share holding of the Company)		
Share of profit in associate - net of taxation	3,074,868	1,827,239
Dividend received	124,638	111,518
Share (various fields) payable	22,962	14,540
Share (various fields) receivable	25,665	85,092
Major shareholders		
Government of Pakistan (74.97% share holding)		
Dividend paid	27,569,762	18,863,521
Dividend paid - Privatization Commission of Pakistan	3,063,379	2,095,996
OGDCL Employees' Empowerment Trust (OEET) (10.05% share holding)		
Dividend payable	17,355,718	13,249,922
Related parties by virtue of GoP holdings & common directorship		
Sui Northern Gas Pipelines Limited		
Sale of natural gas	57,078,987	50,193,198
Trade debts as at 30 June	47,108,297	22,250,325
Payable as at 30 June	-	73,880
Pakistan State Oil Company Limited		
Sale of liquefied petroleum gas	748,674	273,346
Purchase of petroleum, oil and lubricants	3,325,639	3,460,229
Trade debts as at 30 June	1,867	1,867
Payable as at 30 June	252,920	2,600

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

RELATED PARTIES TRANSACTIONS - Continued

	Note	2018 ------(Rupees '000)-----	2017
Pakistan Petroleum Limited			
Payable as at 30 June		224,040	206
Share (various fields) receivable		1,087,732	2,060,084
Share (various fields) payable		2,583,865	2,546,780
Pak Arab Refinery Company Limited			
Sale of crude oil		13,381,804	13,145,197
Trade debts as at 30 June		1,893,408	2,195,180
State Bank of Pakistan			
Interest earned on Pakistan Investment Bonds (PIBs)		275,724	5,822,641
Balance of investment in PIBs and markup receivable as at 30 June		-	53,452,792
Amount received on maturity of PIBs		53,692,130	-
Balance of investment in Treasury Bills as at 30 June		42,856,351	-
Interest earned on Treasury Bills		3,050,629	-
Interest receivable on Treasury Bills as at 30 June		-	-
Related parties by virtue of GoP holdings			
Government Holdings (Private) Limited (GHPL)			
GHPL share (various fields) receivable		1,973,659	1,726,469
GHPL share (various fields) payable		394,318	96,494
Power Holding (Private) Limited (PHPL)			
Markup earned		5,941,046	5,850,756
Balance of investment in TFCs receivable not yet due as at 30 June		30,750,000	51,250,000
Balance of past due principal repayment on TFCs as at 30 June		51,250,000	30,750,000
Balance of markup receivable on TFCs not yet due as at 30 June		1,896,357	1,810,043
Balance of past due markup receivable on TFCs as at 30 June		22,125,060	17,179,473
Sui Southern Gas Company Limited			
Sale of natural gas		38,034,446	31,990,649
Pipeline rental charges		36,660	36,660
Payment against supply of gas to locals		-	72,456
Trade debts as at 30 June		78,013,372	71,139,620
National Bank of Pakistan			
Balance of accounts as at 30 June		557,271	308,898
Balance of Investment (TDR) as at 30 June		-	7,047,280
Interest earned during the year		355,075	514,189
National Insurance Company Limited			
Insurance premium paid		329,670	311,727
National Logistic Cell			
Crude transportation charges paid		1,104,473	1,186,801
Payable as at 30 June		646,119	386,592
Enar Petrotech Services Limited			
Consultancy services		26,760	42,216
Payable as at 30 June		1,680	3,657
Enar Petroleum Refining Facility			
Sale of crude oil		11,410,140	8,288,293
Trade debts as at 30 June		2,364,918	1,462,469
Other related parties			
Contribution to pension fund		8,299,021	9,418,723
Remuneration including benefits and perquisites of key management personnel	38.1	696,279	577,258

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38.1 Key management personnel

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

	2018	2017
	------(Rupees '000)-----	
Managerial remuneration	234,136	192,003
Housing and utilities	167,093	137,899
Other allowances and benefits	249,344	203,144
Medical benefits	6,070	2,529
Leave encashment	6,960	4,843
Contribution to pension fund	22,019	26,499
Gratuity fund	10,657	10,341
	<u>696,279</u>	<u>577,258</u>
Number of persons	<u>34</u>	<u>30</u>

38.2 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.

