Annex - II

OIL AND GAS DEVELOPMENT COMPANY LIMITED
BALANCE SHEET
AS AT 30 JUNE 2017

	Note	2017	2016
		(Rupees '000)	
SHARE CAPITAL AND RESERVES			
Share capital	4	43,009,284	43,009,284
Reserves	5	12,093,287	10,529,373
Unappropriated profit		457,881,766	425,093,910
		512,984,337	478,632,567
NON CURRENT LIABILITIES			
Deferred taxation	6	19,638,412	15,579,499
Deferred employee benefits	7	19,026,984	14,971,638
Provision for decommissioning cost	8	22,027,796	21,412,687
		60,693,192	51,963,824
CURRENT LIABILITIES			
Trade and other payables	9	53,610,444	58,969,148
		627,287,973	589,565,539
CONTINGENCIES AND COMMITMENTS	10		

	Note	2017	2016
		(Rupees '000)	
NON CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	11	128,336,018	120,542,404
Development and production assets - intangible	12	95,159,850	87,990,960
Exploration and evaluation assets	13	10,996,011	6,834,078
		234,491,879	215,367,442
Long term investments	14	42,665,810	112,517,292
Long term loans and receivable	15	6,817,374	5,997,669
Long term prepayments		852,691	882,466
		284,827,754	334,764,869
CURRENT ASSETS			
Stores, spare parts and loose tools	16	18,442,847	18,251,184
Stock in trade		376,390	291,904
Trade debts	17	118,574,468	111,204,186
Loans and advances	18	14,079,704	10,459,609
Deposits and short term prepayments	19	1,557,439	1,646,777
Interest accrued		21,873,164	21,085,027
Other receivables	20	440,997	182,211
Income tax - advance	21	49,601,329	41,599,042
Current maturity of term finance certificates and PIBs	14.2	102,059,086	30,750,000
Other financial assets	22	11,295,722	11,426,964
Cash and bank balances	23	4,159,073	7,903,766
		342,460,219	254,800,670
		627,287,973	589,565,539

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

Chief Executive

Director

OIL AND GAS DEVELOPMENT COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017	2016
		(Rupees '000)	
Sales - net	24	171,829,364	162,866,578
Royalty		(18,518,982)	(18,078,772)
Operating expenses	25	(56,585,214)	(54,986,250)
Transportation charges		(1,720,982)	(1,912,017)
		(76,825,178)	(74,977,039)
Gross profit		95,004,186	87,889,539
Other income	26	16,020,333	14,702,971
Exploration and prospecting expenditure	27	(13,268,575)	(14,548,295)
General and administration expenses	28	(4,239,642)	(3,770,607)
Finance cost	29	(1,514,634)	(1,717,889)
Workers' profit participation fund		(4,691,445)	(4,237,231)
Share of profit in associate - net of taxation	14.1	1,827,239	2,188,899
Profit before taxation		89,137,462	80,507,387
Taxation	30	(25,334,060)	(20,536,585)
Profit for the year		63,803,402	59,970,802
Earnings per share - basic and diluted (Rupees)	31	14.83	13.94

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

Chief Executive **Director**

OIL AND GAS DEVELOPMENT COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	----------(Rupees '000)----------	
Profit for the year	63,803,402	59,970,802
Other comprehensive income/(loss) for the year		
Items that will not be reclassified to profit or loss:		
Remeasurement loss on employee retirement benefit plans	(7,300,321)	(7,652,528)
Current tax credit related to remeasurement loss on employee retirement benefit plans	3,656,731	4,026,760
Share of other comprehensive loss of the associate - net of taxation	(434)	(17,125)
	(3,644,025)	(3,642,893)
Total comprehensive income for the year	60,159,377	56,327,909

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

Chief Executive **Director**

OIL AND GAS DEVELOPMENT COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017	2016
		(Rupees '000)	
Cash flows from operating activities			
Profit before taxation		89,137,462	80,507,387
Adjustments for:			
Depreciation		9,021,395	7,098,893
Amortization of development and production assets		13,900,593	15,266,568
Impairment on assets		-	1,886,551
Royalty		18,518,982	18,078,772
Workers' profit participation fund		4,691,445	4,237,231
Provision for employee benefits		4,870,101	2,932,900
Decomissioning cost		650,762	-
Un-winding of discount on provision for decommissioning cost		1,506,604	1,700,742
Interest income		(12,420,725)	(12,920,657)
Un-realized gain on investments at fair value through profit or loss		(84,404)	(6,356)
Dividend income		(20,431)	(19,296)
Loss/(gain) on disposal of property, plant and equipment		42,020	(60,458)
Provision for slow moving, obsolete and in transit stores		178,721	163,178
Share of profit in associate		(1,827,239)	(2,188,899)
Stores inventory written off		-	3,814
		128,165,286	116,680,370
Changes in:			
Stores, spare parts and loose tools		(370,384)	(1,571,144)
Stock in trade		(84,486)	25,572
Trade debts		(7,370,282)	10,207,299
Deposits and short term prepayments		89,338	(611,838)
Advances and other receivables		(4,698,586)	(2,479,290)
Trade and other payables		(1,948,329)	(1,905,586)
Cash generated from operations		113,782,557	120,345,383
Royalty paid		(20,397,735)	(19,338,668)
Employee benefits paid		(11,030,291)	(3,390,389)
Long term prepayments		29,775	-
Payment from self insurance reserve		(2,036)	(1,946)
Decommissioning cost paid		(1,357,317)	-
Payments to workers' profit participation fund-net		(7,637,231)	(6,685,550)
Income taxes paid		(25,620,703)	(35,076,467)
		(66,015,538)	(64,493,020)
Net cash from operating activities		47,767,019	55,852,363
Cash flows from investing activities			
Capital expenditure		(39,805,463)	(42,313,524)
Interest received		12,312,637	6,960,084
Dividends received		131,949	199,058
Purchase of investments		(422,366)	(522,843)
Proceeds from disposal of property, plant and equipment		62,430	91,112
Net cash used in investing activities		(27,720,813)	(35,586,113)
Cash flows from financing activities			
Dividends paid		(24,006,545)	(23,759,105)
Net cash used in financing activities		(24,006,545)	(23,759,105)
Net decrease in cash and cash equivalents		(3,960,339)	(3,492,855)
Cash and cash equivalents at beginning of the year		19,034,930	22,527,785
Cash and cash equivalents at end of the year	34	15,074,591	19,034,930

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

Chief Executive **Director**

OIL AND GAS DEVELOPMENT COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Share capital	Reserves: Capital reserves: Capital reserve	Reserves: Capital reserves: Self insurance reserve	Reserves: Capital reserves: Share of capital redemption reserve fund in associated company	Reserves: Capital reserves: Share of self insurance reserve in associated company	Reserves: Other reserves: Share of undistributed percentage return reserve in associated company	Unappropriated profit	Total equity
	(Rupees '000)							
Balance as at 1 July 2015	#########	836,000	6,620,000	-	-	-	392,055,684	442,520,968
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	59,970,802	59,970,802
Other comprehensive loss for the year	-	-	-	-	-	-	(3,642,893)	(3,642,893)
Total comprehensive income for the year	-	-	-	-	-	-	56,327,909	56,327,909
Transfer to self insurance reserve	-	-	851,946	-	-	-	(851,946)	-
Charged to self insurance reserve	-	-	(1,946)	-	-	-	-	(1,946)
Transfer to undistributed percentage return reserve by an associated company	-	-	-	-	-	85,373	(85,373)	-
Transfer to capital redemption reserve fund by an associated company	-	-	-	2,118,000	-	-	(2,118,000)	-
Transfer to self insurance reserve by an associated company	-	-	-	-	20,000	-	(20,000)	-
Transactions with owners of the company								
Distributions								
Final dividend 2015: Rs 1.50 per share	-	-	-	-	-	-	(6,451,393)	(6,451,393)
First interim dividend 2016: Rs 1.50 per share	-	-	-	-	-	-	(6,451,393)	(6,451,393)
Second interim dividend 2016: Rs 1.20 per share	-	-	-	-	-	-	(5,161,114)	(5,161,114)
Third interim dividend 2016: Re 0.50 per share	-	-	-	-	-	-	(2,150,464)	(2,150,464)
Total distributions to owners of the company	-	-	-	-	-	-	(20,214,364)	(20,214,364)
Balance as at 30 June 2016	#########	836,000	7,470,000	2,118,000	20,000	85,373	425,093,910	478,632,567
Balance as at 1 July 2016	#########	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 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: Rs 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	#########	836,000	8,920,000	2,118,000	120,000	99,287	457,881,766	512,984,337

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

Chief Executive

Director

1 LEGAL STATUS AND OPERATIONS

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

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

The Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 17 of 2017 has clarified that the companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 applicable for financial year beginning on 1 July 2017 requires certain additional disclosures.

2.2 BASIS OF MEASUREMENT

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

- obligation under certain employee benefits and provision for decommissioning cost have been measured at present value; and
- investments at fair value through profit or loss have been measured at fair value.

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

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

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

2.4 SIGNIFICANT ACCOUNTING ESTIMATES

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

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

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

2.4.1 Property, plant and equipment

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

2.4.2 Exploration and evaluation expenditure

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

2.4.3 Development and production expenditure

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

2.4.4 Estimation of oil and natural gas reserves

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

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

2.4.5 Provision for decommissioning cost

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

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

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

	Rupees in million
Provision for decommissioning cost would have been higher by	1,522
Property, plant and equipment would have been higher by	417
Development and production assets would have been higher by	1,105
Amortization charge would have been higher by	719
Total comprehensive income would have been lower by	478

2.4.6 Employee benefits

Defined benefit plans are provided for permanent employees of the Company. The employees pension plan is structured as separate legal entity managed by trustees. The Company recognizes deferred liability for post retirement medical benefits 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 impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores and spares with a corresponding affect on the provision.

2.4.9 Provision against trade debts, advances and other receivables

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

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

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

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Company's financial statements.

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

- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.

- Amendments to IFRS 4, Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments' (effective for annual periods beginning on or after 1 January 2018) introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
  • give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
  • give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard—IAS 39.

- Transfers of Investment Property (Amendments to IAS 40 '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.

- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

  Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on Company's financial statements.

  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.

- 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.

- 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 and deferred tax.

- IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2018) replaces the guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

- IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 1 January 2018) specifies how and when an IFRS compliant entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative and relevant disclosures. The standard provides a single principle-based five-step model to be applied to all contracts with customers. The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

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

- 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.

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 2017:

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

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 41 to the financial statements.

- IFRIC 12 – Service Concession Arrangements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

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.

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 2017. The calculations of actuaries are based on the Projected Unit Credit Method, net of the assets guaranteeing the plan, if any, with the obligation increasing from year to year, in a manner that it is proportional to the length of service of the employees.

