

**GOVERNMENT HOLDINGS
(PRIVATE) LIMITED**

**ANNUAL REPORT
2019-20**

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VISION STATEMENT

To be a leading Company in meeting the growing energy requirements for the country by increasing domestic production through conventional and non-conventional sources and marketing of cheaper energy alternatives while ensuring optimal value for all stakeholders.

MISSION STATEMENT

To maximize energy production with a sustainable growing return to the shareholders and recognizing our people as the most valuable resource.

The background of the page features several thick, wavy, orange-colored lines that flow from the bottom left towards the top right, creating a sense of movement and growth.

CORE VALUES

Professional Competence
Creative and Proactive
Ethical Behaviour and Integrity
Authority with Responsibility
Accountability

CORPORATE INFORMATION

Board of Directors

Ms. Ayla Majid
(Chairperson Board,
Independent, Non-Executive Director)

Mian Asad Hayaud Din
(Non-Executive Director)

Mr. Nadeem Irshad Kayani
(Non-Executive Director)

Mr. Muhammad Zubair
(Non-Executive Director)

Mr. Muhammad Anwer Shiekh
(Non-Executive Director)

Ms. Saira Najeeb Ahmed
(Non-Executive Director)

Dr. Sajjad Ahmad
(Independent, Non-Executive Director)

Mr. Haseeb Shakoor Paracha
(Independent, Non-Executive Director)

Mr. Masood Nabi
(CEO / MD)

Chief Financial Officer / Company Secretary

Mr. Muhammad Arif

Auditors

Yousuf Adil
Chartered Accountants

Registered Office

7th Floor, Petroleum House
Ataturk Avenue
G – 5/2, Islamabad

Registration Number

I - 02570

Contact Details

PABX: +92 (51) 9211236-7, 9213976,
9211239-240
Fax: +92 (51) 9213972
Web Site: www.ghpl.com.pk

Tax Advisors

M/S A.F. Fergusons & Co., Chartered
Accountants

Bankers

National Bank of Pakistan
United Bank Limited
Allied Bank Limited
MCB Bank Limited
Habib Bank Limited
Bank Al-Falah Limited

Legal Advisors

Rahman & Associates
Attorneys at law & Corporate Counsel

COMMITTEES OF THE BOARD

The Board has constituted five Committees to discharge its responsibilities in effective manner:

- (i) Board Audit Committee
- (ii) Board Finance, Procurement and Risk Management Committee
- (iii) Board Business Development & Strategy Committee
- (iv) Board Human Resource and Nomination Committee
- (v) Board Corporate Social Responsibility Committee

Board Audit Committee

Composition

Mr. Haseeb Shakoor Paracha	Chairman
Mr. Muhammad Anwer Sheikh	Member
Ms. Saira Najeeb Ahmed	Member
Dr. Sajjad Ahmad	Member

Terms of Reference

The Terms of Reference of the Board Audit Committee include the following:

- Determination of appropriate measures to safeguard the company's assets;
- Review of quarterly, half-yearly and annual financial statements of the company, prior to their approval by the Board of Directors;
- Facilitating the external audit and discussion with external auditors on major observations.
- Ensuring coordination between the internal and external auditors of the company;
- Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;
- Consideration of major findings of internal investigations and management's response thereto;
- Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;
- Review of the company's statement on internal control system prior to endorsement by the Board of Directors;
- Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body;
- Determination of compliance with relevant statutory requirements;
- Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof;
- Recommending of approving the hiring or removal of the chief internal auditor;

- Overseeing whistle-blowing policy and protection mechanism and
- Consideration of any other issue or matter as may be assigned by the Board of Directors.
- Suggesting the appointment of external auditor to the Board, the audit fee and any question of resignation or dismissal.
- Considering the objective and scope of any non-financial audit or consultancy work to be undertaken by the external auditors and reviewing the remuneration of this work.
- Review Code of Conduct and related policies applicable to employees, officers, and director and other agents and associates of the Company at least annually and make recommendations to the Board as appropriate.
- Provide oversight as needed to ensure that the Compliance program effectively prevents and/or detects violations by Company employees, officers, directors and other agents and associates of the Company law, regulation, Company policy, special conditions imposed on the Company by any licensing authorities, and the Code of Conduct.
- The Whistle blowing unit will report to the Audit Committee.

Board Finance, Procurement and Risk Management Committee

Composition

Mr. Muhammad Anwer Sheikh	Chairman
Ms. Ayla Majid	Member
Ms. Saira Najeeb Ahmed	Member
Mr. Haseeb Shakoor Paracha	Member
Mr. Masood Nabi	Member

Terms of Reference

The Terms of Reference of the Committee are given below:

- Reviewing corporate strategy, Operational Plans and Long-term Projections of the Company.
- Reviewing Proposals/Feasibility Studies prepared by the management of all major projects.
- Review the proposed annual Business Plan and Budget and endorsing the same for approval of Board of Directors.
- Identification and management of strategic business risks of the Company considering the general economic conditions of the country, competitive realities and scenarios and ensuring that risk management processes and cultures are embedded throughout the Company.
- Providing regular update to the Board of Directors on key risk management issues and its proposed mitigating factors.
- Considering investments and disinvestments of funds outside normal conduct of business and reviewing cash and fund management policies and procedures.
- Review and recommend Annual Procurement Plan of the Company and required budget.

Board Business Development & Strategy Committee

Composition

Ms. Ayla Majid	Chairperson
Mr. Muhammad Anwer Sheikh	Member
Ms. Saira Najeeb Ahmed	Member
Dr. Sajjad Ahmad	Member
Mr. Masood Nabi	Member

Terms of Reference

The Terms of Reference are given as under:

- Review corporate medium to long-term business development strategy
- Review proposals for medium to long term Strategic Business Plan.
- Review and advise on business opportunities in upstream sector such as Farm-in in Exploration Joint Ventures
- Review growth possibilities through new projects in oil and gas which includes inter-alia infrastructure development, LNG, downstream projects, refining etc.
- Review feasibility studies for special projects to assess possibilities for prospective business expansion and investment.
- Considering business opportunities as may be referred by the Board of Directors.

Board Human Resource and Nomination Committee

Composition

Ms. Saira Najeeb Ahmed	Chairperson
Mr. Muhammad Zubair	Member
Mr. Muhammad Anwer Sheikh	Member
Ms. Ayla Majid	Member
Mr. Masood Nabi	Member

Terms of Reference

The Terms of Reference of the Board HR & Nomination Committee include the following:

- A sound plan of organizing for the company.
- An effective employees' development program.
- Sound compensation and benefits plans, policies and practices designed to attract and retain the caliber of personnel needed to manage the business effectively.

- Evaluate and recommend for approval of changes in the organization, functions and relationship affecting management positions equivalent in importance to those on the management position schedule.
- Establish plans and procedures that provide an effective basis for management control over company manpower.
- Determine appropriate limits of authority and approval procedures for personnel matters requiring decisions at different levels of management.
- Review data of competitive compensation practices and review and evaluate policies and programs through which the company compensates its employees.
- Recommend for approval of salary ranges, salaries and other compensation for the CEO and Senior Management/Senior General Manager reporting to the CEO.
- Recommend annual increments and bonus to employees
- Identify, evaluate and recommend candidates for vacant positions including casual vacancies on the Board including candidates recommended by the Government for consideration of shareholders or in case of casual vacancy to the board of directors after examining their skills and characters that are needed in such candidates.

Board Corporate Social Responsibility Committee

Composition

Mian Asad Hayaud Din	Chairman
Ms. Ayla Majid	Member
Dr. Sajjad Ahmad	Member
Mr. Haseeb Shakoor Paracha	Member
Mr. Zahid Nazeer Bhatti	Member

Terms of Reference

The Terms of Reference of the Board Corporate Social Responsibility Committee include the following:

- Areas of interest for CSR activities include Environment, Education, Health, Sports, Safety (risk management, disaster management), Work life balance, Governance (human rights, transparency, anti-corruption, business practices, stakeholder relations)
- GHPL shall encourage and support social development initiatives undertaken by the Non-Government Organizations (NGO's) and Community Based Organizations (CBO's) by providing them financial support

ATTENDANCE OF THE BOARD & COMMITTEE

MEETINGS

Financial Year 2019-20

Name of Director	Board of Directors		Board Audit Committee		Board Finance, Procurement & Risk Management Committee	
	Meetings	Attendance	Meetings	Attendance	Meetings	Attendance
Ms. Ayla Majid	18	18			1	1
Mian Asad Hayaud Din	18	13				
Dr. Tanveer Ahmad Qureshi	14	13	2	2		
Mr. Muhammad Anwer Shiekh	18	17	3	3	1	1
Ms. Saira Najeeb Ahmed*	3	3	1	1		
Syed Tauqir Hussain	13	13	1	1		
Mr. Shahid Yousaf	10	9				
Mr. Haseeb Shakoor Paracha**	8	7	3	3	1	0
Mr. Sajjad Ahmed**	8	7	3	2		
Mr. Muhammad Zubair***	7	7				
Mr. Kazim Niaz	8	0				
Mr. Asim Murtaza Khan***	1	1				
Mr. Masood Nabi	1	1				
Mr. Zahid Nazeer Bhatti	17	14	3	2	1	1

Name of Director	Board Business Development Strategy Committee		Board HR & Nomination Committee		Board Corporate Social Responsibility (CSR) Committee		Fee paid to the Directors (Rupees)
	Meetings	Attendance	Meetings	Attendance	Meetings	Attendance	
Ms. Ayla Majid	10	10	12	12	1	1	4,200,000
Mian Asad Hayaud Din					1	1	1,400,000
Dr. Tanveer Ahmad Qureshi	6	6	12	12			3,300,000
Mr. Muhammad Anwer Shiekh	10	10	12	12			4,300,000
Ms. Saira Najeeb Ahmed*	2	2					600,000
Syed Tauqir Hussain			12	12			2,600,000
Mr. Shahid Yousaf	4	4			1	1	1,400,000
Mr. Haseeb Shakoor Paracha							1,000,000
Mr. Sajjad Ahmed	6	6					1,500,000
Mr. Muhammad Zubair**							700,000
Mr. Kazim Niaz							-
Mr. Asim Murtaza Khan**			2	2			300,000
Mr. Masood Nabi ***							
Mr. Zahid Nazeer Bhatti ****	10	10	12	4	1	1	

Note: The Board was restructured on 03 January 2020.