The names of key management personnel during the year or at year end are as follows:

1	Mr. Zahid Mir	18	Dr Naseem Ahmad
2	Mr. Irteza Ali Qureshi	19	Mr. Ashraf Anis
3	Dr. Muhammad Saeed Khan Jadoon	20	Mr. Farrukh Aftab
4	Mr. Rehan Laiq	21	Lt Col (R) Tariq Hanif
5	Mr. Masood Nabi	22	Mr. Syed Nadeem Hassan Rizvi
6	Mr. Malik Muhammad Afzal	23	Mr. Rashid Mahmood
7	Mr. Salim Baz Khan	24	Mr. Kamran Yusuf Shami
8	Mr. Asif Nasim	25	Mr. Rafiq Ahmed Mughal
9	Mr. Tariq Mehmood	26	Mr. Arshad Malik
10	Mr. Muhammad Ayaz	27	Mr. Jahangaiz Khan
11	Dr. Shakeel Ahmad	28	Mr. Imran Shaukat Ali Khan
12	Mr. Naveed Rehmat	29	Ms. Shabina Anjum
13	Mr. Anjad Saeed Yazdanie	30	Dr. Syed Ahmad Nadeem
14	Mr. Irfan Babar Khan	31	Mr. Ahmed Hayyat Lak
15	Capt (R) Mukhtar Ahmad Anjum	32	Mr. Khan Alam
16	Mr. Abdul Rauf Khajjak	33	Mr. Syed Ahmad Naeem
17	Mr. Saleem Jahangir	34	Mr. Tahir Mehmood Qureshi

39 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:

	2018		2017	
	Chief Executive	Executives	Chief Executive	Executives
	------(Rupees '000)-----			
Managerial remuneration	19,870	3,094,404	16,916	2,903,769
Housing and utilities	10,928	2,445,294	9,304	2,297,678
Other allowances and benefits	20,288	3,627,473	15,247	3,648,151
Medical benefits	453	217,694	53	225,409
Leave encashment	-	65,201	-	42,083
Contribution to pension fund	-	427,472	-	578,083
Gratuity fund	4,043	11,515	2,529	12,490
	<u>55,582</u>	<u>9,889,053</u>	<u>44,049</u>	<u>9,707,663</u>
Number of persons including those who worked part of the year	1	1,112	1	1,098

- Executive means any employee whose basic salary exceeds Rs 1,200,000 (2017: Rs 1,200,000) per year. Comparative figures have been restated to reflect changes in definition of executive as per the Companies Act, 2017.

- The aggregate amount charged in these financial statements in respect of fee to 12 directors (2017: 14) was Rs 17.170 million (2017: Rs 11.305 million).

- The employees of the Company have option to avail car facility as per the entitlement policy of the Company.

OIL AND GAS DEVELOPMENT COMPANY LIMITED
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40 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. For employees regularized before 01 January 2016, the Company does not contribute to the fund in respect of employees who are eligible for pension benefits and the contributions are made by the employees only. The details based on unaudited financial statements of the fund are as follows:

	2018	2017
	----- (Rupees '000) -----	
Net assets	5,832,451	5,523,800
Cost of investments made	5,766,872	5,339,262
Percentage of investments made	99%	97%
Fair value of investments	6,067,101	5,754,488
Break-up of investments at cost:		
NIT units	545,229	545,229
Term Deposit Receipts	-	1,500,000
Regular Income Certificates	850,000	850,000
Special Saving Account	4,013,308	1,813,308
Bank Balances	358,335	630,725
	<u>5,766,872</u>	<u>5,339,262</u>

Investments out of Provident Fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for the purpose.

During the year ended 30 June 2016, 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. Contributory provident fund trust in this respect has not yet been created.

41 DISCLOSURE REQUIREMENTS FOR ALL SHARES ISLAMIC INDEX

Following information has been disclosed as required under para 10 of Part-I of the Fourth Schedule to the Companies Act, 2017.

Description	Explanation	(Rupees '000)
i) Bank balances as at 30 June 2018	Placed under interest arrangement	2,709,894
	Placed under Shariah permissible arrangement	10,810
		<u>2,720,704</u>
ii) Return on bank deposits for the year ended 30 June 2018	Placed under interest arrangement	508,668
	Placed under Shariah permissible arrangement	38,267
		<u>546,935</u>
iii) Exchange gain earned from actual currency	-	<u>3,079,506</u>
iv) Relationship with banks having Islamic windows	Meezan Bank Limited & Dubai Islamic bank	
v) Profit earned on employee loans during the year	-	<u>21,160</u>

Disclosures other than above are not applicable to the Company.