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

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

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

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

3.2 TAXATION

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

3.2.1 Current tax

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

3.2.2 Deferred tax

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

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

Deferred tax 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 is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or subtantively enacted by the reporting date, adjusted for depletion allowance and set offs, where available, in respect of royalty payment to the Government of Pakistan. Accordingly, deferred tax for the year has been calculated at the tax rate of 28.24% (2016: 28.17%). The tax rate is reviewed annually.

3.3 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

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

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

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

3.4 OIL AND GAS ASSETS

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

3.4.1 Pre license costs

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

3.4.2 Exploration and evaluation assets

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

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

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

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

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

3.4.3 Development and production assets - intangible

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

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

3.4.4 Decommissioning cost

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

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

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

3.4.5 Impairment of oil and gas assets

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

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

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

Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the profit and loss account, net of any depreciation/ 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 and assets and liabilities of the associate have been incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the balance sheet at cost as adjusted for post acquisition changes in the Company's share of net assets of the associate, less any impairment in the value of investment. Losses of an associate in excess of the Company's interest in that associate (which includes any long term interest that, in substance, form part of the Company's net investment in the associate) are recognized only to the extent that the Company has incurred legal or constructive obligation or made payment on behalf of the associate.

3.5.2 Investments held to maturity

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

3.5.3 Loans and receivables

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

3.5.4 Investments at fair value through profit or loss

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

3.6 STORES, SPARE PARTS AND LOOSE TOOLS

Stores, spare parts and loose tools are valued at the lower of cost and net realizable value less allowance for slow moving, obsolete and in transit items. Cost is determined on the moving average basis and comprises cost of purchases and other costs incurred in bringing the inventories to their present location and condition. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

Materials in transit are stated at cost comprising invoice value and other charges paid thereon.

3.7 STOCK IN TRADE

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

3.8 INTANGIBLES

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company and that the cost of such asset can also be measured reliably. Intangible assets having definite useful life are stated at cost less accumulated amortization and are amortized based on the pattern in which the assets' economic benefits are consumed. Intangible assets which have indefinite useful life are not amortized and tested for impairment annually, if any.

3.9 REVENUE RECOGNITION

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

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of government levies. Effect of adjustments, if any, arising from revision in sale prices is reflected as and when the prices are finalized with the customers and/or approved by the GoP.

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

3.10 FINANCE INCOME AND EXPENSE

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

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

3.11 JOINT OPERATIONS

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.

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

3.12 FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated into PKR at the rate of exchange ruling on the balance sheet date and exchange differences, if any, are charged to income for the year.

3.13 FINANCIAL INSTRUMENTS

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

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

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

3.14 OFFSETTING

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

3.15 TRADE DEBTS AND OTHER RECEIVABLES

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

3.16 TRADE AND OTHER PAYABLES

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

3.17 CASH AND CASH EQUIVALENTS

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

3.18 DIVIDEND

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

3.19 SELF INSURANCE SCHEME

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

3.20 IMPAIRMENT

3.20.1 Non-financial assets

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

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

3.20.2 Financial assets

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

3.21 OPERATING SEGMENTS

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

4 SHARE CAPITAL

Authorized share capital

2017	2016		2017	2016
------(Number of shares)-------			----------(Rupees '000)----------	
5,000,000,000	5,000,000,000	Ordinary shares of Rs 10 each	50,000,000	50,000,000

Issued, subscribed and paid up capital

2017	2016		2017	2016
1,075,232,100	1,075,232,100	Ordinary shares of Rs 10 each issued for consideration other than cash (note 4.1)	10,752,321	10,752,321
3,225,696,300	3,225,696,300	Ordinary shares of Rs 10 each issued as fully paid bonus shares	32,256,963	32,256,963
4,300,928,400	4,300,928,400		43,009,284	43,009,284

4.1 In consideration for all the properties, rights, assets, obligations and liabilities of Oil and Gas Development Corporation 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% (2016: 74.97%) paid up capital of the Company.

5 RESERVES

	Note	2017	2016
		----------(Rupees '000)----------	
Capital reserves:			
Capital reserve	5.1	836,000	836,000
Self insurance reserve	5.2	8,920,000	7,470,000
Capital redemption reserve fund - associated company	5.3	2,118,000	2,118,000
Self insurance reserve - associated company	5.4	120,000	20,000
Other reserves:			
Undistributed percentage return reserve - associated company	5.5	99,287	85,373
		12,093,287	10,529,373

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

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

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

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

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

		Note	2017	2016
			(Rupees '000)	
6	**DEFERRED TAXATION**			
	The balance of deferred tax is in respect of following temporary differences:			
	Accelerated depreciation on property, plant and equipment		11,725,333	7,419,066
	Expenditure of exploration and evaluation, development and production assets		9,645,295	10,487,778
	Provision for decommissioning cost		(1,563,704)	(1,870,834)
	Long term investment in associate		755,246	414,961
	Provision for doubtful debts, claims and advances		(87,036)	(87,175)
	Provision for slow moving and obsolete stores		(836,722)	(784,297)
			19,638,412	15,579,499
7	**DEFERRED EMPLOYEE BENEFITS**			
	Post retirement medical benefits	7.1	13,731,726	10,975,188
	Accumulating compensated absences	7.2	5,295,258	3,996,450
			19,026,984	14,971,638
7.1	**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		10,975,188	8,083,396
	Current service cost		374,480	175,262
	Interest cost		973,357	783,067
	Benefits paid		(320,219)	(505,446)
	Remeasurement loss recognized in Other Comprehensive Income		1,728,920	2,438,909
	Present value of defined benefit obligation at end of the year		13,731,726	10,975,188
	Movement in liability recognized in the balance sheet is as follows:			
	Opening liability		10,975,188	8,083,396
	Expense for the year		1,347,837	958,329
	Benefits paid		(320,219)	(505,446)
	Remeasurement loss recognized in Other Comprehensive Income		1,728,920	2,438,909
	Closing liability		13,731,726	10,975,188
	Expense recognized is as follows:			
	Current service cost		374,480	175,262
	Interest cost		973,357	783,067
			1,347,837	958,329
	The expense is recognized in the following:			
	Operating expenses - profit and loss account		712,753	504,610
	General and administration expenses - profit and loss account		187,919	129,161
	Technical services		447,165	324,558
			1,347,837	958,329

	2017	2016
Significant actuarial assumptions used were as follows:		
Discount rate per annum	9.25%	9%
Medical inflation rate per annum - retired	9.25%	9%
Medical inflation rate per annum - in service	8.25%	7.00%
Mortality rate	Adjusted SLIC 2001-2005	
Withdrawal rate	Low	Low
Weighted average duration of the obligation	11 years	10 years

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
		(Rupees '000)	
Discount	1%	(2,141,139)	2,759,300
Medical indexation	1%	2,787,248	(2,195,369)
Withdrawal	10%	7,473	(7,510)

	1 year setback	1 year set forward
	(Rupees '000)	
Mortality	603,641	(543,349)

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

The expected medical expense for the next financial year is Rs 1,611.093 million.

	2017	2016
	(Rupees '000)	
7.2 Accumulating compensated absences		
Present value of defined benefit obligation at beginning of the year	3,996,450	4,374,519
Charge for the year - net	2,590,157	1,018,489
Payments made during the year	(1,291,349)	(1,396,558)
Present value of defined benefit obligation at end of the year	5,295,258	3,996,450

The rates of discount at 9.25% per annum (2016: 9%) and long term salary increase rate of 9.25% per annum (2016: 9%) and short term salary increase rate (next one year) of 9.25% per annum (2016: 12%) were assumed.

	2017	2016
	(Rupees '000)	
The expense is recognized in the following:		
Operating expenses - profit and loss account	1,364,408	540,555
General and administration expenses - profit and loss account	303,820	122,184
Technical services	921,929	355,750
	2,590,157	1,018,489

8 PROVISION FOR DECOMMISSIONING COST

	Note	2017	2016
		(Rupees '000)	
Balance at beginning of the year		21,412,687	20,303,619
Provision during the year		1,337,053	1,101,437
Decommissioning cost incurred during the year - against provision		(706,556)	-
		22,043,184	21,405,056
Revision due to change in estimates		(1,521,992)	(1,693,111)
Unwinding of discount on provision for decommissioning cost	29	1,506,604	1,700,742
Balance at end of the year		22,027,796	21,412,687
The above provision for decommissioning cost is analyzed as follows:			
Development and production wells		3,682,307	4,450,781
Production facilities		2,296,513	1,815,374
Unwinding of discount on provision for decommissioning cost			
Development and production wells		14,111,220	13,458,767
Production facilities		1,937,756	1,687,765
		16,048,976	15,146,532
		22,027,796	21,412,687

	2017	2016
Significant financial assumptions used were as follows:		
Discount rate per annum	7.94%	7.99%
Inflation rate per annum	5.27%	5.98%

9 TRADE AND OTHER PAYABLES

	Note	2017	2016
		(Rupees '000)	
Creditors		392,923	115,148
Accrued liabilities		13,940,426	14,359,034
Payable to partners of joint operations		5,415,565	4,573,507
Retention money payable		5,066,326	6,124,024
Royalty payable		620,618	2,499,371
Excise duty payable		-	235,912
General sales tax payable		-	526,179
Gas Infrastructure Development Cess (GIDC) Payable		929,625	2,137,525
Withholding tax payable		774,943	735,910
Trade deposits		118,298	119,298
Workers' profit participation fund - net	9.1	1,291,445	4,237,231
Employees' pension trust	9.2	8,833,994	9,272,728
Gratuity fund	9.3	122,881	69,009
Un-paid dividend	9.4	13,862,361	12,439,784
Un-claimed dividend		577,224	200,776
Advances from customers		1,486,121	1,133,572
Other payables		177,694	190,140
		53,610,444	58,969,148

	2017	2016
	(Rupees '000)	

9.1 Workers' profit participation fund - net

	2017	2016
Payable at beginning of the year	4,237,231	6,685,550
Paid to the fund during the year - net	(7,637,231)	(6,685,550)
Charge for the year	4,691,445	4,237,231
Payable at end of the year	1,291,445	4,237,231