* Ms. Saira Najeeb Ahmed replaced Syed Tauqeer Hussain Shah on 27 April 2020.

** Mr. Asim Murtaza Khan and Mr. Muhammad Zubair attended the meeting as co-opted member.

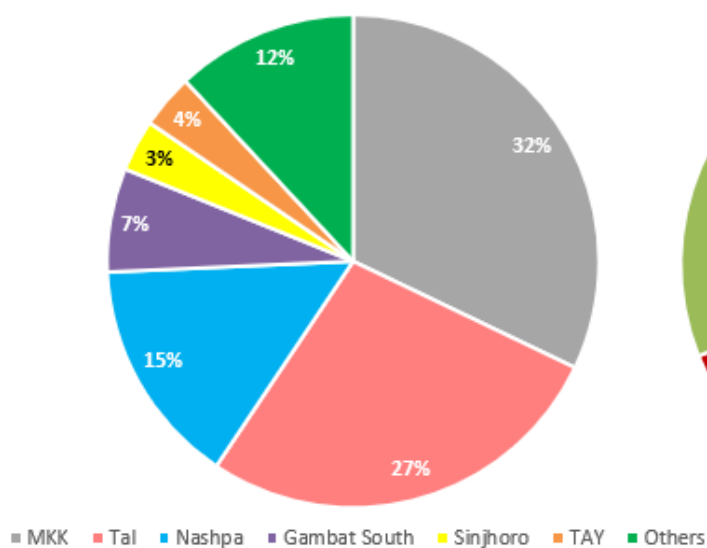
*** Mr. Masood Nabi assumed charge as MD / CEO, GHPL on June 19, 2020.

**** Mr. Zahid Nazeer Bhatti relinquished the charge of Acting MD / CEO, GHPL on June 18, 2020.

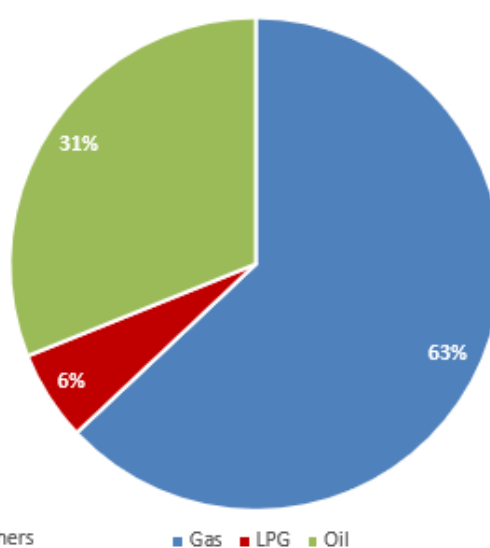
KEY FINANCIALS

		2018-19	2019-20
Sales - Gross	Rs. billion	87.0	81.0
Sales - Net	Rs. billion	77.6	71.5
Gross Profit	Rs. billion	59.6	49.5
Profit for the year	Rs. billion	34.6	33.1
Earnings per Share - Basic & Diluted	Rs.	16.8	15.9
Cash Dividend	Rs. billion	5.0	5.0
Development & Production Assets - at cost	Rs. billion	40.0	43.6
Exploration and evaluation assets - at cost	Rs. billion	4.1	5.5
Property, plant and equipment - at cost	Rs. billion	53.8	56.9
Equity & Reserves	Rs. billion	133.1	161.7

JV wise Net Sales 2019-20



Product-wise Net Sales 2019-20



SIX YEARS SUMMARY

		2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Operational Performance							
Seismic Survey - 2 D	line km	2,184	4,079	2,975	2,166	619	938
- 3 D	sq. km	1,987	3,523	1,483	440	614	510
Wells Drilled							
- Exploratory / Appraisal	numbers	30	25	25	22	21	9
- Development	numbers	8	7	12	7	10	5
- Total	numbers	38	32	37	29	31	14
Oil & Gas Discoveries	numbers	13	11	10	6	8	3
Production (GHPL's Share)							
Oil / Condensate	BPD	8,812	8,706	9,001	9,384	9,094	7,780
Gas	MMSCFD	208	240	253	262	257	233
LPG	MT/D	77	113	125	163	197	181
Financial Results							
Sales - Gross	Rs. billion	58.8	53.0	54.3	69.5	87.0	81.0
Sales - Net	Rs. billion	53.1	46.6	48.0	61.9	77.6	71.5
Gross Profit	Rs. billion	35.4	28.2	30.3	42.9	59.6	49.5
Other Income	Rs. billion	3.2	2.4	3.6	2.3	3.2	4.7
Profit before Taxation	Rs. billion	37.9	29.2	32.2	42.1	54.4	50.8
Profit after Taxation	Rs. billion	24.3	18.1	20.3	27.5	34.6	33.1
Financial Position							
Share Capital & Reserves	Rs. billion	77.0	80.1	80.4	102.9	133.1	161.7
Non-Current Liabilities	Rs. billion	14.7	15.3	16.2	17.2	19.6	19.5
Current Liabilities	Rs. billion	13.1	5.4	22.0	11.1	15.3	15.9
Total Equity & Liabilities	Rs. billion	104.9	100.8	118.6	131.7	168.0	197.2
Fixed Assets	Rs. billion	42.9	47.0	47.7	48.8	51.9	53.7
Long term investment & Loan	Rs. billion	2.4	2.8	3.1	4.8	7.4	3.5
Trade Receivables	Rs. billion	20.3	33.2	28.8	53.4	79.2	98.7
Cash, Bank Balances & TDRs	Rs. billion	35.6	14.6	35.5	15.3	22.0	29.4
Other Current Assets	Rs. billion	3.6	3.2	3.5	9.2	7.6	12.0
Total Assets	Rs. billion	104.9	100.8	118.6	131.7	168.0	197.2
Cash Flows							
Operating activities	Rs. billion	33.1	5.7	36.0	5.9	19.6	19.4
Investing activities	Rs. billion	(10.9)	(23.4)	(28.4)	11.2	(1.4)	(7.3)
Financing activities	Rs. billion	(8.5)	(15.0)	(7.0)	(18.0)	(4.8)	(4.6)
Cash & Cash Equivalents at year end	Rs. billion	35.6	2.9	3.5	2.6	16.0	23.4
Contribution to National Exchequer							
Total Contribution	Rs. billion	32.7	38.1	41.5	31.8	40.3	42.4

SIX YEARS SUMMARY

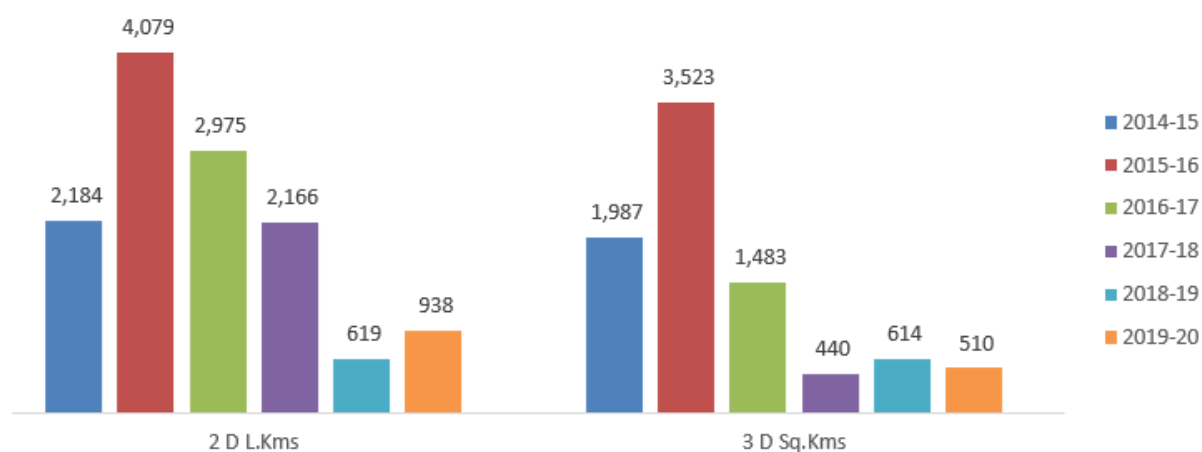
		2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Key Financial Ratios							
Financial Performance / Profitability							
Gross Profit Margin	%	67%	60%	63%	69%	77%	69%
Pre tax Margin	%	71%	63%	67%	68%	70%	71%
Net Profit Margin	%	46%	39%	42%	44%	45%	46%
Return on equity	%	35%	23%	25%	30%	29%	22%
Return on capital employed	%	46%	31%	34%	39%	40%	30%
Operating Performance / Liquidity							
Total assets turnover	Times	0.57	0.45	0.44	0.49	0.52	0.39
Fixed assets turnover	Times	1.35	1.04	1.01	1.28	1.54	1.36
Debtor turnover	Times	3.10	1.95	1.72	1.67	1.30	0.90
Debtor turnover	Days	118	187	212	219	281	405
Current ratio	Times	4.53	9.37	3.08	7.02	7.13	8.79
Cash to Current Liabilities	Times	2.71	2.68	1.61	1.38	1.44	1.85
Investment							
Cash Dividend	Rs. billion	8.5	15.0	20.0	5.0	5.0	5.0
Earnings per Share	Rs.	12.0	8.9	10.0	13.6	16.8	15.9
Dividend per share	Rs.	340	600	10	2.5	2.4	2.4
Dividend Payout Ratio	%	35%	83%	98%	18%	14%	15%
Dupont Analysis							
Net Profit Margin	%	46%	39%	42%	44%	45%	46%
Total assets turnover	Times	0.57	0.45	0.44	0.49	0.52	0.39
Equity Multiplier	Times	1.34	1.31	1.37	1.37	1.27	1.24
Return on equity	%	35%	23%	25%	30%	29%	22%