OIL AND GAS DEVELOPMENT COMPANY LIMITED
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FOR THE YEAR ENDED 30 JUNE 2018

42 INTEREST IN JOINT OPERATIONS, WHOLLY OWNED CONCESSIONS AND GEOGRAPHICAL LOCATION AND ADDRESSES OF ALL BUSINESS UNITS

The Company has working interest in the following operated and non operated exploration licenses/ leases in Pakistan and their geographical location and addresses are as follows:

		Working Interest	
		2018	2017
		(%)	
Operated by OGDCL- Wholly owned concessions			
Exploration licenses	Location		
Bela North	Khuzdar, Awaran & Lasbela	100	100
Bostan	Ziarat, Pishin, Killah Abdullah & Quetta	100	100
Fateh Jang	Islamabad, Rawalpindi & Attock	100	100
Fatehpur	Layyah, Muzaffargarh, Khanewal & Multan	100	100
Jandaran	Barkhan, Kohlu & Loralai	100	100
Jandran West	Kohlu & Barkhan	100	100
Kharan	Kharan & Noshki	100	100
Ladhana	Muzaffargarh, Layyah & Multan	100	100
Lakhi Rud	Loralai, Musakhel, Barkhan & Kohlu	100	100
Latamber	Bannu & Tribal area adjacent to Bannu	100	100
Mari East	Ghotki, Rahim Yar Khan & Rajanpur	100	100
Rasmalan	Gwadar, Awaran & Lasbela	100	100
Rasmalan West	Gawadar & Awaran	100	100
Samandar	Awaran & uthal	100	100
Saruna	Khuzdar & Lasbella	100	100
Shaan	Zhob, Qila Saifullah & Musakhel Bazar	100	100
Shahana	Washuk & Punjgur	100	100
Soghri	Attock, Punjab & Kohat, KPK	100	100
Thal	Khairpur, Sukkur & Ghotki	100	100
Wali	South Waziristan Agency, Bannu, Lakki Marwat & Tribal area adjacent to Taank	100	100
Development and Production/ Mining Leases			
Soghri	Attock, Punjab & Kohat, KPK	100	100
Bagla	Thatta & Badin, Sindh	100	100
Bahu	Jhang, Punjab	100	100
Bhal Syedan	Attock, Punjab	100	100
Bobi/Dhamrakhi	Sanghar, Sindh	100	100
Buzdar	Hyderabad, Sindh	100	100
Chak 5 Dim South	Sanghar, Sindh	100	100
Dakhni	Attock, Punjab & Kohat, KPK	100	100
Daru	Thatta, Sindh	100	100
Dhodak	Dera Ghazi Khan, Punjab	100	100
Fimkassar	Chakwal, Punjab	100	100
Hundi	Dadu, Sindh	100	100
Kal	Chakwal, Punjab	100	100
Kunnar	Hyderabad, Sindh	100	100
Kunnar Deep	Hyderabad, Sindh	100	100
Kunnar West	Hyderabad, Sindh	100	100
Lashari Centre & South	Hyderabad, Sindh	100	100
Loti	Dera Bugti Agency, Balochistan	100	100
Misan	Hyderabad, Sindh	100	100
Missa Keswal	Rawalpindi, Punjab	100	100
Nandpur	Multan & Jhang, Punjab	100	100
Nur	Thatta & Badin, Sindh	100	100
Pali	Hyderabad, Sindh	100	100
Panjpir	Multan & Jhang, Punjab	100	100
Pasahki & Pasahki North	Hyderabad, Sindh	100	100
Pasahki Deep	Hyderabad, Sindh	100	100
Pirkoh	Sibi (Bugti Tribal Territory), Balochistan	100	100
Pirkoh (Additional)	Dera Bugti Agency, Balochistan	100	100
Rajian	Chakwal & Jehlum, Punjab	100	100
Sadkal	Attock, Punjab	100	100
Sara West	Ghotki, Sindh	100	100
Sari Sing	Dadu, Sindh	100	100
Sono	Hyderabad, Sindh	100	100
Tando Alam	Hyderabad, Sindh	100	100
Thora/Thora East & Thora Add	Hyderabad, Sindh	100	100
Toot	Attock, Punjab	100	100
Uch	Dera Bugti, Balochistan	100	100