9.2 Employees' pension trust

	2017	2016
The amount recognized in the balance sheet is as follows:		
Present value of defined benefit obligation	85,239,047	72,609,026
Fair value of plan assets	(76,405,053)	(63,336,298)
Net liability at end of the year	8,833,994	9,272,728
The movement in the present value of defined benefit obligation is as follows:		
Present value of defined benefit obligation at beginning of the year	72,609,026	61,669,438
Current service cost	2,611,515	2,236,272
Interest cost	6,717,574	5,950,393
Benefits paid	(4,458,735)	(4,331,014)
Remeasurement loss recognized in Other Comprehensive Income	7,759,667	7,083,937
Present value of defined benefit obligation at end of the year	85,239,047	72,609,026
The movement in the fair value of plan assets is as follows:		
Fair value of plan assets at beginning of the year	63,336,298	58,553,413
Expected return on plan assets	5,923,466	5,713,104
Contributions	9,418,723	1,486,261
Benefits paid	(4,458,735)	(4,331,014)
Remeasurement gain recognized in Other Comprehensive Income	2,185,301	1,914,534
Fair value of plan assets at end of the year	76,405,053	63,336,298
The movement in liability recognized in the balance sheet is as follows:		
Opening liability	9,272,728	3,116,025
Expense for the year	3,405,623	2,473,561
Remeasurement loss recognized in Other Comprehensive Income during the year	5,574,366	5,169,403
Payments to the fund during the year	(9,418,723)	(1,486,261)
Closing liability	8,833,994	9,272,728
Expense recognized is as follows:		
Current service cost	2,611,515	2,236,272
Net interest cost	794,108	237,289
	3,405,623	2,473,561
Remeasurement loss recognized in Other Comprehensive Income:		
Remeasurement loss on defined benefit obligation	7,759,667	7,083,937
Remeasurement gain on plan assets	(2,185,301)	(1,914,534)
	5,574,366	5,169,403

Plan assets comprise:	2017 Quoted	2017 Unquoted	2017 Total	2016 Quoted	2016 Unquoted	2016 Total
	(Rupees '000)					
Bonds	-	-	-	-	21,898,643	21,898,643
Regular Income Certificates (RIC)	-	26,898,643	26,898,643	-	-	-
Special Saving Account	-	11,285,088	11,285,088	-	-	-
Mutual funds	1,766,253	-	1,766,253	1,035,688	-	1,035,688
Term Deposits Receipts (TDRs)	-	35,656,031	35,656,031	-	38,401,946	38,401,946
Cash and bank balances	-	799,038	799,038	-	2,000,021	2,000,021
	1,766,253	74,638,800	76,405,053	1,035,688	62,300,610	63,336,298

Quoted plan assets comprise of 2.31% (2016: 1.64%) 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.

	2017	2016
	(Rupees '000)	
The expense is recognized in the following:		
Operating expenses - profit and loss account	1,639,735	1,187,622
General and administration expenses - profit and loss account	612,159	425,706
Technical services	1,153,729	860,233
	3,405,623	2,473,561
Actual return on plan assets	8,108,767	7,627,638

Significant actuarial assumptions used were as follows:

	2017	2016
Discount rate per annum	9.25%	9%
Long term salary increase rate per annum	9.25%	9%
Short term salary increase rate per annum (next one year)	9.25%	12%
Expected rate of return on plan assets per annum	9.25%	9%
Pension indexation rate per annum	5.25%	5%
Mortality rate	Adjusted SLIC 2001-2005	
Withdrawal rate	Low	Low
Weighted average duration of the obligation	11 years	10 years

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
		(Rupees '000)	
Discount	1%	(8,123,281)	9,785,442
Salary increase	1%	716,008	(860,915)
Pension indexation	1%	6,000,829	(5,122,867)
Withdrawal	10%	(8,524)	8,524

	1 year setback	1 year set forward
	(Rupees '000)	
Mortality	1,508,731	(1,389,397)

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

The Company expects to make a contribution of Rs 12,422 million (2016: Rs 12,583 million) to the employees' pension trust during the next financial year.

	2017	2016
	(Rupees '000)	
9.3 Gratuity fund		
Opening liability	69,009	-
Expense for the year	56,837	26,917
Other comprehensive income	(2,965)	44,216
Benefits paid during the year	-	(2,124)
Closing liability	122,881	69,009
The expense is recognized in the following:		
Operating expenses - profit and loss account	25,997	5,620
General and administration expenses - profit and loss account	23,311	17,442
Technical services	7,529	3,855
	56,837	26,917

9.4 This includes an amount of Rs 13,250 million (2016: Rs 10,500 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. 12(1)L/PC/BESOS/2016 dated 16 August 2017 has informed that the matter of BESOS, as a scheme, is pending adjudication before the Honorable Supreme Court of Pakistan. Once finalised, OEET will be informed accordingly.

10 CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

10.1.1 Claims against the Company not acknowledged as debts amounted to Rs 1,568.441 million at year end (2016: Rs 1,556.580 million).

10.1.2 Certain banks have issued guarantees on behalf of the Company in ordinary course of business aggregating Rs 1.321 million (2016: Rs 1.707 million), refer note 23.1 to the financial statements.

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

Indemnity bonds given to Collector of Customs against duty concessions on import of vehicles amounted to Rs 1.045 million (2016: Rs 1.045 million).

10.1.4 For contingencies related to tax matters, refer note 21.1 to 21.3 and note 30.2

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

10.2 Commitments

10.2.1 Commitments outstanding at period end amounted to Rs 30,237.700 million (2016: Rs 48,618.352 million). These include amounts aggregating to Rs 22,567.871 million (2016: Rs 24,779.797 million) representing the Company's share in the minimum work commitments under Petroleum Concession Agreements.

10.2.2 Letters of credit issued by various banks on behalf of the Company in ordinary course of the business, outstanding at year end amounted to Rs 6,644.095 million (2016: Rs 22,235.046 million).

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

	2017	2016
	(Rupees '000)	
Capital expenditure:		
Share in joint operations	992,261	1,218,299
Others	288,608	42,454
	1,280,869	1,260,753

11 PROPERTY, PLANT AND EQUIPMENT

(Rupees '000)

Description	Freehold land	Leasehold land	Buildings, offices and roads on freehold land	Buildings, offices and roads on leasehold land	Plant and machinery	Rigs	Pipelines	Office and domestic equipment	Office and technical data computers	Furniture and fixtures	Vehicles	Decom-missioning cost	Capital work in progress (Note 11.3)	Stores held for capital expenditure	Total
Cost															
Balance as at 1 July 2015	254,580	54,039	4,336,982	5,384,600	92,375,868	4,635,592	15,319,471	1,018,935	1,785,805	135,716	5,392,913	1,339,771	44,041,169	3,916,428	179,991,869
Additions during the year	1,678	-	103,141	261,848	11,636,241	401,193	933,261	158,427	144,646	16,263	306,467	269,947	15,164,178	1,928,020	31,325,310
Revision due to change in estimate	-	-	-	-	-	-	-	-	-	-	-	205,656	-	-	205,656
Disposals/transfers during the year	-	-	-	-	(177,960)	(13,342)	-	(3,316)	(23,582)	-	(191,910)	-	(9,542,219)	(3,177,210)	(13,129,539)
Adjustments	-	-	-	-	(67,094)	-	-	-	67,094	-	-	-	-	-	-
Balance as at 30 June 2016	256,258	54,039	4,440,123	5,646,448	103,767,055	5,023,443	16,252,732	1,174,046	1,973,963	151,979	5,507,470	1,815,374	49,663,128	2,667,238	198,393,296
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
Depreciation															
Balance as at 1 July 2015	-	50,839	1,935,352	1,597,383	46,614,221	1,713,507	9,753,832	707,812	1,545,187	97,533	4,630,555	923,880	-	102,983	69,673,084
Charge for the year	-	2,145	264,800	246,675	5,655,286	454,760	892,170	82,476	217,707	6,978	315,205	94,908	-	(10,892)	8,222,218
On disposals	-	-	-	-	(177,761)	(13,323)	-	(3,188)	(23,077)	-	(162,107)	-	-	-	(379,456)
Adjustments	-	-	-	-	(5,909)	718	-	-	5,191	-	-	-	-	-	-
Balance as at 30 June 2016	-	52,984	2,200,152	1,844,058	52,085,837	2,155,662	10,646,002	787,100	1,745,008	104,511	4,783,653	1,018,788	-	92,091	77,515,846
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
Impairment															
Balance as at 1 July 2015	-	-	61,204	128,386	143,717	-	333	-	-	-	1,079	327	-	-	335,046
Charge for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2016	-	-	61,204	128,386	143,717	-	333	-	-	-	1,079	327	-	-	335,046
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
Carrying amount - 30 June 2016	256,258	1,055	2,178,767	3,674,004	51,537,501	2,867,781	5,606,397	386,946	228,955	47,468	722,738	796,259	49,663,128	2,575,147	120,542,404
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
Rates of depreciation (%)	-	3.3~4	2.5~8	2.5~8	4~20	10	10	15	33.33	10	20	2.5~10	-	-	

11.1 Cost and accumulated depreciation as at 30 June 2017 include Rs 49,729 million (2016: Rs 48,173 million) and Rs 29,756 million (2016: Rs 26,284 million) respectively being the Company's share in property, plant and equipment relating to joint operations operated by other working interest owners.

	Note	2017	2016
		(Rupees '000)	
11.2 The depreciation charge has been allocated to:			
Operating expenses	25	8,824,249	6,893,094
General and administration expenses	28	197,146	205,799
Technical services		1,012,287	1,123,325
		10,033,682	8,222,218

	2017	2016
11.3 Capital work in progress		
Production facilities and other civil works in progress:		
Wholly owned	4,709,830	47,809,254
Joint operations	9,388,608	1,843,702
	14,098,438	49,652,956
Construction cost of field offices and various bases/offices owned by the Company	57,636	10,172
	14,156,074	49,663,128

11.4 Details of property, plant and equipment sold:

	Cost	Book value	Sale proceeds
	(Rupees '000)		
Vehicles sold to following in-service/retiring employees as per Company's policy:			
Mr. Farrukh Aftab	1,772	1,294	1,294
Mr. Manzoor Ahmad	1,752	735	735
Mr. Muhammad Zafarullah	1,752	638	638
Capt (R) M. Naseem	1,727	835	835
Mr. Muhammad Yousaf	1,727	745	745
Mr. M. Nasim Ijaz	1,727	667	667
Mr. Iftikhar Ahmed Bazmi	1,707	580	580
Mr. Bashir Ahmad	1,692	168	169
Mr. Ali Ahmad Farooqi	1,691	544	544
Mr. Muhammad Naveed Raza	1,691	352	352
Mr. Muhammad Aslam Khan Niazi	1,689	106	169
Mr. Jamil ur Rehman	1,626	1	163
Mr. Abdul Bari	1,571	118	157
Mr. Khalid Anis	1,571	1	157
Mr. Allah Nawaz Yousfani	1,571	1	157
Mr. Akhtar Raza Taqvi	1,571	1	157
Mr. Rafiq Ahmad Mughal	1,571	1	157
Mr. Ashraf Anis	1,569	56	157
Mr. Amjad Saeed Yazdani	1,569	1	157
Mr. Muhammad Ajmal	1,569	1	157
Mr. Imran Shaukat	1,569	1	157
Mr. Ahmad Hayat Lak	1,569	1	157
Mr. Tahir Mahmood Qureshi	1,569	1	157
Mr. Rashid Mahmood	1,569	1	157
Mr. Muhammad Tariq Iqbal	1,548	1,084	1,084
Ms. Shabina Anjum	1,539	1	154
Mr. Mukhtar Ahmad Khan	1,399	1	140