Dupont Analysis

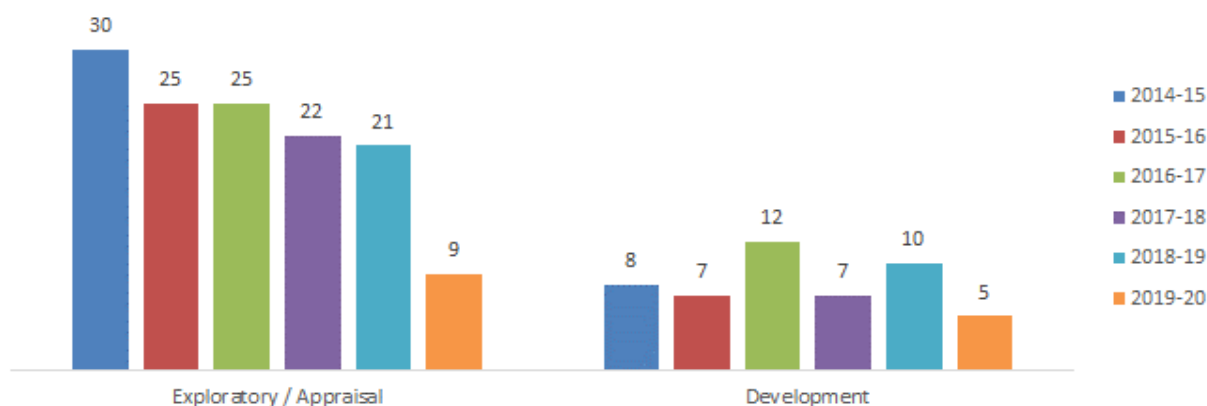
- Net Profit margins for 2019-20 slightly improved to 46% as compared to 45% for the previous year despite reduced sales due to increase in other income and reduction in other expenses and taxes.
- The asset turnover decreased due to reduction in sales as volumes and international crude prices remained low due to COVID-19.
- Equity multiplier slightly decreased due to increase in accumulated profits.
- The combined effect has resulted in a deterioration in ROE from 29% in previous year to 22% during the year.

Six years Summary (at a glance)

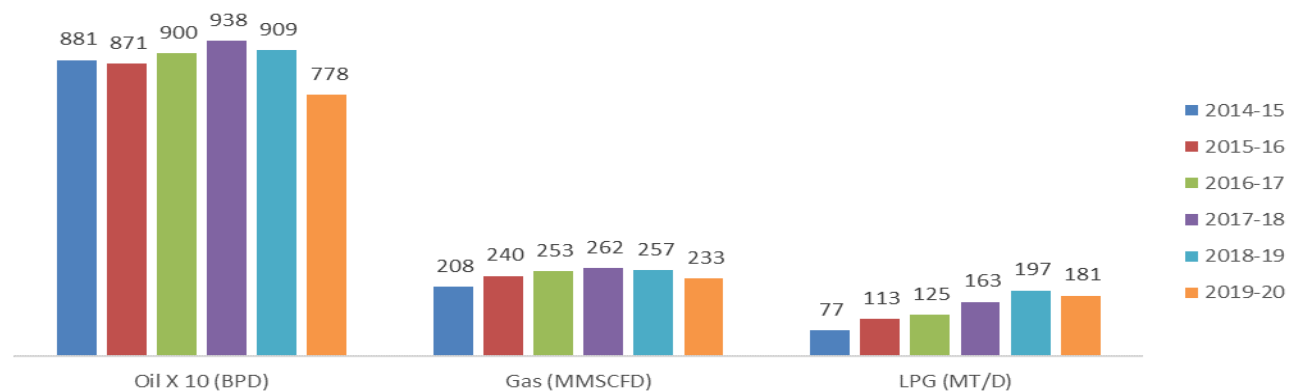
2D / 3D Seismic Activity



Drilling Activity - Wells



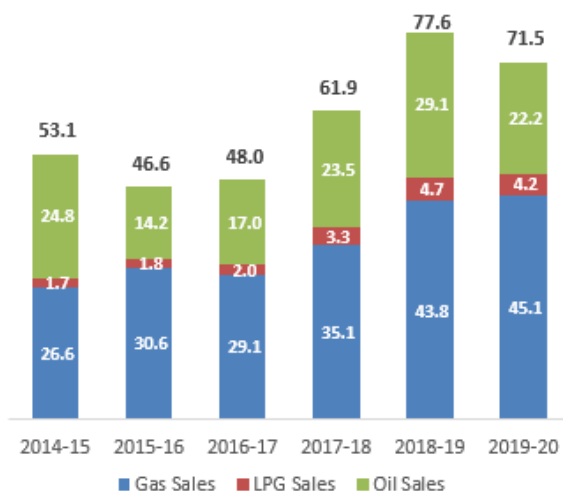
Production (GHPL's Share)



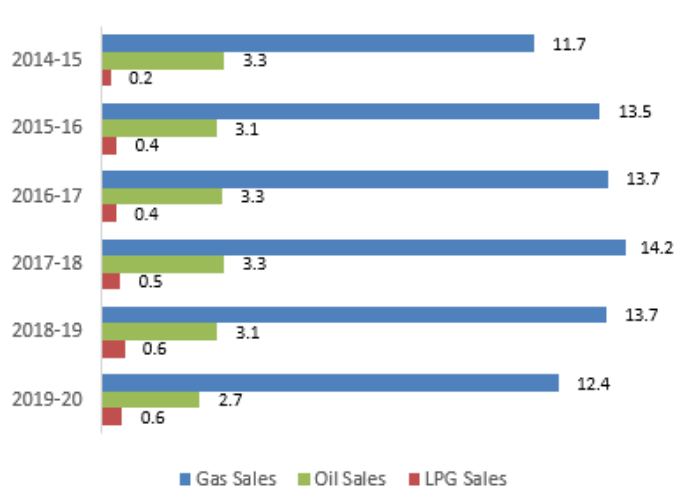
- Due to COVID-19, few 2D/3D Seismic processing/reprocessing projects were delayed and expected to be completed in 2020-21.
- Few Exploration/Appraisal and Development wells were also postponed to next fiscal year due to pandemic
- COVID-19 pandemic affected production volume during March – May 2020.

Six years Summary (at a glance)

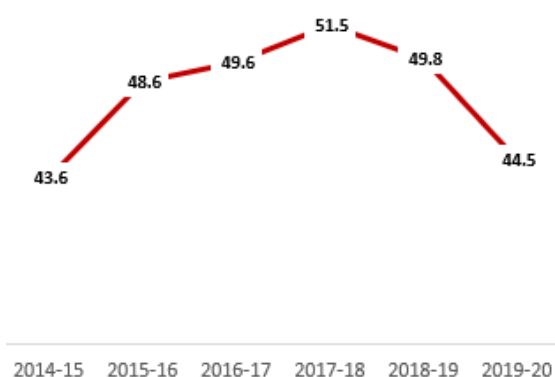
Net Sales (Rs. in billion)



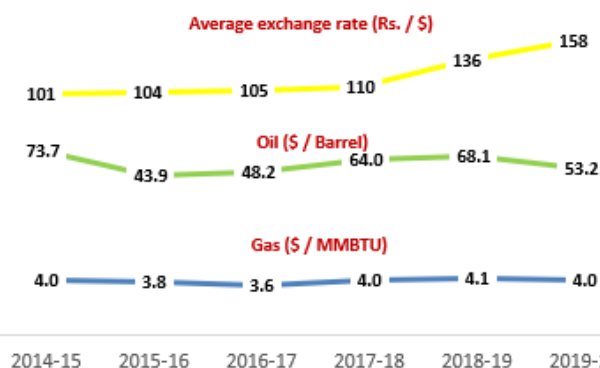
Sales Volume (BoEs in million)



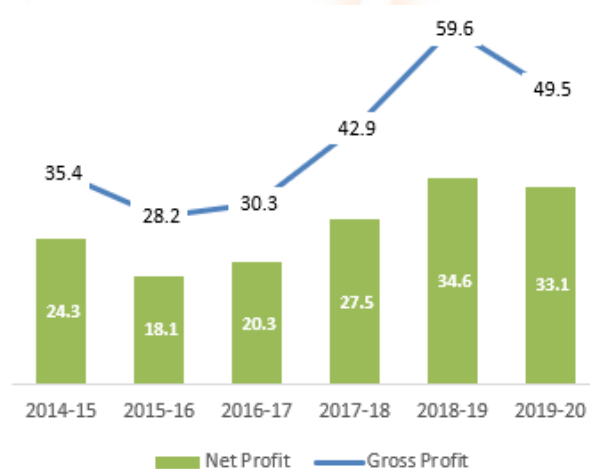
Sales per day (BoEs in 000')



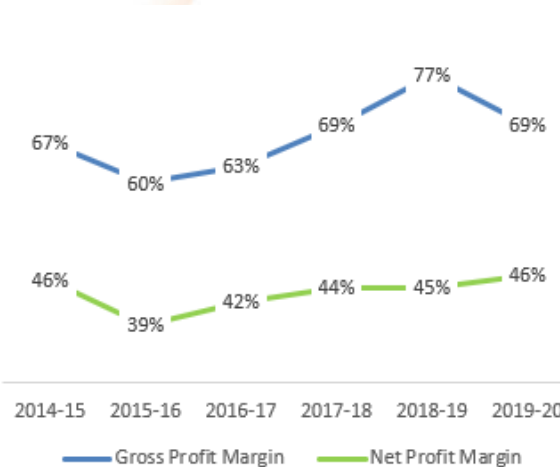
Average Realized Exchange Rate & Prices



Gross Profit & Net Profit (Rupees in billion)