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INTEREST IN JOINT OPERATIONS, WHOLLY OWNED CONCESSIONS AND GEOGRAPHICAL LOCATION AND ADDRESSES OF ALL BUSINESS UNITS- Continued

Operated by OGDCL- Joint operations	Location	Working Interest	
		2018	2017
		(%)	
Exploration licenses			
Baratai	Kohat	97.50	97.50
Bitrisim	Shaheed Benazirabad, Khairpur & Sanghar	95.00	95.00
Block-28	Kohlu, Dera Bughti & Barkhan	5.00	5.00
Gawadar	Gwadar & Kech	97.50	97.50
Guddu	Rajanpur, Rahim Yar Khan, Ghotki & Kashmir	70.00	70.00
Gurgulot	Kohat & Attock	75.00	75.00
Kalchas	Kohlu, Dera Bugti & Rajanpur	50.00	50.00
Khanpur	Rahim Yar Khan	97.50	97.50
Khewari	Khairpur & Shaheed Benazirabad	95.00	95.00
Khuzdar North	Khuzdar	97.50	97.50
Kohat	Kohat, Naushera, Orakzai Agency, Peshawar & Darra Adam Khel	30.00	30.00
Kohlu	Kohlu, Dera Bugti & Barkhan	40.00	40.00
Kulachi	D.I. Khan, D.G. Khan, Layyah & Bhakkar	95.45	95.45
Nashpa	Kohat, Karak, North Waziristan & Mianwali	65.00	65.00
Nim	Hyderabad & Tharparker	95.00	95.00
Orakzai	Kurram, Orakzai Agency & Hangu	95.34	95.34
Pasni West	Gwadar & Kech	97.50	97.50
Pezu	D.G. Khan, Lakki Marwat, Tank, D.I. Khan & Tribal area of D.I. Khan	95.88	95.88
Plantak	Washuk & Panjgur	97.50	97.50
Rakhshan	Washuk	97.50	97.50
Ranipur	Khairpur, Larkana & Naushahro Feroz	95.00	95.00
Sinjhor	Sanghar & Khairpur	76.00	76.00
South Kharan	Washuk	97.50	97.50
Tando Allah Yar	Hyderabad & Tharparker	95.00	95.00
Tirah	Khyber, Kurram & Orakzai Agencies.	95.00	95.00
Zhob	Zhob, Musa Khail Bazar & Tribal area of D.I. Khan	97.50	97.50
Zin	Dera Bugti, Nasirabad, Kohlu & Sibbi	95.00	95.00
Zorgarh	Ghotki, Jaffarabad, Kashmir, Dera Bugti & Rajanpur	95.80	95.80
Development and Production/ Mining Leases			
Baloch	Sanghar, Sindh	62.50	62.50
Chak Naurang	Chakwal, Punjab	85.00	85.00
Chak-63	Sanghar, Sindh	62.50	62.50
Chak-63 South East	Sanghar, Sindh	62.50	62.50
Chak-66	Sanghar/Khairpur, Sindh	62.50	62.50
Chak-7A	Sanghar, Sindh	62.50	62.50
Chanda	Kohat, KPK	72.00	72.00
Chandio	Hyderabad, Sindh	77.50	77.50
Chak-2	Sanghar, Sindh	62.50	62.50
Dars	Hyderabad, Sindh	77.50	77.50
Dars Deep	Hyderabad, Sindh	77.50	77.50
Dars West	Hyderabad, Sindh	77.50	77.50
Gopang	Hyderabad, Sindh	77.50	77.50
Hakeem Dahu	Sanghar/Khairpur, Sindh	62.50	62.50
Jakhro	Sanghar, Sindh	77.50	77.50
Jhal Magsi South	Jhal Magsi, Balochistan	56.00	56.00
Kunnar South	Hyderabad, Sindh	77.50	77.50
Lala Jamali	Sanghar, Sindh	62.50	62.50
Maru	Ghotki, Sindh	57.76	57.76
Maru South	Ghotki, Sindh	57.76	57.76
Mela	Kohat, KPK	56.45	56.45
Nashpa	Karak, KPK	56.45	56.45
Nim	Hyderabad, Sindh	77.50	77.50
Nim West	Hyderabad, Sindh	77.50	77.50
Norai Jagir	Hyderabad, Sindh	77.50	77.50
Pasahki East	Hyderabad, Sindh	77.50	77.50
Pakhro	Tando Mohammad Khan, Sindh	77.50	77.50
Qadirpur	Ghotki & Kashmir, Sindh	75.00	75.00
Resham	Sanghar, Sindh	62.50	62.50
Reti	Ghotki, Sindh	57.76	57.76
Saand	Tando Allah Yar, Sindh	77.50	77.50
Shah	Hyderabad, Sindh	77.50	77.50
Tando Allah Yar	Hyderabad, Sindh	77.50	77.50
Tando Allah Yar North	Hyderabad, Sindh	77.50	77.50
Unnar	Hyderabad, Sindh	77.50	77.50