Details of property, plant and equipment sold -Continued:

	Cost	Book value	Sale proceeds
	--------(Rupees '000)--------		
Mr. Liaqat Ali Bhatti	1,073	678	678
Mr. Rehmatullah Khan	1,073	721	721
Mr. Amjad Ali	1,073	634	634
Mr. Ghulam Abbas Soomro	1,073	616	616
Mr. Mian Naik Namdar	1,073	604	604
Mr. M. Iqbal Mirza	1,073	580	580
Mr. Zia ul Haq	1,073	558	558
Mr. Muhammad Ismail	1,073	523	523
Syed Saif ul Islam Kazmi	1,053	739	739
Mr. M. Ibrahim	1,024	398	398
Mr. Tariq Mehmood	1,024	426	426
Mr. Sajid Hussain Siddique	1,024	313	313
Mr. Farrukh Naseer	1,024	304	304
Dr. Mohammad Tayyab	1,024	234	234
Mr. Zahid Hassan	1,024	215	215
Mr. Mohsin Jaffery	1,023	349	349
Mr. Khalid Hussain Samoo	1,023	400	400
Mr. Izhar-ud-Din	1,003	302	302
Mr. Mehfooz ul Haq	1,003	302	302
Mr. Bashir Ahmad	1,003	325	325
Mr. M. Haroon	1,003	295	295
Mr. Noor Ahmad Samoo	1,003	269	269
Dr. Mariam Panhwar	925	67	93
Mr. Abdul Hamid Sayal	925	34	93
Mr. Aftab Anwar Qureshi	925	1	93
Dr. Nasira Tajamal	925	1	93
Dr. Zamir Ahmad Buriro	925	1	93
Mr. Karimullah Khan	925	1	93
Mr. Muhammad Aslam	925	1	93
Mr. Riaz Ahmed Mangi	925	1	93
Mr. Manzoor Hussain Qazi	925	1	93
Mr. Abdul Majeed	891	1	89
Mr. Ashraf Khan	891	1	89
Mr. Mulazim Hussain	891	1	89
Mr. Ghulam Dawood	891	1	89
Mr. Arshad Mahmood	891	1	89
Mr. Manzoor Ahmed	891	1	89
Mr. Tuaha Jamil	884	605	605
Mr. Khalid Javed	884	756	756
Mr. Khan Muhammad Shar	884	808	808
	83,043	20,003	23,478
Computers/mobiles sold to employees as per Company's policy	14,854	697	1,910
Aggregate of other items of property, plant and equipment with individual book value not exceeding Rs 50,000, sold through public auction	47,677	303	34,960
Items written off during the year	123,924	83,447	2,082
30 June 2017	269,498	104,450	62,430
30 June 2016	410,110	30,654	91,113

12 DEVELOPMENT AND PRODUCTION ASSETS - intangible

(Rupees '000)

Description	Producing fields		Shut-in fields		Wells in progress (Note 12.1)	Sub total	Decom-missioning cost	Total
	Wholly owned	Joint operations	Wholly owned	Joint operations				
Cost								
Balance as at 1 July 2015	62,747,110	90,439,291	7,976,905	18,645,423	5,066,864	184,875,593	5,518,058	190,393,651
Adjustment	(191,393)	(596,044)	191,393	596,044	-	-	-	-
Additions during the year	-	-	-	-	17,728,636	17,728,636	831,490	18,560,126
Revision due to change in estimate	-	-	-	-	-	-	(1,898,767)	(1,898,767)
Transfer from exploration and evaluation assets during the year	1,531,998	1,887,665	2,150,270	4,652,100	-	10,222,033	-	10,222,033
Transfers in/(out) during the year	6,400,016	7,447,147	122,356	1,509,998	(15,479,517)	-	-	-
Balance as at 30 June 2016	70,487,731	99,178,059	10,440,924	25,403,565	7,315,983	212,826,262	4,450,781	217,277,043
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
Amortization								
Balance as at 1 July 2015	42,137,452	61,047,928	414,124	432,674	-	104,032,178	4,732,171	108,764,349
Adjustment	(320,545)	(413,375)	169,009	413,376	-	(151,535)	(440,826)	(592,361)
Charge/(reversal of charge) for the year	5,047,860	11,407,703	24,771	32,271	-	16,512,605	(1,246,037)	15,266,568
Balance as at 30 June 2016	46,864,767	72,042,256	607,904	878,321	-	120,393,248	3,045,308	123,438,556
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
Impairment								
Balance as at 1 July 2015	545,089	1,004,360	177,166	1,546,486	-	3,273,101	95,514	3,368,615
Adjustment	437,291	-	-	-	-	437,291	155,070	592,361
Charge for the year	709,154	-	788,869	373,810	-	1,871,833	14,718	1,886,551
Balance as at 30 June 2016	1,691,534	1,004,360	966,035	1,920,296	-	5,582,225	265,302	5,847,527
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
Carrying amounts - 30 June 2016	21,931,430	26,131,443	8,866,985	22,604,948	7,315,983	86,850,789	1,140,171	87,990,960
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

12.1 Wells in progress at year end represent:

	2017	2016
	(Rupees '000)	
Wholly owned	3,320,371	3,277,101
Joint operations	3,457,561	4,038,882
	6,777,932	7,315,983

13 EXPLORATION AND EVALUATION ASSETS

	Note	2017 (Rupees '000)	2016 (Rupees '000)
Balance at beginning of the year		5,153,857	6,103,544
Additions during the year		10,954,246	14,182,070
		16,108,103	20,285,614
Cost of dry and abandoned wells during the year	27	(4,026,920)	(4,909,724)
Cost of wells transferred to development and production assets during the year		(3,360,821)	(10,222,033)
		(7,387,741)	(15,131,757)
		8,720,362	5,153,857
Stores held for exploration and evaluation activities	13.1	2,275,649	1,680,221
Balance at end of the year		10,996,011	6,834,078

13.1 Stores held for exploration and evaluation activities

	2017	2016
Balance at beginning of the year	1,680,221	2,035,892
Additions	2,154,659	1,155,565
Issuances	(1,559,231)	(1,511,236)
Balance at end of the year	2,275,649	1,680,221

13.2 Liabilities, other assets and expenditure incurred on exploration and evaluation activities are:

	Note	2017	2016
Liabilities related to exploration and evaluation		2,493,048	2,303,095
Exploration and prospecting expenditure	27	13,268,575	14,548,295

14 LONG TERM INVESTMENTS

	Note	2017	2016
Investment in related party	14.1	5,108,472	3,393,185
Investments held to maturity	14.2	37,557,338	109,124,107
		42,665,810	112,517,292

14.1 Investment in related party - associate, quoted

	2017	2016
Mari Petroleum Company Limited (MPCL)		
Cost of investment (22,050,000 (2016: 22,050,000) fully paid ordinary shares of Rs 10 each including 14,700,000 (2016: 14,700,000) bonus shares)	73,500	73,500
Post acquisition profits brought forward	3,319,685	1,327,673
	3,393,185	1,401,173
Share of profit for the year - net of taxation	1,827,239	2,188,899
Share of other comprehensive loss of the associate - net of taxation	(434)	(17,125)
Dividend received	(111,518)	(179,762)
	1,715,287	1,992,012
	5,108,472	3,393,185

14.1.1 MPCL is incorporated in Pakistan and is principally engaged in exploration, production and sale of hydrocarbons. The Company has 20% (2016: 20%) holding in the associate. The market value of the investment in associate as of the year end is Rs 34,743 million (2016: Rs 20,026 million).

14.1.2 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 2017 (2016: year ended 30 June 2016) and not the Company's share of those amounts.

	2017	2016
	(Rupees '000)	
Summarized balance sheet		
Current assets	65,303,768	32,727,282
Non- current assets	28,291,199	26,832,365
Current liabilities	(56,400,758)	(35,017,149)
Non- current liabilities	(11,656,539)	(7,576,575)
Net assets	25,537,670	16,965,923
Reconciliation to carrying amounts:		
Opening net assets	16,965,923	11,496,218
Total comprehensive income for the year	9,134,022	5,965,830
Dividends paid	(562,275)	(496,125)
Closing net assets	25,537,670	16,965,923
Company's percentage shareholding in the associate	20%	20%
Company's share in carrying value of net assets	5,107,534	3,393,185
Others	938	-
Carrying amount of investment	5,108,472	3,393,185
Summarized statement of comprehensive income		
Revenue for the year	96,775,974	94,997,719
Profit for the year	9,136,194	6,051,455
Other comprehensive (loss)/income for the year	(2,172)	(85,625)
Total comprehensive income for the year	9,134,022	5,965,830

14.1.3 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, pro-rated 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.

	Note	2017	2016
		----------(Rupees '000)----------	
14.2 Investments held to maturity			
Term Deposit Receipts (TDRs)	14.2.1	6,807,338	6,384,972
Investment in Pakistan Investment Bonds (PIBs)	14.2.2	50,809,086	51,489,135
Investment in Term Finance Certificates (TFCs)	14.2.3	82,000,000	82,000,000
		139,616,424	139,874,107
Less: Current maturity of TFCs and PIBs		(102,059,086)	(30,750,000)
		37,557,338	109,124,107

14.2.1 These represent investments in local currency TDRs. Face value of these investments is Rs 6,807 million (2016: Rs 6,385 million) and carry effective interest rate of 6.50% (2016: 7.35%) per annum. These investments are due to mature within next 12 months, however, these have not been classified as current assets based on the management's intention to reinvest them in the like investments for a longer term. These investments are earmarked against self insurance reserve as explained in note 5.2 to the financial statements.

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

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

As per original terms, 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. Principal repayment amounting to Rs 30,750 million (2016: Rs 10,250 million) was past due as at 30 June 2017. Further, interest due as of 30 June 2017 was Rs 18,989 million (2016: Rs 18,139 million) of which Rs 17,179 million (2016: Rs 16,270 million) was past due as of the balance sheet date. The Company considers the principal and interest to be fully recoverable as these are backed by Sovereign Guarantee of Government of Pakistan.