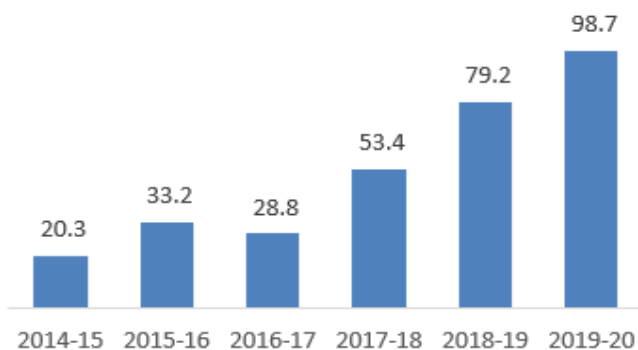


Gross Profit Margin & Net Profit Margin (%)

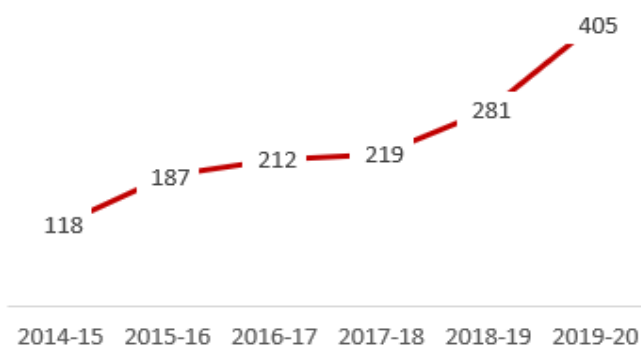


Six years Summary (at a glance)

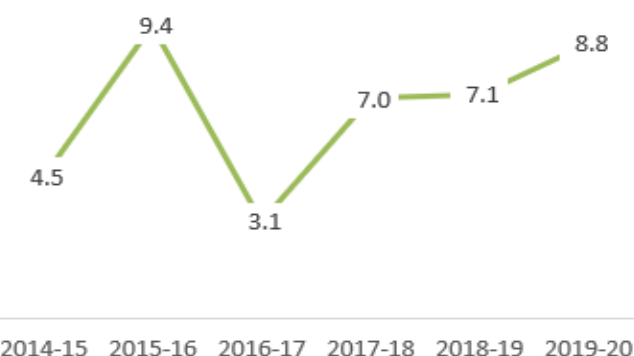
Trade Receivables (Rs. in Billion)



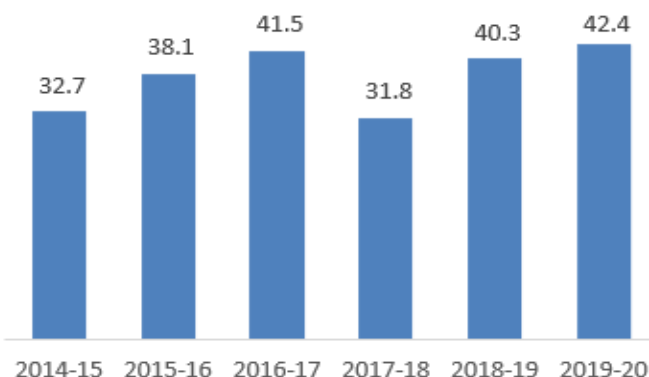
Debtors Turnover (in days)



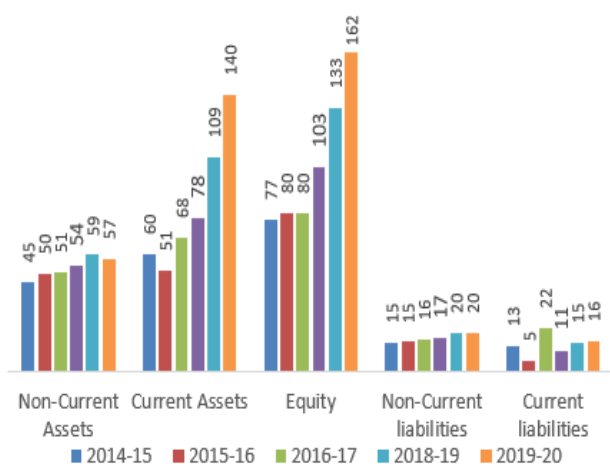
Current Ratio (times)



Contribution to National Exchequer (Rs. in Billion)



Total Assets, Equity and Liabilities (Rs. in Billion)



- The Company's revenue declined by 8% during 2019-20 owing to reduction in international oil prices and production volumes following spread of COVID-19 Pandemic. This contributed to reduction in the Company's gross profit / net profit for the year.
- The Company's revenue fluctuates due to changes in international oil prices, production level and USD/Rs. exchange rates. Total revenue increased by 35% over the last six years.
- Over the years, the Company's trade receivables have increased due to the circular debt issue.
- During 2019-20, the trade receivables reached the unparalleled level of Rs. 98.7 billion in the Company's history, mainly due to low recoveries from SNGPCL and SSGCL.
- Despite mounting receivables and liquidity constraints, the Company successfully met all its operating, regulatory & statutory financial obligations and is a significant contributor to the National Exchequer.

VERTICAL & HORIZONTAL ANALYSIS

Vertical Analysis

Profit or Loss Account

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Sales - Net	100%	100%	100%	100%	100%	100%
Cost of Sales	-33%	-40%	-37%	-31%	-23%	-31%
Gross Profit	67%	60%	63%	69%	77%	69%
Other Income	6%	5%	7%	4%	4%	7%
Expl. & Prospecting Expenditure	0%	-1%	-2%	-2%	-1%	-1%
General & Admin expenses	0%	0%	-1%	0%	0%	-1%
Other expenses	-1%	-1%	0%	-3%	-10%	-3%
Profit before Taxation	71%	63%	67%	68%	70%	71%
Taxation	-26%	-24%	-25%	-24%	-26%	-25%
Profit after Taxation	46%	39%	42%	44%	45%	46%

Balance Sheet

Share Capital & Reserves	73%	79%	68%	78%	79%	82%
Non Current Liabilities	14%	15%	14%	13%	12%	10%
Current Liabilities	13%	5%	19%	8%	9%	8%
Total Equity & Liabilities	100%	100%	100%	100%	100%	100%
Non Current Assets	43%	49%	43%	41%	35%	29%
Current Assets	57%	51%	57%	59%	65%	71%
Total Assets	100%	100%	100%	100%	100%	100%

Horizontal Analysis (base year: 2014-15)

Profit or Loss Account

Sales - Net	100%	88%	90%	116%	146%	135%
Cost of Sales	100%	104%	100%	107%	101%	124%
Gross Profit	100%	80%	86%	121%	168%	140%
Other Income	100%	74%	112%	72%	101%	146%
Expl. & Prospecting Expenditure	100%	673%	1206%	1204%	597%	663%
General & Admin expenses	100%	99%	157%	135%	181%	275%
Other expenses	100%	122%	57%	450%	1876%	555%
Profit before Taxation	100%	77%	85%	111%	144%	134%
Taxation	100%	82%	87%	107%	146%	129%
Profit after Taxation	100%	74%	84%	114%	142%	137%

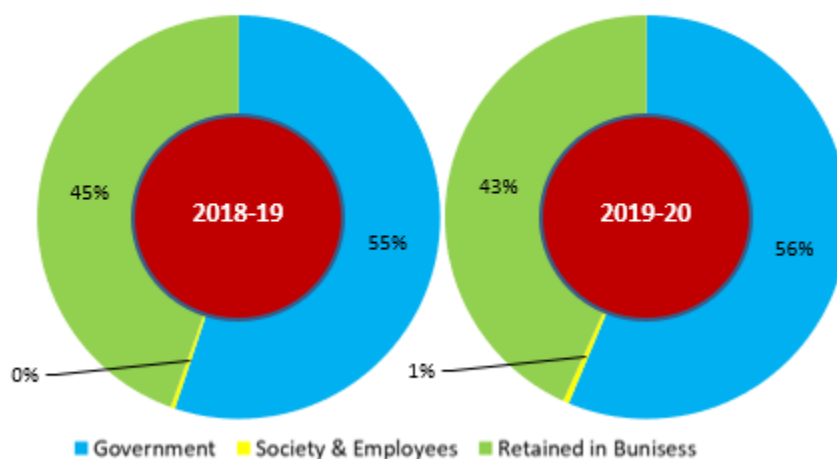
Balance Sheet

Share Capital & Reserves	100%	104%	104%	134%	173%	210%
Non-Current Liabilities	100%	104%	110%	117%	133%	133%
Current Liabilities	100%	41%	167%	85%	116%	121%
Total Equity & Liabilities	100%	96%	113%	126%	160%	188%
Non-Current Assets	100%	110%	112%	119%	131%	126%
Current Assets	100%	86%	114%	131%	182%	235%
Total Assets	100%	96%	113%	126%	160%	188%