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42.1 INTEREST IN JOINT OPERATIONS, WHOLLY OWNED CONCESSIONS AND GEOGRAPHICAL LOCATION AND ADDRESSES OF ALL BUSINESS UNITS- Continued

Non Operated	Location	Operator	Working Interest	
			2018	2017
			%	
Exploration Licenses				
Bunnu West	Bannu & North Waziristan Agency	Mari Petroleum Company Limited	35.00	35.00
Offshore Indus-G	Offshore Area	Eni Pakistan Limited	25.00	33.00
South Kharan	Washuk	Pakistan Petroleum Limited	46.50	46.50
Tal Block	Kohat, Karak & Bannu	MOL Pakistan Oil and Gas B.V.	30.00	30.00
Development and Production/ Mining Leases				
Adhi	Rawalpindi & Jehlum, Punjab	Pakistan Petroleum Limited	50.00	50.00
Ali Zaur	Badin, Sindh	United Energy Pakistan Limited	15.00	15.00
Badar	Kashmor, Sukkur & Ghotki, Sindh	Petroleum Exploration (Pvt) Limited	50.00	50.00
Badhra	Dadu, Sindh	Eni Pakistan Limited	20.00	20.00
Bhangali	Gujjar Khan, Punjab	Ocean Pakistan Limited	50.00	50.00
Bhit	Dadu, Sindh	Eni Pakistan Limited	20.00	20.00
Buzdar South	Badin, Sindh	United Energy Pakistan Limited	49.00	49.00
Dhurnal	Attock, Punjab	Ocean Pakistan Limited	20.00	20.00
Fateh Shah North	Thatta, Sindh	United Energy Pakistan Limited	15.00	15.00
Jabo	Golarchi & Badin, Sindh	United Energy Pakistan Limited	49.00	49.00
Jagir	Badin, Sindh	United Energy Pakistan Limited	24.00	24.00
Jalal	Hyderabad, Sindh	United Energy Pakistan Limited	49.00	49.00
Jhaberi South	Badin, Sindh	United Energy Pakistan Limited	15.00	15.00
Kadanwari	Khairpur, Sindh	Eni Pakistan Limited	50.00	50.00
Kato	Tando Muhammed Alam & Badin, Sindh	United Energy Pakistan Limited	49.00	49.00
Makori	Karak, KPK	MOL Pakistan Oil and Gas B.V.	27.76	27.76
Makori Deep	Karak, KPK	MOL Pakistan Oil and Gas B.V.	27.76	27.76
Makori East	Karak, KPK	MOL Pakistan Oil and Gas B.V.	27.76	27.76
Mamikhel	Kohat & Hangu, KPK	MOL Pakistan Oil and Gas B.V.	27.76	27.76
Manzalai	Karak, Kohat & Bannu, KPK	MOL Pakistan Oil and Gas B.V.	27.76	27.76
Maramzai	Kohat & Hangu, KPK	MOL Pakistan Oil and Gas B.V.	27.76	27.76
Meyun Ismail	Hyderabad, Sindh	United Energy Pakistan Limited	49.00	49.00
Miano	Sukkur, Sindh	OMV (Pakistan) Exploration (OMV)	52.00	52.00
Muban	Hyderabad, Sindh	United Energy Pakistan Limited	24.00	24.00
Paniro	Matli & Badin, Sindh	United Energy Pakistan Limited	49.00	49.00
Pindori	Chakwal, Punjab	Pakistan Oilfields Limited	50.00	50.00
Pir	Golarchi & Badin, Sindh	United Energy Pakistan Limited	49.00	49.00
Raj	Hyderabad, Sindh	United Energy Pakistan Limited	24.00	24.00
Ratana	Attock, Punjab	Ocean Pakistan Limited	25.00	25.00
Rind	Tando Muhammed Alam & Badin, Sindh	United Energy Pakistan Limited	49.00	49.00
Sakhi Deep	Tando Muhammad Khan, Sindh	United Energy Pakistan Limited	24.00	24.00
Sara	Ghotki, Sindh	Spud Energy Pty Limited	40.00	40.00
Shah Dino	Badin, Sindh	United Energy Pakistan Limited	15.00	15.00
Suri	Ghotki, Sindh	Spud Energy Pty Limited	40.00	40.00
Tolang	Kohat, KPK	MOL Pakistan Oil and Gas B.V.	27.76	27.76
Tolang West	Kohat, KPK	MOL Pakistan Oil and Gas B.V.	27.76	27.76
Zaur	Badin, Sindh	United Energy Pakistan Limited	49.00	49.00