	Note	2017	2016
		----------(Rupees '000)----------	
15 LONG TERM LOANS AND RECEIVABLE			
Long term loans:			
Secured	15.1	6,577,636	5,757,931
Unsecured	15.2	239,738	239,738
		6,817,374	5,997,669
15.1 Long term loans - secured			
Considered good:			
Executives		5,580,009	4,618,807
Other employees		2,146,087	2,095,113
		7,726,096	6,713,920
Current portion shown under loans and advances	18	(1,148,460)	(955,989)
		6,577,636	5,757,931

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

	Balance as at 1 July 2016	Disbursements during the period	Adjustments during the period	Repayments during the period	Balance as at 30 June 2017
			(Rupees '000)		
Due from:					
Executives	4,618,807	736,553	1,089,169	(864,520)	5,580,009
Other employees	2,095,113	1,407,430	(1,089,169)	(267,287)	2,146,087
30 June 2017	6,713,920	2,143,983	-	(1,131,807)	7,726,096
30 June 2016	6,649,252	981,600	-	(916,932)	6,713,920

15.1.2 The loans are granted to the employees of the Company in accordance with the Company's service rules. House building and conveyance loans are for maximum period of 15 and 5 years respectively. These loans are secured against the underlying assets. Included in these are loans of Rs 6,605.666 million (2016: Rs 5,635.351 million) which carry no interest. The balance amount carries an effective interest rate of 7.37% (2016: 10.53%) 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.

The maximum amount due from executives at the end of any month during the year was Rs 5,580.009 million (2016: Rs 4,618.807 million).

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

As per terms and conditions of the agreement, NHA will design, construct, operate and maintain the new bridge and shall commission the bridge within 27 months from the date of agreement. NHA shall not charge the Company and other operator the toll tax for the use of new bridge till the entire loan stands repaid. The loan is repayable by NHA in seven years in 84 equal monthly installments, with grace period of one year, starting from one year after the commissioning of the bridge. The bridge has been inaugurated on 28 July 2014 and is currently operational. The amount of Rs 239.738 million as on 30 June 2017 (2016: Rs 239.738 million) represents the Company's net share, based on effective working interest ownership of 38.05% (2016: 38.05%) which has not been discounted as required by IAS 39 "Financial Instruments: Recognition and Measurement" as the amount involved is deemed immaterial.

16 STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2017	2016
		(Rupees '000)	
Stores, spare parts and loose tools		20,196,020	20,069,409
Stores and spare parts in transit		1,209,722	965,949
		21,405,742	21,035,358
Provision for slow moving, obsolete and in transit stores	16.1	(2,962,895)	(2,784,174)
		18,442,847	18,251,184

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

	2017	2016
Balance as at 1 July	2,784,174	2,620,996
Provision for the year	178,721	163,178
Balance as at 30 June	2,962,895	2,784,174

17 TRADE DEBTS

	2017	2016
Un-secured, considered good	118,575,727	111,204,979
Un-secured, considered doubtful	110,730	111,989
	118,686,457	111,316,968
Provision for doubtful debts	(110,730)	(111,989)
Trade debts written off	(1,259)	(793)
	118,574,468	111,204,186

17.1 Trade debts include overdue amount of Rs 82,707 million (2016: Rs 78,704 million) on account of Inter-Corporate Circular debt, receivable from oil refineries and gas companies out of which Rs 64,660 million (2016: Rs 59,395 million) and Rs 13,048 million (2016: Rs 16,525 million) is overdue from related parties, Sui Southern Gas Company Limited and Sui Northern Gas Pipeline Limited respectively. The Government of Pakistan (GoP) is pursuing for satisfactory settlement of Inter-Corporate Circular debt issue. The Company considers this amount to be fully recoverable.

17.2 Included in trade debts is an amount of Rs 2,981 million (2016: Rs 3,171 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.

18 LOANS AND ADVANCES

	Note	2017	2016
		(Rupees '000)	
Advances considered good:			
Suppliers and contractors		379,447	2,046,796
Partners in joint operations		4,925,331	2,065,882
Sales tax	18.1 & 18.2	5,848,419	4,816,374
Gas Infrastructure Development Cess (GIDC)		753,857	-
Excise duty		435,724	-
Others		588,466	574,568
		12,931,244	9,503,620
Current portion of long term loans - secured	15.1	1,148,460	955,989
		14,079,704	10,459,609
Advances considered doubtful		187,835	187,033
		14,267,539	10,646,642
Provision for doubtful advances		(187,835)	(187,033)
		14,079,704	10,459,609

18.1 This includes an amount of Rs 3,180 million (30 June 2016: Rs 3,180 million) paid under protest to Federal Board of Revenue (FBR) on account of sales tax demand raised in respect of capacity invoices from Uch Gas Field for the period July 2004 to March 2011. Based on Sales Tax General Order (STGO) 1 of 2000 dated 24 January 2000, the matter was argued before various appellate forums, however, the Supreme Court of Pakistan finally decided the issue against the Company on 15 April 2013. The FBR granted time relaxation to the Company for issuance of debit note for an amount of Rs 750 million for the period April 2011 to May 2012, accounted for as trade debt. Uch Power Limited (UPL) challenged the grant of time relaxation to the Company by FBR before Islamabad High Court. On 27 December 2013, the Honorable Court decided the matter in favor of the Company. In light of the Islamabad High Court decision, the Company has applied to FBR for obtaining condonation of time limit for issuing debit notes to UPL for the remaining amount of Rs 3,180 million for the period July 2004 to March 2011 and currently the matter is pending with FBR.

UPL 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 apeal in favour of the Company. UPL has filed Civil Petition for Leave to Appeal (CPLA) before the Honorable Supreme Court of Pakistan against the decision of IHC. 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 the amount will be recovered from UPL. Accordingly no provision in this respect has been made in these financial statements.

18.2 This also includes recoveries of Rs 317 million (2016: Rs 317 million) made by the tax department against sales tax and Federal Excise Duty (FED) demand of Rs 6,968 million (2016: Rs 6,699 million) relating to periods July 2011 to June 2014. Subsequently, on 1 August 2017, the Honorable Appellate Tribunal Inland Revenue (ATIR) has accepted the Company's appeal for tax year 2013-14 and annulled the demand of Rs 4,887 million passed by the authorities being ab-intio void and without jurisdiction. For the remaining demands, ATIR and Islamabad High Court (IHC) have granted stay against recovery of Rs 260 million and Rs 1,821 million respectively and appeals are pending before ATIR. These demands have been raised by tax authorities due to difference between computation of sales/production reported by the Company in its sales tax return and sales/production based on other sources of data. The Company believes that these demands have been raised without legal validity and are identical to the case decided by ATIR in favour of the Comapny, accordingly no provision has been made in these financial statements.

		Note	2017	2016
			----------(Rupees '000)----------	
19	**DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Security deposits		26,718	22,112
	Short term prepayments		1,530,721	1,624,665
			1,557,439	1,646,777
20	**OTHER RECEIVABLES**			
	Development surcharge		80,391	80,391
	Claims receivable		140,664	78,134
	Others		219,942	23,686
			440,997	182,211
	Claims considered doubtful		9,637	10,439
			450,634	192,650
	Provision for doubtful claims		(9,637)	(10,439)
			440,997	182,211
21	**INCOME TAX - ADVANCE**			
	Income tax- advance at beginning of the year		41,599,042	24,059,740
	Income tax paid during the year		25,616,740	35,025,909
	Income tax recovered by tax authorities during the year		3,963	50,558
	Provision for current taxation - Profit and loss account	30	(21,275,147)	(21,563,926)
	Tax credit related to remeasurement loss on employee retirement benefit plans for the year - Other Comprehensive Income		3,656,731	4,026,760
	Income tax - advance at end of the year	21.1 to 21.3	49,601,329	41,599,042

21.1 This includes amount of Rs 17,819 million (2016: Rs 13,846 million) paid to tax authorities on account of disallowance of actuarial loss amounting to Rs 35,209 million which the Company claimed in its return for the tax years 2014, 2015 and 2016. This actuarial loss was recognized in the books as a result of retrospective application of IAS 19 (as revised in June 2011) 'Employee Benefits' from the year ended 30 June 2014 and onwards. The Commissioner Inland Revenue Appeals (CIRA) through its order dated 3 November 2015 related to tax year 2014, accepted the Company's viewpoint, however, ordered to claim the expenditure over a period of seven years. The Company has filed an appeal against the order of CIRA in Appellate Tribunal Inland Revenue which is currently pending. The management, based on opinion of its tax consultant, believes that there is reasonable probability that the matter will be decided in favor of the Company by appellate forums available under the law.

21.2 During the year ended 30 June 2014, tax authorities raised demands of Rs 13,370 million by disallowing effect of price discount on sale of crude from Kunnar field and have recovered Rs 5,372 million (2016: Rs 5,368 million) from the Company upto 30 June 2017. During the year ended 30 June 2015, appeal before Appellate Tribunal Inland Revenue (ATIR) against the said demands were decided against the Company. The Company filed a reference application before Islamabad High Court (IHC) against the decision of ATIR. The Islamabad High Court remanded the case back to ATIR with the instructions to pass a speaking order. Further, ATIR has granted stay of forty days with effect from 8 August 2017 or till the decision of the appeals, whichever is earlier. Management and its legal advisor are of the view that the price discount is not income of the Company and hence not liable to tax. Accordingly, management is confident that the matter will be resolved in favor of the Company as the discounted price for Kunnar field was finally determined by the Ministry of 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.

21.3 Income tax advance includes Rs 3,580 million (2016: Rs 5,805 million) mainly on account of disallowances made by the Additional Commissioner Inland Revenue (ACIR) against workers' profit participation fund expense for tax year 2016 and decommissioning cost for tax year 2015 claimed by the Company in its return of income for the years ended 30 June 2015 and 2016. The Company has filed an appeal with CIRA for tax year 2016 and ATIR for tax year 2015 against the said disallowances. Management believes that these disallowances are against income tax laws and regulations and accordingly no provision has been made in this respect in the financial statements.

22 OTHER FINANCIAL ASSETS

	Note	2017	2016
		(Rupees '000)	
Investment in Term Deposits	22.1	10,915,518	11,131,164
Investment at fair value through profit or loss - NIT units		380,204	295,800
		11,295,722	11,426,964

22.1 This includes foreign currency TDRs amounting to USD 104.086 million (2016: USD 106.305 million), carrying interest rate ranging from 2.75% to 3.35% (2016: 1.60% to 2.65%) per annum, having maturities of six months (2016: maturities between one month to three months).

23 CASH AND BANK BALANCES

	Note	2017	2016
		(Rupees '000)	
Cash at bank:			
Deposit accounts	23.1	3,992,865	7,692,851
Current accounts		117,366	146,976
		4,110,231	7,839,827
Cash in hand		48,842	63,939
		4,159,073	7,903,766

23.1 These deposit accounts carry interest rate of 0.20% to 5.70% (2016: 0.20% to 5.75%) per annum and include foreign currency deposits amounting to USD 6.808 million (2016: USD 4.995 million). Deposits amounting to Rs 1.321 million (2016: Rs 1.707 million) with banks were under lien to secure bank guarantees issued on behalf of the Company.