STATEMENT OF VALUE ADDITION

	2018-19		2019-20	
	Rs. Billion	%	Rs. Billion	%
Gross Revenue	87.0	115%	81.0	108%
Less: Operating, G&A and Exploration Expenses	(6.8)	-9%	(8.4)	-11%
	80.1	106%	72.6	97%
Add: Income from Financial Assets	3.2	4%	4.7	6%
Income from Non-Financial Assets	0.0	0%	0.0	0%
Less: Other Expenses	(7.5)	-10%	(2.2)	-3%
Total Value Added	75.8	100%	75.0	100%
DISTRIBUTED AS FOLLOWS:				
Employees Remuneration and Benefits	0.3	0%	0.4	0%
Government as:				
Income Tax	19.0	25%	19.7	26%
Sales Tax, Excise Duty & Other levies	9.5	12%	9.6	13%
Royalty	8.3	11%	7.9	11%
Dividends	5.0	7%	5.0	7%
	41.8	55%	42.2	57%
To Society	0.0	0%	0.0	0%
Retained in Business:				
Depreciation	2.2	3%	2.9	4%
Amortization	1.6	2%	3.0	4%
Impairment	(0.5)	-1%	0.4	1%
Deferred Taxation	0.8	1%	(2.1)	-3%
Net Earnings	29.6	39%	28.1	38%
	33.8	45%	32.4	43%
	75.8	100%	75.0	100%

Distribution of Value Added



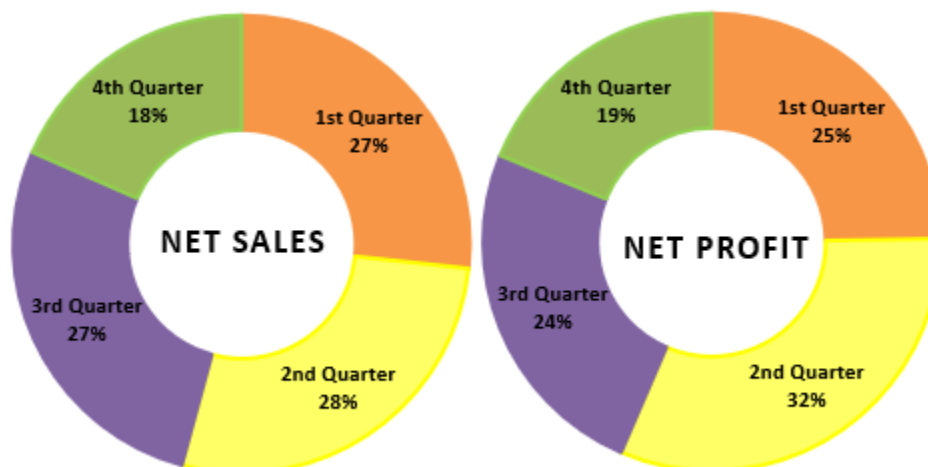
QUARTERLY ANALYSIS 2019-20

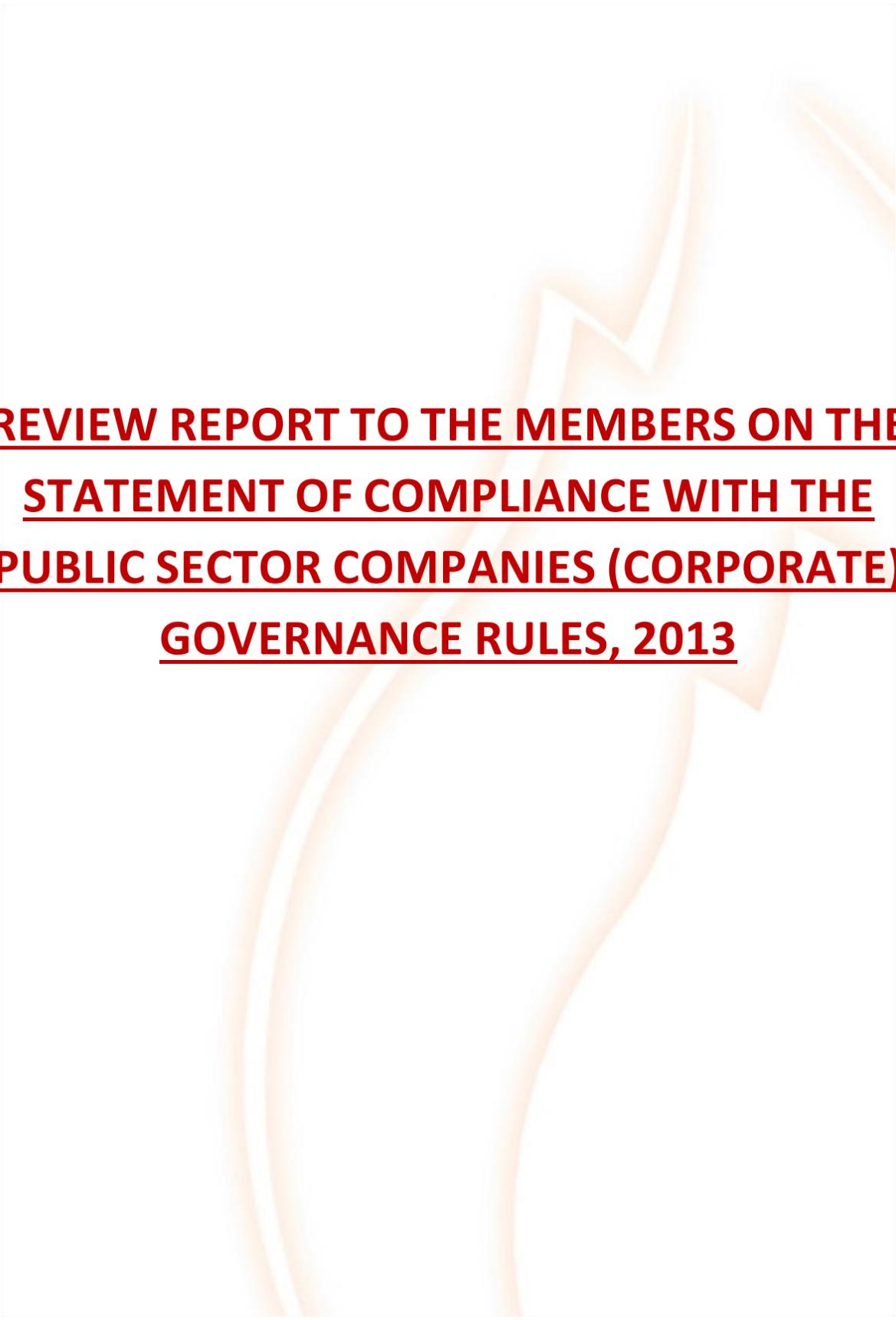
Quarter wise extracts from the Statement of Profit or Loss during the fiscal year 2019-20 are as follows:

		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
SALES - NET	Rs. billion	19.1	19.7	19.6	13.2	71.5
Royalty and other levies	Rs. billion	(2.2)	(2.2)	(1.9)	(1.7)	(8.1)
Operating expenses	Rs. billion	(3.5)	(3.4)	(3.1)	(4.0)	(14.0)
GROSS PROFIT	Rs. billion	13.4	14.1	14.5	7.4	49.5
Other income	Rs. billion	1.3	1.2	1.2	1.0	4.7
Exploration and prospecting expenditure	Rs. billion	(0.2)	(0.1)	(0.1)	(0.2)	(0.6)
General and administrative expenses	Rs. billion	(0.1)	(0.2)	(0.1)	(0.1)	(0.5)
Other expenses	Rs. billion	(0.4)	(0.4)	(0.4)	(0.4)	(1.7)
OPERATING PROFIT	Rs. billion	14.0	14.6	15.1	7.7	51.3
Finance cost	Rs. billion	(0.0)	(0.2)	(0.2)	(0.1)	(0.5)
PROFIT BEFORE TAXATION	Rs. billion	13.9	14.4	14.9	7.6	50.8
Taxation	Rs. billion	(5.7)	(3.9)	(6.7)	(1.3)	(17.6)
NET PROFIT FOR THE YEAR	Rs. billion	8.2	10.5	8.2	6.2	33.1
EARNINGS PER SHARE - BASIC AND DILUTED	Rs.	3.9	5.0	3.9	3.0	15.9
SALES VOLUME						
Gas (MMBTUs in million)		17.8	18.3	18.0	16.5	70.6
Oil (BBLs in million)		0.6	0.7	0.7	0.6	2.7
LPG (MTs in thousand)		16.7	17.4	17.7	14.5	66.2

ANALYSIS:

- Net sales on quarterly basis remained consistent during the first three quarters of the FY 2019-20. The Net Sales reduced significantly in the fourth quarter due to reduction in hydrocarbon demand and oil price caused by COVID-19.
- Gross profit, Net profit and Earnings per Share on quarterly basis depicts a similar trend as evident in the results of Net Sales.





REVIEW REPORT TO THE MEMBERS ON THE
STATEMENT OF COMPLIANCE WITH THE
PUBLIC SECTOR COMPANIES (CORPORATE)
GOVERNANCE RULES, 2013

**Government Holdings
(Private) Limited**

STATEMENT OF COMPLIANCE WITH
PUBLIC SECTOR COMPANIES RULES, 2013
FOR THE YEAR ENDED JUNE 30, 2020

REVIEW REPORT TO THE MEMBERS**ON THE STATEMENT OF COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) prepared by the Board of Directors of Government Holdings (Private) Limited (the Company) for the year ended June 30, 2020.

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

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Rules require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Rules as applicable to the Company for the year ended June 30, 2020.