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43 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 arrangements appear 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:

	2018	2017
	----- (Rupees '000) -----	
Profit for the year	78,736,295	63,803,402
Depreciation reversed	1,465,341	1,128,291
Amortization reversed	190,999	512,078
Finance income recognized	9,560,428	8,807,943
Addition to property, plant and equipment reversed	(311,640)	(101,661)
Sales revenue reversed	(9,509,117)	(8,554,473)
Tax impact at estimated effective rate	(429,692)	(389,261)
Adjusted profit for the year	<u>79,702,614</u>	<u>65,206,319</u>
Carried forward balance of unappropriated profit at the end of year would have been as follows:		
Adjusted unappropriated profit brought forward	476,215,538	442,024,765
Adjusted profit for the year	79,702,614	65,206,319
	<u>555,918,152</u>	<u>507,231,084</u>
Transfer to capital and other reserves	(1,274,942)	(1,565,950)
Other Comprehensive Income	(303,783)	(3,644,025)
Dividend paid	(40,858,820)	(25,805,571)
Adjusted unappropriated profit at end of the year	<u>513,480,607</u>	<u>476,215,538</u>
Unadjusted unappropriated profit at end of the year	<u>494,180,516</u>	<u>457,881,766</u>

44 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.

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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 (2017: Rs Nil), profit after taxation and unappropriated profit would have been lower by Rs Nil (2017: Rs Nil), earnings per share would have been lower by Rs Nil (2017: Rs Nil) per share and reserves would have been higher by Rs 30,137 million (2017: 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 2018. Also refer note 11.

45 CORRESPONDING FIGURES

Certain corresponding figures have been changed on account of reclassification of prior year figures as referred in note 3.

46 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors recommended final cash dividend at the rate of Rs 2.50 per share amounting to Rs 10,752 million in its meeting held on 07 September 2018 for approval of shareholders.

47 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 07 September 2018 by the Board of Directors of the Company.

48 GENERAL

48.1 Capacity and Production

Production from wholly owned and operated fields for the year ended 30 June 2018 is as under:

Product	Unit	Actual production for the year
Crude oil/condensate	Barrels	26,400,767
Natural Gas	MMSCF	419,208
Liquefied petroleum gas	M.Ton	175,037
Sulphur	M.Ton	21,399

Due to nature of operations of the Company, installed capacity of above products is not relevant.

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

Chief Financial Officer

Chief Executive

Director

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		2018	2017
	Note	----- (Rupees '000) -----	
Sales - net	26	205,335,000	171,829,364
Royalty		(21,970,947)	(18,518,982)
Operating expenses	27	(60,213,460)	(56,585,214)
Transportation charges		(1,670,850)	(1,720,982)
		<u>(83,855,257)</u>	<u>(76,825,178)</u>
Gross profit		121,479,743	95,004,186
Other income	28	16,008,118	16,020,333
Exploration and prospecting expenditure	29	(16,190,496)	(13,268,575)
General and administration expenses	30	(4,087,862)	(4,239,642)
Finance cost	31	(1,729,886)	(1,514,634)
Workers' profit participation fund		(5,927,724)	(4,691,445)
Share of profit in associate - net of taxation	16.1	3,074,868	1,827,239
		<u>112,626,761</u>	<u>89,137,462</u>
Profit before taxation		112,626,761	89,137,462
Taxation	32	(33,890,466)	(25,334,060)
Profit for the year		<u>78,736,295</u>	<u>63,803,402</u>
Earnings per share - basic and diluted (Rupees)	33	<u>18.31</u>	<u>14.83</u>

The annexed notes 1 to 48 form an integral part of these financial statements.

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