24 SALES - NET

	2017	2016
	(Rupees '000)	
Gross sales		
Crude oil	72,774,702	59,080,776
Gas	117,298,735	125,009,124
Liquefied petroleum gas	8,419,685	6,285,313
Sulphur	348,103	299,907
Gas processing	97,358	60,698
	198,938,583	190,735,818
Government levies		
General sales tax	(18,370,843)	(19,132,696)
Gas Infrastructure Development Cess (GIDC)	(5,620,883)	(5,579,173)
Excise duty	(3,117,493)	(3,157,371)
	(27,109,219)	(27,869,240)
	171,829,364	162,866,578

24.1 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.

24.2 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. Additionally credit and debit notes issued in prior years in relation to M/s Jamshoro Joint Venture Limited are on provisional basis.

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

In terms of supplemental agreements, draft statements in respect of Sheikhan, Gopang, Pakhro and TAL block - Mamikhel, Maramzai & Makori East discoveries - have been submitted to the GoP during the year ended 30 June 2016. During the year, prices of Company's operated fields Sheikhan, Gopang and Pakhro, converted under Petroleum Policy 2012, have been notified by OGRA. The impact of these conversions on the revenue for year ended 30 June 2017 amounts to Rs 64.294 million (2016: Rs Nil) related to period prior to 1 July 2016 which has been incorporated in these financial statements. GoP shall facilitate for issuance of necessary gas price notifications for Tal Block (Mamikhel, Maramzai & Makori East). Effect of adjustment arising from revision in such sale price will be recognized upon issuance of related gas price notifications by OGRA.

25 OPERATING EXPENSES

	Note	2017	2016
		(Rupees '000)	
Salaries, wages and benefits	25.1	18,572,989	15,214,752
Stores and supplies consumed		1,339,252	1,439,904
Contract services		1,721,837	1,854,126
Joint operations expenses		1,943,713	2,250,488
Workover charges		1,681,124	1,398,851
Decommissioning cost		650,762	-
Traveling and transportation		524,715	800,648
Repairs and maintenance		945,506	935,596
Rent, fee and taxes		865,930	810,339
Insurance		167,833	215,869
Communication		41,842	42,544
Utilities		370,449	336,264
Land and crops compensation		449,958	736,160
Desalting, decanting and naphtha storage charges		115,104	58,104
Training, welfare and Corporate Social Responsibility (CSR)		1,471,368	2,107,025
Provision for slow moving, obsolete and in transit stores		178,721	163,178
Stores inventory written off		-	3,814
Depreciation	11.2	8,824,249	6,893,094
Amortization of development and production assets	12	13,900,593	15,266,568
Impairment on development and production assets		-	1,886,551
Transfer from general and administration expenses	28	2,898,070	2,538,202
Miscellaneous		5,685	8,601
		56,669,700	54,960,678
Stock of crude oil and other products:			
Balance at beginning of the year		291,904	317,476
Balance at end of the year		(376,390)	(291,904)
		56,585,214	54,986,250

25.1 These include charge against employee retirement benefits of Rs 2,378 million (2016: Rs 1,698 million).

26 OTHER INCOME

	Note	2017	2016
		(Rupees '000)	
Income from financial assets			
Interest income on:			
Investments and bank deposits		12,127,451	12,908,363
Delayed payments from joint operations partners		-	10,241
Delayed payments from customers		293,274	2,053
		12,420,725	12,920,657
Dividend income from NIT units		20,431	19,296
Un-realized gain on investments at fair value through profit or loss		84,404	6,356
Exchange gain /(loss) - net		152,275	(37,543)
		12,677,835	12,908,766
Income from non financial assets			
Signature bonus	26.1	2,500,566	1,055,706
(Loss)/ gain on disposal of property, plant and equipment		(42,020)	60,458
Gain on disposal of stores, spare parts and loose tools		38,950	40,421
Others		845,002	637,620
		3,342,498	1,794,205
		16,020,333	14,702,971

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

	Note	2017	2016
		---------(Rupees '000)---------	
27 EXPLORATION AND PROSPECTING EXPENDITURE			
Cost of dry and abandoned wells	13	4,026,920	4,909,724
Prospecting expenditure		9,241,655	9,638,571
		13,268,575	14,548,295
28 GENERAL AND ADMINISTRATION EXPENSES			
Salaries, wages and benefits	28.1	6,128,367	4,965,364
Joint operations expenses		843,692	1,097,036
Unallocated expenses of technical services		936,519	896,277
Traveling and transportation		387,928	312,882
Repairs and maintenance		85,229	104,421
Stores and supplies consumed		99,874	124,642
Rent, fee and taxes		150,233	154,471
Communication		49,823	52,361
Utilities		56,072	57,149
Training and scholarships		32,953	30,971
Legal and professional services		47,315	50,377
Contract services		177,872	172,865
Auditors' remuneration	28.2	39,812	20,310
Advertising		77,808	83,293
Insurance		208	3,895
Depreciation	11.2	197,146	205,799
Miscellaneous		37,570	40,151
		9,348,421	8,372,264
Allocation of expenses to:			
Operations	25	(2,898,070)	(2,538,202)
Technical services		(2,210,709)	(2,063,455)
		(5,108,779)	(4,601,657)
		4,239,642	3,770,607

28.1 These include charge against employee retirement benefits of Rs 823 million (2016: Rs 572 million).

28.2 Auditors' remuneration

	2017	2016
M/s KPMG Taseer Hadi & Co., Chartered Accountants		
Annual audit fee	2,200	2,000
Half yearly review	880	800
Out of pocket expenses	308	280
Concession audit fee	4,417	4,391
Audit fee for claims lodged by employees under BESOS	262	262
Verification of Central Depository Company record	110	110
Certification of fee payable to OGRA	220	110
Dividend certification	210	300
	8,607	8,253
M/s A. F. Ferguson & Co., Chartered Accountants		
Annual audit fee	2,200	2,000
Half yearly review	880	800
Out of pocket expenses	308	280
Concession audit fee	4,756	4,608
Verification of Central Depository Company record	110	110
Dividend certification	210	100
Tax services	10,715	4,159
Other non audit services	12,026	-
	31,205	12,057
	39,812	20,310

	Note	2017	2016
		---------(Rupees '000)---------	
29 FINANCE COST			
Unwinding of discount on provision for decommissioning cost	8	1,506,604	1,700,742
Others		8,030	17,147
		1,514,634	1,717,889
30 TAXATION			
Current - charge/(credit)			
- for the year		17,766,128	21,853,820
- for prior year		3,509,019	(289,894)
		21,275,147	21,563,926
Deferred - charge/(credit)			
- for the year		4,058,913	(617,397)
- for prior year		-	(409,944)
		4,058,913	(1,027,341)
		25,334,060	20,536,585

30.1 Reconciliation of tax charge for the year:

	2017	2016
Accounting profit	89,137,462	80,507,387
Tax rate	47.41%	52.62%
Tax on accounting profit at applicable rate	42,260,071	42,362,987
Tax effect of royalty allowed for tax purposes	(7,940,763)	(7,032,918)
Tax effect of depletion allowance	(9,218,842)	(9,988,702)
Tax effect of amount not admissible for tax purposes	(679,697)	(782,751)
Tax effect of exempt income	(9,686)	(10,154)
Tax effect of income chargeable to tax at reduced corporate rate	(3,178,565)	(3,663,025)
Tax effect of prior years	3,509,019	(699,838)
Effect of super tax	1,392,565	410,559
Others	(800,042)	(59,573)
	25,334,060	20,536,585

30.2 Various appeals in respect of assessment years 1992-93 to 2002-03, tax years 2003 to 2016 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 2003-2016 amounts to Rs 77,037 million out of which an amount of Rs 73,696 million has been paid to tax authorities. Also refer to note 21.1 to 21.3 of the financial statements.

31 EARNINGS PER SHARE - BASIC AND DILUTED

	2017	2016
Profit for the year (Rupees '000)	63,803,402	59,970,802
Average number of shares outstanding during the year ('000)	4,300,928	4,300,928
Earnings per share - basic (Rupees)	14.83	13.94

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

32 OPERATING SEGMENTS

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

Revenue from five major customers of the Company constitutes 76% (2016: 77%) of the total revenue during the year ended 30 June 2017.

33 FINANCIAL INSTRUMENTS

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

33.1 Credit risk

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

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

33.1.1 Counterparties

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

Trade debts

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

	2017		2016		
	Short term	Long term	Short term	Long term	Credit rating agency
National Bank of Pakistan	A-1+	AAA	A-1+	AAA	JCR-VIS
Allied Bank of Pakistan	A1+	AA+	A1+	AA+	PACRA
Askari Bank Limited	A1+	AA+	A1+	AA+	PACRA
Bank Al-Falah Limited	A1+	AA+	A1+	AA	PACRA
Bank Al-Habib limited	A1+	AA+	A1+	AA+	PACRA
Standard Chartered Bank	A1+	AAA	A1+	AAA	PACRA
Barclays Bank	A-2	A-	A-1	A	Standards & Poor's
Deutsche Bank	A-2	A-	A-1	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
HSBC bank of Middle East	P-1	A2	P-1	A2	Moody's
MCB Bank	A1+	AAA	A1+	AAA	PACRA
NIB Bank	A1+	AA-	A1+	AA-	PACRA
Soneri Bank Limited	A1+	AA-	A1+	AA-	PACRA
United Bank limited	A-1+	AAA	A-1+	AAA	JCR-VIS
Citibank N.A.	P-1	A1	P-1	A1	Moody's
Meezan Bank Limited	A-1+	AA	A1+	AA-	JCR-VIS

33.1.2 Exposure to credit risk

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

	2017	2016
	(Rupees '000)	
Long term investments	37,557,338	109,124,107
Long term loans and receivable	6,817,374	5,997,669
Trade debts - net of provision	118,574,468	111,204,186
Loans and advances	5,513,797	3,596,439
Deposits	26,718	22,112
Other receivables	360,606	101,820
Interest accrued	21,873,164	21,085,027
Current maturity of TFCs and PIBs	102,059,086	30,750,000
Other financial assets	10,915,518	11,131,164
Bank balances	4,110,231	7,839,827
	307,808,300	300,852,351

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

	2017	2016
	(Rupees '000)	
Oil refining companies	15,209,166	12,270,830
Gas distribution companies	93,392,015	90,096,501
Power generation companies	8,552,991	7,669,316
State Bank of Pakistan	53,452,792	54,149,061
National Bank of Pakistan	7,116,236	6,853,504
Banks and financial institutions-others	14,956,793	18,788,801
Power Holding (Private) Limited	100,989,516	100,138,759
Others	14,138,791	10,885,579
	307,808,300	300,852,351

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

	Note	2017	2016
		(Rupees '000)	
Investments			
AAA	14.2.1	6,807,338	6,384,972
Unrated	14.2.2 & 14.2.3	132,809,086	133,489,135
		139,616,424	139,874,107
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		2,409,100	3,322,833
Customers with defaults in past one year which have not yet been recovered		30,677,460	25,792,369
		33,179,123	29,115,202
Other financial assets			
AA+	22.1	10,915,518	11,131,164
Bank balances			
AAA		1,682,444	2,036,297
AA+		180,760	1,855,424
AA		2,245,285	3,943,739
AA-		1,733	4,357
A1		9	10
	23	4,110,231	7,839,827

The Company's most significant customers, an oil refining company and a gas distribution company (related party), accounts for Rs 79,330 million of the trade debts carrying amount at 30 June 2017 (2016: Rs 69,420 million).