Chartered Accountants
Islamabad**Date: December 28, 2020**

**Statement of Compliance with the
Public Sector Companies (Corporate Governance) Rules, 2013**

Name of company: Government Holdings (Private) Limited

Name of the line ministry: Ministry of Energy (Petroleum Division)

For the year ended: June 30, 2020

I. This statement presents the overview of the compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance.

II. The company has complied with the provisions of the Rules in the following manner:

Sr. No	Provision of the Rules	Rule no.	Yes	No																						
			Tick in the Relevant box																							
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	✓																							
2.	The Board has at least one-third of its total members as independent directors. At present the board (as of June 30, 2020) includes:	3(2)	✓																							
	<table><tr><th>Category</th><th>Names</th><th>Date of appointment</th></tr><tr><td>Executive Directors</td><td>1. Mr. Masood Nabi (MD/CEO)</td><td>19-Jun-2020</td></tr><tr><td rowspan="3">Independent Directors</td><td>1. Ms. Ayla Majid (Chairperson)</td><td>03-Jan-2020</td></tr><tr><td>2. Dr. Sajjad Ahmad</td><td>03-Jan-2020</td></tr><tr><td>3. Mr. Haseeb Shakoor Paracha</td><td>03-Jan-2020</td></tr><tr><td rowspan="4">Non-Executive Directors</td><td>1. Mr. Kazim Niaz</td><td>03-Jan-2020</td></tr><tr><td>2. Muhammad Anwer Sheikh</td><td>03-Jan-2020</td></tr><tr><td>3. Mian Asad Hayauddin</td><td>03-Jan-2020</td></tr><tr><td>4. Ms. Saira Najeeb Ahmed</td><td>27-Apr-2020</td></tr></table>				Category	Names	Date of appointment	Executive Directors	1. Mr. Masood Nabi (MD/CEO)	19-Jun-2020	Independent Directors	1. Ms. Ayla Majid (Chairperson)	03-Jan-2020	2. Dr. Sajjad Ahmad	03-Jan-2020	3. Mr. Haseeb Shakoor Paracha	03-Jan-2020	Non-Executive Directors	1. Mr. Kazim Niaz	03-Jan-2020	2. Muhammad Anwer Sheikh	03-Jan-2020	3. Mian Asad Hayauddin	03-Jan-2020	4. Ms. Saira Najeeb Ahmed	27-Apr-2020
	Category				Names	Date of appointment																				
	Executive Directors				1. Mr. Masood Nabi (MD/CEO)	19-Jun-2020																				
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2. Dr. Sajjad Ahmad		03-Jan-2020																								
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	3. Mian Asad Hayauddin	03-Jan-2020																								
	4. Ms. Saira Najeeb Ahmed	27-Apr-2020																								
3.	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)	✓																							
4.	The appointing authorities have applied the fit and proper criteria given in the Annexure to the Rules in making nominations of the persons for election as board members under the provisions of the Act.	3(7)	✓																							
5.	The chairman of the board is working separately from the chief executive of the Company.	4(1)	✓																							

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Sr. No	Provision of the Rules	Rule no.	Yes	No
			Tick in the Relevant box	
6.	The chairman has been elected by the Board of Directors except where Chairman of the Board has been appointed by the Government.	4(4)	✓	
7.	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission. (Non-applicable where the chief executive has been nominated by the Government)	5(2)	Not Applicable	
8.	(a) The company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place. (b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company's website. (www.ghpl.com.pk) (c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	✓ ✓ ✓	
9.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✓	
10.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b)(ii)	✓	
11.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5)(b)(vi)	✓	
12.	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5)(c)(ii)	✓	
13.	The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(c)(iii)	✓	
14.	The board has developed a vision or mission statement and corporate strategy of the company.	5(6)	✓	
15.	The Board has developed significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended, has been maintained.	5(7)	✓	
16.	The board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)	Not applicable	

Sr. No	Provision of the Rules	Rule no.	Yes	No								
			Tick in the Relevant box									
17	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	✓									
18.	a) The board has met at least four times during the year.	6(1)	✓									
	b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.	6(2)	✓									
	c) The minutes of the meetings were appropriately recorded and circulated.	6(3)	✓									
19.	The Board has monitored and assessed the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8(2)	✓									
20.	The board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	✓									
21.	(a) The board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end.	10		✓								
	(b) In cases of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors.		Not applicable									
	(c) The Board has placed the annual financial statements on company's website.		✓									
22.	All the board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.	11	✓									
23.	(a) The board has formed the requisite committees, as specified in the Rules.	12	✓									
	b) The committees were provided with written term of reference defining their duties, authority and composition.		✓									
	(c) The minutes of the meetings of the committees were circulated to all the board members.		✓									
	(d) The committees were chaired by the following non-executive directors:		✓									
	<table><tr><th>Committee</th><th>No. of Members</th><th>Name of Chair</th></tr><tr><td>Audit Committee</td><td>4</td><td>Mr. Haseeb Shakoor Paracha</td></tr><tr><td>Human Resources & Nomination Committee</td><td>4</td><td>Ms. Saira Najeeb Ahmed</td></tr></table>	Committee	No. of Members	Name of Chair	Audit Committee	4	Mr. Haseeb Shakoor Paracha	Human Resources & Nomination Committee	4	Ms. Saira Najeeb Ahmed		
Committee	No. of Members	Name of Chair										
Audit Committee	4	Mr. Haseeb Shakoor Paracha										
Human Resources & Nomination Committee	4	Ms. Saira Najeeb Ahmed										

Signature

Sr. No	Provision of the Rules			Rule no.	Yes	No
					Tick In the Relevant box	
	Finance, Procurement and Risk Management Committee	5	Muhammad Anwer Sheikh			
	Corporate Social Responsibility Committee	6	Mian Asad Hayaud Din			
	Business Development and Strategy Committee	5	Ms. Ayla Majid			
24.	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called, with their remuneration and terms and conditions of employment.			13	✓	
25.	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.			14	✓	
26.	The company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.			16	✓	
27.	The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.			17	✓	
28.	The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the company except those disclosed to the company.			18	✓	
29.	(a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration.			19	✓	
	(b) The annual report of the company contains criteria and details of remuneration of each director.				✓	
30.	The financial statements of the company were duly endorsed by the chief executive and chief financial officer before consideration and approval of the audit committee and the board.			20	✓	
31.	The board has formed an audit committee, with defined and written terms of reference, and having the following members as at June 30, 2020:			21(1) and 21(2)	✓	
	Name of Members	Category	Professional background			
	Mr. Haseeb Shakoor Paracha	Independent Director	Lawyer			
	Dr. Sajjad Ahmad	Independent Director	Technical (Geologist)			

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Sr. No	Provision of the Rules			Rule no.	Yes	No
					Tick in the Relevant box	
	Ms. Saira Najeeb Ahmed	Non- Executive Director	Joint Secretary (I & JV) in Ministry of Energy (Petroleum Division)			
	Muhammad Anwer Sheikh	Non- Executive Director	Senior Joint Secretary (CF-II) Finance Division (CF-Wing)			
	The Chief Executive and Chairman of the Board are not members of the audit committee.				✓	
32.	(a) The chief financial officer, the chief internal auditor, and a representative of the external auditors attended all meeting of the audit committee at which issues relating to accounts and audit were discussed.			21(3)	✓	
	(b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives.				✓	
	(c) The audit committee met the chief internal auditor and other members of the internal auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditors.				✓	
33.	(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee.			22	✓	
	(b) The chief internal auditor has requisite qualification and experience prescribed in the Rules.				✓	
	(c) The internal auditor reports have been provided to the external auditors for their review.				✓	
34.	The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.			23(4)	✓	
35.	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.			23(5)	✓	

Name: _____

Chairperson

Dated:

Islamabad

Name: _____

Managing Director/ CEO

Dated:

Islamabad

Schedule II**Explanation for Non-Compliance with the
Public Sector Companies (Corporate Governance) Rules, 2013**

We confirm that all other material requirements envisaged in the Rules have been complied with except for the following, toward which reasonable progress is being made by the Company to seek compliance by the end of next accounting year.

Sr. No	Rule / sub-rule no.	Reason for Non-Compliance	Further course of action
1.	10	The Board has approved the profit and loss account for and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year. However the Quarterly Financial Statements cannot be prepared within one month of the relevant quarter, because the cost statements from respective operators are issued within 30 days of relevant month as per Petroleum Concession Agreement (PCA) approved by the Government of Pakistan (GoP).	There is time limitation for preparation and approval of quarterly financial statements as the same cannot be prepared within one month because cost statements are issued by JV operator within 30 days of relevant month as per the signed Petroleum Concession Agreement.





DIRECTORS' REPORT 2019-20

GOVERNMENT HOLDINGS (PRIVATE) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED JUNE 30, 2020

The Board of Directors is pleased to present the Directors' Report together with Audited Financial Statements of the Company and the Auditors' Report thereon for the year ended June 30, 2020.

FINANCIAL RESULTS

The spread of COVID-19 pandemic during the year 2019-20, caused steep decline in international oil prices and economic downturn resulting in curtailed production volume. These factors led to reduction in the Company's net revenue which had an impact on the financial results reported for the year.

During the year, the Company recorded net revenue of Rs. 71.5 billion (2019: Rs. 77.6 billion). The net revenues are 7.8% lower than last year mainly due to decline in international oil prices and production volume following COVID-19 outbreak. This reduction was partially offset by favourable US dollar/ rupee parity.

The Company's cost of sales also increased by 23% to Rs. 22.0 billion (2019: Rs. 18.0 billion) due to higher impairment, amortization and depreciation charge, caused by revision in future production profiles and reserve estimates.

The other income of the Company increased to Rs. 4.7 billion (2019: Rs. 3.2 billion) because of higher returns on bank and term deposits.

The other expenses of the Company for the year are reported at Rs. 1.7 billion (2019: Rs. 7.2 billion) and comprise of net exchange loss of Rs. 0.38 billion (2019: Rs. 3.4 billion) booked on revaluation of financial instruments and a provision for windfall levy on oil/condensate amounting Rs. 1.3 billion (2019: Rs. 3.7 billion).

Accordingly, the Company reported profit after tax of Rs. 33.14 billion for the year ended June 30, 2020 (2019: Rs 34.56 billion) that translated into Earnings per Share of Rs. 15.87 (2019: Rs. 16.84 per share).

LIQUIDITY MANAGEMENT AND CASH FLOWS

An amount of Rs. 19.4 billion (2019: Rs 19.6 billion) was generated from Operating activities of the Company which was mainly used to undertake exploration and development activities, capital expenditures and payment of dividends. At the end of the year, the Company had a liquid fund position comprising of cash and cash equivalents of Rs 23.4 billion (2019: Rs 15.9 billion).