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

	2017	2016
	(Rupees '000)	
Crude oil	15,301,729	12,270,727
Gas	103,120,999	98,845,594
Kerosene oil	1,984	1,984
High speed diesel oil	86	86
Naphtha	-	103
Liquefied petroleum gas	116,759	52,010
Other operating revenue	32,911	33,682
	118,574,468	111,204,186

33.1.3 Impairment losses

The aging of trade debts at the reporting date was:

	Note	30 June 2017		30 June 2016	
		Gross debts	Impaired	Gross debts	Impaired
		(Rupees '000)			
Not past due		33,179,123	-	29,115,202	-
Past due 0-30 days		6,672,914	-	3,968,071	-
Past due 31-60 days		4,175,799	-	2,641,376	-
Past due 61-90 days		3,852,659	-	2,755,428	-
Over 90 days		70,804,703	(110,730)	72,836,098	(111,989)
	17	118,685,198	(110,730)	111,316,175	(111,989)

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 2017							
Enar Petrotech Services Limited	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	-
	97,070,743	18,947,773	4,351,490	3,310,494	3,752,798	66,708,188	(21,282)
30 June 2016							
Enar Petrotech Services Limited	988,108	1,186,570	-	-	-	(198,462)	-
Pak Arab Refinery Company Limited	2,136,263	2,136,263	-	-	-	-	-
Sui Northern Gas Pipelines Limited	25,864,252	8,517,438	2,178,193	1,561,909	1,576,118	12,030,594	-
Sui Southern Gas Company Limited	64,230,178	4,834,990	1,163,159	939,334	838,697	56,453,998	-
WAPDA	21,282	-	-	-	-	21,282	(21,282)
Pakistan State Oil	1,867	-	-	-	-	1,867	-
	93,241,950	16,675,261	3,341,352	2,501,243	2,414,815	68,309,279	(21,282)

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

	2017	2016
	(Rupees '000)	
Balance at beginning of the year	111,989	112,782
Written off during the year	(1,259)	(793)
Balance at end of the year	110,730	111,989

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

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

	2017	2016
	(Rupees '000)	
Balance at beginning of the year	197,472	197,472
Provision made during the year	-	-
Balance at end of the year	197,472	197,472

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

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

	2017	2016
	(Rupees '000)	
Not past due	51,250,000	71,750,000
Past due	30,750,000	10,250,000
	82,000,000	82,000,000

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

	2017	2016
Not past due	1,810,043	1,868,432
Past due	17,179,473	16,270,327
	18,989,516	18,138,759

33.2 Liquidity risk

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

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

	30 June 2017		30 June 2016	
Trade and other payables	**Carrying amount**	**Contractual cash flows**	**Carrying amount**	**Contractual cash flows**
	(Rupees '000)			
All the trade and other payables have maturity upto one year	39,550,817	39,550,817	38,121,711	38,121,711

33.3 Market risk

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

33.3.1 Foreign currency risk management

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

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

The potential currency exposures are discussed below;

Transactional exposure in respect of non functional currency monetary items

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

Transactional exposure in respect of non functional currency expenditure and revenues

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

Exposure to foreign currency risk

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

	2017	2016
USD ($)	(Rupees '000)	
Trade debts	81,965	67,059
Investments held to maturity	104,086	106,305
Cash and bank balances	6,808	4,995
Trade and other payables	(120,017)	(148,608)
	72,842	29,751
Euro (€)		
Trade and other payables	1,758	3,437

Foreign currency commitments outstanding at year end are as follows:

	2017	2016
	(Rupees '000)	
Euro (€)	1,757,195	6,173,974
USD ($)	6,746,375	35,594,447
GBP (£)	11,092	14,540
	8,514,662	41,782,961

The following significant exchange rates were applied during the year:

	Average rate		Reporting date mid spot rate	
	2017	2016	2017	2016
	(Rupees)			
USD 1	104.94	104.56	105.07	104.91

Foreign currency sensitivity analysis

A 10 percent strengthening of the PKR against the USD at 30 June 2017 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 2016.

	2017	2016
	(Rupees '000)	
Profit and loss account	765,351	312,118

A 10 percent weakening of the PKR against the USD at 30 June 2017 would have had the equal but opposite effect on USD to the amounts shown above, on the basis that all other variables remain constant.

33.3.2 Interest rate risk management

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period. The Company adopts a policy to ensure that interest rate risk is minimized by investing in fixed rate investments like 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:

	2017	2016	2017	2016
	--------%--------		-----(Rupees '000)-----	
Fixed rate instruments				
Financial assets				
Investments	6.50 to 11.5	7.35 to 11.5	57,616,424	57,874,107
Long term loans	7.37	10.53	1,120,430	1,078,569
Other financial assets	2.75 to 3.35	1.60 to 2.65	10,915,518	11,131,164
Cash and bank balances	0.20 to 5.70	0.20 to 5.75	3,992,865	7,692,851
			73,645,237	77,776,691
Financial liabilities			-	-
			73,645,237	77,776,691

Fair value sensitivity analysis for fixed rate instruments

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

33.3.3 Other market price risk

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

Sensitivity analysis of price risk

A change of Rs 5 in the value of investments at fair value through profit and loss would have increased or decreased profit and loss by Rs 22.701 million (2016: 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 8,271 million (2016: Rs 7,585 million) on the basis that all other variables remain constant.

33.4 Fair values and risk management

The following table shows the carrying amounts and fair values of financial assets and liabilities. The fair value of financial 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 2017	Note	(Rupees '000)				
Financial assets measured at fair value						
Other financial assets	22	-	380,204	-	-	380,204
Financial assets not measured at fair value						
Long term investments	14.1 & 14.2	5,108,472	-	37,557,338	-	42,665,810
Long term loans and receivable	15	6,817,374	-	-	-	6,817,374
Trade debts - net of provision	17	118,574,468	-	-	-	118,574,468
Loans and advances	18	5,513,797	-	-	-	5,513,797
Deposits	19	26,718	-	-	-	26,718
Interest accrued		21,873,164	-	-	-	21,873,164
Other receivables	20	360,606	-	-	-	360,606
Current maturity of TFCs and PIBs	14.2	-	-	102,059,086	-	102,059,086
Other financial assets	22	10,915,518	-	-	-	10,915,518
Cash and bank balances	23	4,159,073	-	-	-	4,159,073
		173,349,190	380,204	139,616,424	-	313,345,818
Financial liabilities not measured at fair value						
Trade and other payables	9	-	-	-	39,550,817	39,550,817
		-	-	-	39,550,817	39,550,817

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

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 2017			
Financial assets measured at fair value			
Other financial assets - NIT units	380,204	-	-
30 June 2016			
Financial assets measured at fair value			
Other financial assets - NIT units	295,800	-	-

Determination of fair values

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

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

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

Investment in associate

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

Non - derivative financial assets

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

Non-derivative financial liabilities

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

Capital management

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

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

34 CASH AND CASH EQUIVALENTS

	Note	2017	2016
		(Rupees '000)	
Cash and bank balances	23	4,159,073	7,903,766
Short term highly liquid investments	22	10,915,518	11,131,164
		15,074,591	19,034,930

35 NUMBER OF EMPLOYEES

	2017	2016
Total number of employees at the end of the year were as follows:		
Regular	8,862	9,077
Contractual	1,975	299
	10,837	9,376
Average number of employees during the year were as follows:		
Regular	8,970	9,276
Contractual	1,137	163
	10,107	9,439

36 RELATED PARTIES TRANSACTIONS

Government of Pakistan owns 74.97% (2016: 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:

	2017	2016
	(Rupees '000)	
Associated company - MPCL		
Share of profit in associate - net of taxation	1,827,239	2,188,899
Dividend received	111,518	179,762
Share (various fields) - net receivable	70,552	52,397
Major shareholders		
Government of Pakistan		
Dividend paid	18,863,521	17,267,376
Dividend paid - Privatization Commission of Pakistan	2,095,996	1,918,642
Payment on account of Kunnar discount	-	2,085,112
Dividend payable as at 30 June	-	1,451,040
OGDCL Employees' Empowerment Trust (OEET)		
Dividend paid	-	756,331
Dividend payable	13,249,922	10,500,000
Related parties by virtue of common directorship and GoP holdings		
Government Holdings (Private) Limited (GHPL)		
GHPL share (various fields) - net receivable	1,629,975	740,625
Power Holding (Private) Limited (PHPL)		
Markup earned	5,850,756	6,636,923
Balance of investment in TFCs receivable not yet due as at 30 June	51,250,000	71,750,000
Balance of past due principal repayment on TFCs as at 30 June	30,750,000	10,250,000
Balance of markup receivable on TFCs not yet due as at 30 June	1,810,043	1,868,432
Balance of past due markup receivable on TFCs as at 30 June	17,179,473	16,270,327