For liquidity management, financial projections are prepared on a regular basis to ensure availability of funds at all times while generating optimum returns through placement of surplus liquid funds in secure and well diversified investment portfolio.

TRADE RECEIVABLES

As at June 30, 2020, the Company's overdue trade debts stood at Rs 93 billion (2019: Rs. 69 billion). Out of total overdue receivables, Rs. 60.8 billion (2019: Rs. 49.3 billion) and Rs. 28.6 billion (2019: Rs. 17.6 billion) are recoverable from SSGCL and SNGPL respectively.

For recovery of trade receivables, frequent follow-up is made with gas distribution companies and refineries alongside reporting the receivables position to the concerned Ministry on regular basis.

The mounting trade debt balance places a strain at the Company's liquidity position and requires GoP intervention for resolution of the situation.

DIVIDEND

During the year, the Company paid interim cash dividend of Rs 5 billion (Rs. 2.39 per share).

CONTRIBUTION TO NATIONAL EXCHEQUER

The Company is a significant contributor to the national economy. During the year, GHPL contributed Rs. 42.4 billion (2019: Rs 40.3 billion) to National Exchequer on account of Corporate taxation, dividend, royalty, sales tax, federal excise duty, petroleum levy and windfall levy.

PORTFOLIO OF JOINT VENTURE INVESTMENTS

Government Holdings (Private) Limited (GHPL) manages Government of Pakistan's working interest in upstream petroleum Joint Ventures. GHPL was established in the year 2000 and is 100% owned by the Government of Pakistan. Being working interest owner in multiple on-shore Joint Ventures on behalf of the GoP. GHPL performs in-depth analysis on the available E & P data and subsequently approves the work programs and budgets with different operators and pay its share of expenditure for the work done against the approved work program. GHPL also monitors progress through field visits, technical, financial and management committee meetings and workshops with joint venture partners. In Onshore, GHPL manages its interest as non-operated partner and in Offshore, GHPL acts as licensee.

GHPL is a non-operating partner with local and foreign oil and gas exploration and production companies in Pakistan, which includes OGDCL, MPCL, POL, PEL, PPL, Al-Haj Enterprises, UEP, OPPL, Hycarbex, Tallahassee Resources, MOL and KUFPEC.

GHPL's current portfolio consists of:

- i. 48 onshore concessions in exploration stage under Petroleum Concession Agreement (PCA)
- ii. 89 Development and Production Leases (D&PLs) with 12.5% to 25% working interest
- iii. 04 concessions in offshore area under Production Sharing Agreement (PSA)

The Company continuously explore opportunities for enhancement of its investments in Energy Sector.

SEISMIC ACQUISITION ACTIVITY

A total of 938 L. KMs (2019: 619 L. KMs) of 2 D seismic and 510 Sq. KMs (2019: 614 Sq. KMs) of 3D seismic lines were acquired during the year in different Blocks where the Company is Joint Venture (JV) Partner.

Due to COVID-19 pandemic, few 2D/3D Seismic processing/reprocessing projects have been delayed and expected to be completed in next fiscal year.

DRILLING ACTIVITIES

Following drilling activities were carried out in different non – operated blocks of the Company.

Wells Status	2019-2020	2018-2019
Exploration & Appraisal Wells	9	21
Development Wells	5	10

Furthermore, due to COVID-19 pandemic, few Exploration/Appraisal and Development wells have been postponed to next fiscal year.

DISCOVERIES

A total of 3 discoveries were made during the year ended June 2020:

- Pandhi-1 discovery was made in Bitrisim Block by OGDCL.
- Metlo-1 discovery was made in Ranipur Block by OGDCL.
- Mamikhel South-1 discovery was made in Tal Block by MOL.

These discoveries added 3 BCF of Gas to the Company's reserve/resource base.

PRODUCTION AND RESERVES

GHPL's share of average daily production from all fields during the year ended June 2020 is as follows:

	2019-2020	2018-2019
Oil / Condensate (BPD)	7,780	9,094
Gas (MMSCFD)	233	257
LPG (MT/D)	181	197

COVID-19 pandemic affected production volume during March – May 2020.

The total net remaining recoverable reserves of the Company, as on June 30, 2020, are 22.4 MMSTB (2019: 30.37 MMSTB) of Oil / Condensate Reserves and Gas Reserves of 546.2 BCF (2019: 623.7 BCF). Total net remaining contingent resources of the Company, as on June 30, 2020 are 662.6 BCF (2019:744.5 BCF) of Gas.

MAJOR ACTIVITIES / PROJECTS

In **Nashpa** block (GHPL Share: 15%), plant upgradation and laying of pipeline is in progress at Mela field to bring Mela Gas to Nashpa plant for processing & LPG Extraction. Moreover, Compression project is in progress at Nashpa Plant. Mela-6 development well came on production during the year. Upcoming projects include Nashpa reservoir simulation study and further development wells.

In **Tal** block (GHPL Share: 15%), Mamikhel South-1 was drilled as an exploratory well and resulted in discovery. Upcoming projects in TAL Block are Maramzai field compression.

In **Mehar** block (GHPL Share: 25%), several well intervention activities including reservoir surveillance and re/ additional perforations were carried out along with process optimizations to maintain/enhance production and reduce OPEX. G & G and reservoir studies are in progress to identify further drilling prospects.

In **Gambat South** block (GHPL's share: 25%), works on GPF-IV Phase -II and Zafir gas processing facility continued and expected to be completed during FY 2020-21. Additional Perforations jobs carried out at Sharaf-1 & Sharaf-2 wells. Regular reservoir surveillance and well intervention activities were conducted. G & G and reservoir studies are in progress to identify further drilling prospects. EWT operation at Kabir has been suspended from 28th Dec, 2019 due to unavailability of requisite regulatory license by third party gas buyer. Development options are under review to exploit the reserves of Hatim discovery due to its low heating value gas.

In **Dhok Sultan** block (GHPL's share: 25%), 3D Seismic processing is currently ongoing. Drilling of Dhok Sultan South well was also carried out and well is currently suspended. The work on rental oil handling facility & gas transportation pipeline for gas processing and LPG recovery at Meyal Plant has been initiated (Planned completion: 3Q, 2021).

In **Jhal Magasi** field (GHPL's share: 22.5%), Government has reallocated gas for sale to the third party via competitive bidding and efforts to find a suitable buyer are underway.

In **Mirpur Khas / Khipro blocks** (GHPL's share: 25%), Several well intervention activities were carried out along with Rig workovers, artificial lift and compression projects to maintain production and enhance recovery. Various compression and efficiency improvement projects were initiated/completed during the year. Production of LPG remained constrained due to Wobbe index control issue.

In **Sawan** field (GHPL Share: 22.5%), modifications are under review to arrest the production decline and lower technical limit of production facilities.

In **Mubarak** block (GHPL's share: 25%), Revival of Saqib-1A well is being planned for production through Kadanwari CPP and in this regard Revised FDP will be submitted to the regulator. Well revival is subject to regulatory approvals. 3D Processing is currently ongoing, which will be followed by 3D Seismic interpretation to firm up the leads into prospects for future drilling.

On the **international front**, the Company as part of consortium, comprising of PPL, OGDCL, MPCL and GHPL, submitted a bid in Abu Dhabi bid round 2019. Results of the bid round are awaited.

E&P ACTIVITIES IN OFFSHORE BLOCKS

GHPL is licensee in the following 04 Production Sharing Agreements (PSA) by different Operators:

- Offshore Indus N,G & Eastern Offshore Indus C Eni Pakistan Limited (03)
- Offshore Indus J PEL (01)

SUBSIDIARIES

The Company has three (03) subsidiaries namely Interstate Gas Systems (Private) Limited (ISGS), Pakistan LNG Terminals Limited (PLTL) and Pakistan LNG Limited (PLL).

Interstate Gas Systems (Private) Limited (ISGS)

Inter State Gas System (Private) Limited (ISGS) was incorporated on August 04, 1996 as a private limited company. At June 30, 2020, the Company has a direct shareholding of 99.83% with 295,392,090 (June 30, 2019: 99.83% with 295,392,090) equity shares of Rs.10 each held in ISGS. Subsequent to year end, in pursuance of the directives of the Economic Coordination Committee (ECC) of the Federal Cabinet, Sui Northern Gas Pipelines Limited transferred its 490,000 shares of ISGSL of Rs. 4,900,000 to the Company against cash payment after which the Company acquired 100% direct shareholding in ISGSL.

Further, during the year the GoP provided funds of US\$ 2.481 million (Rs. 414.3 million) to ISGSL for subscription of 248,100 Class 'A' shares in TAPI Pipeline Company Limited (TPCL) under Investment Agreement. As per GoP directives, ISGSL is to issue shares to the Company for the related amount received from GoP and against which the Company will issue shares to the President of Pakistan through Secretary Petroleum Ministry of Energy (Petroleum Division). The shares issuance against such amount is pending allotment and is currently in process.

Further under ECC Directive, the Company has also entered into a loan agreement with ISGS for meeting ISGS's operational requirements. As at June 30, 2020 the total outstanding amount due from ISGS is Rs. 1,472.8 million (2019: Rs. 1,293.2 million) on account of principal and Rs. 295.0 million (2019: Rs. 171.8 million) on account of accrued interest.

Pakistan LNG Terminals Limited (PLTL)

PLTL was incorporated as a public company on December 11, 2015 and is 100% owned by the Company. The principle activity of PLTL is to operate and maintain terminals for the handling, re-gasification, storage, treatment, transportation and processing of Liquefied Natural Gas (LNG), Re-gasified Liquefied Natural Gas (RLNG).

The Company held 1,500,000 equity shares of Rs. 10 each (June 30, 2019: 1,500,000 equity shares of Rs. 10 each) in PLTL.