		2017	2016
		(Rupees '000)	
RELATED PARTIES TRANSACTIONS - Continued			
State Bank of Pakistan			
Interest earned on Pakistan Investment Bonds (PIBs)		5,822,641	5,867,299
Balance of investment in PIBs and markup receivable as at 30 June		53,452,792	54,149,061
National Bank of Pakistan			
Balance of accounts as at 30 June		308,898	468,532
Balance of Investment (TDR) as at 30 June		6,807,338	6,384,972
Interest earned during the year		514,189	421,181
Pak Arab Refinery Company Limited			
Sale of crude oil		13,145,197	7,951,721
Trade debts as at 30 June		2,195,180	2,136,263
Pakistan Petroleum Limited			
Payable as at 30 June		206	115
Share (various fields) - net payable		486,696	942,136
Sui Northern Gas Pipelines Limited			
Sale of natural gas		50,193,198	53,793,498
Trade debts as at 30 June		22,250,325	25,864,252
Payable as at 30 June		73,880	73,880
Sui Southern Gas Company Limited			
Sale of natural gas		31,990,649	38,070,256
Pipeline rental charges		36,660	36,660
Payment against supply of gas to locals		72,456	-
Trade debts as at 30 June		71,139,620	64,230,178
Pakistan State Oil Company Limited			
Sale of liquefied petroleum gas		273,346	-
Purchase of petroleum, oil and lubricants		3,460,229	4,262,212
Trade debts as at 30 June		1,867	1,867
Payable as at 30 June		2,600	2,700
National Insurance Company Limited			
Insurance premium paid		311,727	624,631
National Logistic Cell			
Crude transportation charges paid		1,186,801	1,822,565
Payable as at 30 June		386,592	365,400
Enar Petrotech Services Limited			
Consultancy services		42,216	106,926
Payable as at 30 June		3,657	-
Enar Petroleum Refining Facility			
Sale of crude oil		8,288,293	7,798,062
Trade debts as at 30 June		1,462,469	988,108
Other related parties			
Contribution to staff benefit funds		9,418,723	1,486,261
Remuneration including benefits and perquisites of key management personnel	36.1	579,801	489,455

36.1 Key management personnel

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

	2017	2016
	(Rupees '000)	
Managerial remuneration	192,003	174,233
Housing and utilities	137,899	123,680
Other allowances and benefits	203,144	150,694
Medical benefits	2,529	3,117
Leave encashment	4,843	10,222
Contribution to pension fund	39,383	27,509
	579,801	489,455
Number of persons	30	31

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

37 REMUNERATION OF CHIEF EXECUTIVES, DIRECTORS AND EXECUTIVES

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

	2017		2016	
	Chief Executive	Executives	Chief Executives	Executives
	(Rupees '000)			
Managerial remuneration	16,916	3,783,041	14,912	3,529,780
Housing and utilities	9,304	2,984,363	8,090	2,757,985
Other allowances and benefits	15,247	4,806,472	13,501	3,859,869
Medical benefits	53	225,409	5	226,439
Leave encashment	-	45,508	556	48,737
Contribution to pension fund	3,470	775,963	2,325	557,946
	44,990	12,620,756	39,389	10,980,756
Number of persons including those who worked part of the year	1	2,184	1	2,153

- Executive means any employee whose basic salary exceeds Rs 500,000 (2016: Rs 500,000) per year.
- The aggregate amount charged in these financial statements in respect of fee to 14 directors (2016: 11) was Rs 11,305 million (2016: 11,390 million).

38 INFORMATION RELATING TO PROVIDENT FUND

Oil and Gas Development Company Limited (OGDCL) Employees' Provident Fund is a contribution plan for benefit of permanent employees of the Company. For employees regularzied 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:

	2017	2016
	(Rupees '000)	
Net assets	5,523,800	4,724,312
Cost of investments made	5,339,262	4,653,623
Percentage of investments made	97%	99%
Fair value of investments	5,754,488	4,852,507
Break-up of investments at cost:		
NIT units	545,229	545,229
Term Deposit Receipts	1,500,000	2,800,000
Regular Income Certificates	850,000	850,000
Special Saving Account	1,813,308	-
Bank Balances	630,725	458,394
	5,339,262	4,653,623

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

Duing 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.

39 DISCLOSURE REQUIREMENTS FOR ALL SHARES ISLAMIC INDEX

Following information has been disclosed with reference to circular No. 29 of 2016 dated 5 September 2016, issued by the Securities and Exchange Commission of Pakistan relating to "All Shares Islamic Index".

	Description	Explanation	
i)	Long term investments - asset	Interest bearing	
ii)	Long term loans and receivables - asset	Interest bearing/Non-interest bearing (Refer note 15)	
iii)	Other financial assets	Interest bearing	
iv)	Loans and advances - asset	Non-interest bearing	
v)	Deposits - asset	Non-interest bearing	
vi)	Segment revenue	Disclosed in note 32	
vii)	Relationship with banks having Islamic windows	Mezan Bank Limited	
			(Rupees '000)
viii)	Bank balances as at 30 June 2017		
		Placed under interest arrangement	3,991,209
		Placed under Shariah permissible arrangement	1,656
			3,992,865
vi)	Interest income on bank deposits for the year ended 30 June 2017	Placed under interest arrangement	359,449
		Placed under Shariah permissible arrangement	316
			359,765
vii)	Interest income on investments for the year ended 30 June 2017	Placed under interest arrangement	11,935,620
		Placed under Shariah permissible arrangement	-
			11,935,620
viii)	All sources of other income	Disclosed in note 26	
ix)	Exchange gain	Earned from actual currency fluctuations	

Disclosures other than above are not applicable to the Company.

40 INTEREST IN JOINT OPERATIONS

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

	Working interest	
	2017	2016
Exploration Licenses /Leases	%	
Operated by OGDCL		
Nim Petroleum Concession		
- Exploratory	95.00	95.00
- Development	77.50	77.50
Tando Allah Yar Petroleum Concession		
- Exploratory	95.00	95.00
- Development	77.50	77.50
Nashpa Petroleum Concession		
- Exploratory	65.00	65.00
- Development	56.45	56.45
Sinjhoro Petroleum Concession		
- Exploratory	76.00	76.00
- Development	62.50	62.50
Guddu Petroleum Concession		
- Exploratory	70.00	70.00
- Development	57.76	57.76
Jakhro Development and Production Lease	77.50	77.50
Chaknaurang Mining Lease	85.00	85.00
Qadirpur Development and Production Lease	75.00	75.00
Jhal Magsi South Development and Production Lease	56.00	56.00
Chanda Mining Lease	72.00	72.00
Gurgalot Petroleum Concession	75.00	75.00
Khewari Petroleum Concession	95.00	95.00
Zin Petroleum Concession	95.00	95.00
Bitrism Petroleum Concession	95.00	95.00
Kohlu Petroleum Concession	40.00	40.00
Kalchas Petroleum Concession	50.00	50.00
Kohat Petroleum Concession	30.00	30.00
Armala Petroleum Concession	97.50	97.50
Baratai Petroleum Concession	97.50	97.50
Khuzdar North Petroleum Concession	97.50	97.50
Block 28 Petroleum Concession	5.00	5.00
Hetu Petroleum Concession*	97.14	97.14
Pezu Petroleum Concession*	95.74	95.74
Ranipur Petroleum Concession*	95.00	95.00
Zorgarh Petroleum Concession*	95.80	95.80
Orakzai Petroleum Concession*	95.34	97.16
Tirah Petroleum Concession*	95.00	97.50
Pasni West Petroleum Concession*	97.50	97.50
Khanpur Petroleum Concession*	97.50	97.50
Plantak Petroleum Concession*	97.50	97.50
Gawadar Petroleum Concession*	97.50	97.50
Rakhshan Petroleum Concession*	97.50	97.50
South Kharan Petroleum Concession*	97.50	97.50
Warnali Petroleum Concession*	97.50	97.50
Kulachi Petroleum Concession*	95.45	95.45

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

Non Operated	Operator		
Badin II Petroleum Concession	United Energy Pakistan Limited	49.00	49.00
Badin II (Revised) Petroleum Concession	United Energy Pakistan Limited	24.00	24.00
Badin III Petroleum Concession	United Energy Pakistan Limited	15.00	15.00
TAL Petroleum Concession			
- Exploratory	MOL Pakistan Oil and Gas Company B.V	30.00	30.00
- Development	MOL Pakistan Oil and Gas Company B.V	27.76	27.76
North Potwar Petroleum Concession	Ocean Pakistan Limited	20.00	20.00
Soan Petroleum Concession	Ocean Pakistan Limited	50.00	50.00
Ratana Petroleum Concession	Ocean Pakistan Limited	25.00	25.00
Pindori D&P Lease	Pakistan Oilfields Limited	50.00	50.00
East Potwar Petroleum Concession	Pakistan Petroleum Limited	50.00	50.00
Tajjal Petroleum Concession	ENI Pakistan Limited	50.00	50.00
Kirthar Petroleum Concession	ENI Pakistan Limited	20.00	20.00
East Badin Extn. Block B Petroleum Concession	Spud Energy (Pty) Limited	40.00	40.00
Block 20 Petroleum Concession	OMV (Pakistan) Exploration GmbH	52.00	52.00
Ghouspur Petroleum Concession	Petroleum Exploration (pvt) Limited	50.00	50.00
Bannu West Petroleum Concession	Mari Petroleum Company Limited	35.00	40.00
Offshore Block G Petroleum Concession	ENI Pakistan Limited	33.33	33.33
Offshore Block U Petroleum Concession	United Energy Pakistan Limited	27.50	27.50
Offshore Block S Petroleum Concession	United Energy Pakistan Limited	50.00	50.00

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

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

The Company signed gas sale agreements with Uch Power Limited and UCH II Power (Private) Limited, Independent Power Producers (IPPs), for supply of total output by production facilities at Uch and Uch II fields respectively. Both 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:

	2017	2016
	(Rupees '000)	
Profit for the year	63,803,402	59,970,802
Depreciation reversed	1,128,291	293,940
Amortization reversed	512,078	472,550
Finance income recognized	8,807,943	8,775,929
Addition to property, plant and equipment reversed	(101,661)	(287,348)
Sales revenue reversed	(8,554,473)	(8,435,679)
Tax impact at estimated effective rate	(389,261)	(231,150)
Adjusted profit for the year	65,206,319	60,559,044

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

	2017	2016
Adjusted unappropriated profit brought forward	442,024,765	408,398,297
Adjusted profit for the year	65,206,319	60,559,044
	507,231,084	468,957,341
Transfer to capital and other reserves	(1,565,950)	(3,075,319)
Other Comprehensive Income	(3,644,025)	(3,642,893)
Dividend paid	(25,805,571)	(20,214,364)
Adjusted unappropriated profit at end of the year	476,215,538	442,024,765
Unadjusted unappropriated profit at end of the year	457,881,766	425,093,910

42 Application of IFRS 2 - Share Based Payment

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

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

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

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

Had the exemption not been granted the staff costs of the Company for the year would have been higher by Rs Nil (2016: Rs Nil), profit after taxation and unappropriated profit would have been lower by Rs Nil (2016: Rs Nil), earnings per share would have been lower by Rs Nil (2016: Rs Nil) per share and reserves would have been higher by Rs 30,137 million (2016: 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 2017. Also refer note 9.4.

43 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

43.1 The Board of Directors approved interim cash dividend at the rate of Rs _______ per share amounting to Rs _______ million in its meeting held on _______________.

44 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on __________________ by the Board of Directors of the Company.

45 GENERAL

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

Chief Executive **Director**