The Company also provided loan to PLTL to meet its operational requirements. As at June 30, 2020 the total outstanding amount due from PLTL is Rs. 120.8 million (2019: Rs. 241.7 million) on account of principal and Rs. 0.6 million (2019: Rs. 21.4 million) on account of accrued interest.

Pakistan LNG Limited (PLL)

PLL was incorporated as a public company on December 11, 2015. The Company holds 100% shares in PLL. The principle activity of PLL is to import, transport, market and distribute Liquefied Natural Gas (LNG).

As at June 30, 2019, the Company held 1,500,000 equity shares of Rs. 10 each (June 30, 2018: 1,500,000 equity shares of Rs. 10 each) in PLL.

The Company also provided loan to PLL to meet its operational requirements. As at June 30, 2020 the total outstanding amount due from PLL is Rs. 5,316.3 million (2019: Rs. 5,316.3 million) on account of principal and Rs. 667.9 million (2019: Rs. 1,393.2 million) on account of accrued interest.

The Company has also provided lien, against its short-term investments amounting USD 43.7 million, for the guarantee issued by PLL in favour of the LNG suppliers.

Merger of PLL and PLTL

Ministry of Energy (Petroleum Division) vide its letter dated January 02, 2020 directed the Pakistan LNG Limited (PLL) and Pakistan LNG Terminals Limited (PLTL) be merged as a single autonomous body. The Boards of PLL & PLTL principally agreed to the merger and the matter was referred to the Company, being holding Company, alongwith the merger due diligence report, tax advice and legal opinion thereon by external consultants. Subsequent to the Balance Sheet date, the Company communicated the decision of its Board of Directors regarding approval for the amalgamation of PLTL into PLL. The Boards of PLL and PLTL passed resolutions for merger of both Companies, whereby PLTL will be merged into PLL which will be the surviving entity. The effective date of merger is January 01, 2021.

PATTERN OF SHAREHOLDING

Government Holdings (Private) Limited is fully owned by the Government of Pakistan (GOP) and all the members of the Board of Directors are nominated by the GOP.

CORPORATE GOVERNANCE

The Board of Directors of the Company is committed to maintaining high standards of corporate governance to ensure business integrity and transparency.

Specific statements to comply with requirements of the Public Sector Companies (Corporate Governance) Rules, 2013 are as follows:

- The Board has complied with the relevant principles of corporate governance, and has identified the regulations that have not been complied with, the period such non-compliance continued and reasons for such non-compliance.
 - The financial statements, prepared by the Management of the Company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
 - Proper books of accounts have been maintained by the Company.
 - Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
 - International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements.
 - There are no doubts upon the Company's ability to continue as a going concern.
 - The Board recognizes its responsibility to establish and maintain sound system of internal control, which is regularly reviewed and monitored.
 - The appointment of the Chairman and other members of the Board and their terms of appointment along with the remuneration policy adopted are in the best interest of the Company as well as in line with the best practices.
 - Disclosure on remuneration of Chief Executives and Executives is given in Note 35.2 of the Company's Stand-alone Financial Statements for the year ended June 30, 2020.
 - Directors only receive directors' fees for attending meetings of the Board and Board Committees. The details of fees paid to each director are included in the Annual Report in the relevant section of the Annual Report.
 - No subsidy or financial support has been taken from the Government.
 - Reasons for significant deviations from last year's operating results have been explained in relevant section of the Directors' Report.
 - Key operating and financial data of last six years has been summarized in relevant section of the Annual report.
 - Information about outstanding taxes and levies is given in the notes to the financial statements.
 - The value of investment in employee retirement funds based on the latest audited accounts as of June 30, 2020 is as follows.
- | | |
|--------------------------|----------------|
| Employees Provident Fund | Rs. 35,000,000 |
| Employees Gratuity Fund | Rs. 91,400,000 |
- The number of meetings of the Board and its Committees held during the year and the attendance thereat by the respective Director has been disclosed in the relevant section of the Annual Report.
 - A statement of pattern of shareholding in the Company as at 30 June 2020 has been disclosed in the Directors Report.

AUDITORS' OBSERVATION

The Auditors in their Draft Report has drawn attention to the following matters:

- **Assignment of 2.5% Working Interest:** The Company assigned 2.5% working interest each in Block 22 and Zarghun South petroleum concessions to Petroleum Exploration (Private) Limited (PEL) and Mari Petroleum Company Limited (MPCL) respectively upon commercial discovery. Such assignments were not in accordance with the governing Petroleum Concession Agreements. The Board of Directors of the Company has referred the matter to Ministry of Energy (Petroleum Division) for advice. The matter is also under consideration with the Public Accounts Committee. Pending the ultimate outcome of the matter, no adjustments have been made in the accompanying financial statements.
- **Trade Debts:** Trade debts of Rs. 103,293 million, as disclosed in Note 15 to the Financial Statements, include Rs. 92,783 million which are overdue as at June 30, 2020. The payment of these balances is slow because of the financial problems being faced by public sector entities due to the circular debt issue. An aggregate provision of Rs. 4,605 million has been made against said long outstanding debts.
- **Delay in Completion of I-P Pipeline Project by ISGSL:** Note 10.1 to the Financial Statements contains information regarding status of the Iran Pakistan Gas Pipeline Project.

The Auditor's Opinion is not qualified in respect of the aforementioned matters.

AUDITORS

The present auditors, M/s Yousuf Adil, Chartered Accountants will be retiring at the conclusion of the upcoming Annual General Meeting, after completing six terms as auditors of the Company.

The Audit Committee considered the appointment of auditors and recommended M/s KPMG Taseer Hadi & Co. as auditors of the Company for the financial year 2020-21. The recommendation of the Audit Committee was endorsed by the Board of Directors.

FUTURE OUTLOOK

The Company will be able to maintain its current production level from completion / continuation of projects in key exploration and production blocks. However, the Company's Operating results are likely to be affected by the post-COVID decline in International oil prices and their slow recovery, which is an uncontrollable factor for the Company as well as the industry.


Exploration, development and production activities will continue in the Company's non-operated blocks. The Company will also look into opportunities for enhancing its existing portfolio by acquiring / increasing participatory share in new / existing petroleum blocks both in domestic and international markets and through business diversification.

ACKNOWLEDGEMENT

The Directors would like to express their gratitude to the Company's Management and the Ministry of Energy (Petroleum Division) for the continuous assistance and cooperation extended in the respective matters. Also, the results for the year have been made possible with the loyalty, hard work and commitment of all employees. The Directors acknowledge and deeply appreciate their contribution toward achievement of the Company's goals.



Chief Executive Officer



Director

The background of the page features a large, abstract graphic consisting of several thick, wavy, orange lines that flow upwards and to the right, creating a sense of movement and growth. These lines are set against a plain white background.

UNCONSOLIDATED FINANCIAL STATEMENTS **FOR THE YEAR ENDED JUNE 30, 2020**

**GOVERNMENT HOLDINGS (PRIVATE)
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

INDEPENDENT AUDITOR'S REPORT**To the members of Government Holdings (Private) Limited****Report on the Audit of the Financial Statements****Opinion**

We have audited the annexed financial statements of Government Holdings (Private) Limited (the Company), which comprise the statement of financial position as at June 30, 2020, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the profit, other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter Paragraphs

We draw attention to the following matters;

- as disclosed in note 9.4 to the financial statements that the Company assigned 2.5% working interest each in Block 22 and Zarghun South petroleum concessions to Petroleum Exploration (Private) Limited (PEL) and Mari Petroleum Company Limited (MPCL) respectively upon

commercial discovery. Such assignments were not in accordance with the governing Petroleum Concession Agreements. The Board of Directors of the Company has referred the matter to Ministry of Energy (MOE) for advice. The matter is also under consideration at the Public Accounts Committee. Pending the ultimate outcome of the matter, no adjustments have been made in the accompanying financial statements.

- note 10.1.1 to the financial statements contains information regarding the status of the Iran Pakistan Gas Pipeline Project.
- as disclosed in note 15 to the financial statements, trade debts of Rs. 103,293 million include Rs. 92,783 million which are overdue as at June 30, 2020. We have been informed by management that payment of these balances is slow because of the financial problems being faced by public sector entities due to the circular debt issue. The Company has made aggregate provision of Rs. 4,605 million against said long outstanding trade debts.

Our opinion is not modified in respect of the aforementioned matters.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with the audit of financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based in the work we have performed, we conclude that there is a material misstatement of this information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole

are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

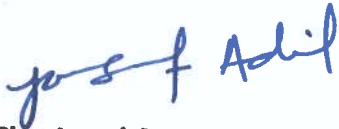
Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows

together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) No Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this Independent auditor's report is Mr. Syed Asmat Ullah.



Chartered Accountants

Place: Islamabad

Date: December 28, 2020

GOVERNMENT HOLDINGS (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	June 2020 Rupees	June 2019 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	6	28,429,906,526	28,316,544,677
Intangible assets	7	47,489,261	37,746,471
Exploration and evaluation assets - intangibles	8	5,456,332,060	4,132,725,421
Development and production assets	9	19,718,032,030	19,363,950,890
Long term investment in subsidiaries	10	3,398,248,401	2,983,920,900
Long term loan	11	45,059,555	4,204,086,131
Interest accrued on long term loan	12	-	171,768,181
		<u>57,095,067,833</u>	<u>59,210,742,671</u>
CURRENT ASSETS			
Stores, spares and loose tools - share in Joint operations' inventory	13	3,552,307,005	3,295,805,619
Current portion of loan to subsidiaries	14	6,869,730,853	2,654,872,580
Trade debts - net	15	98,688,246,709	79,216,558,399
Loans, advances and other receivables	16	12,022,768	10,010,896
Trade deposits and short term prepayments	17	5,993,677	5,587,466
Interest accrued	18	1,519,130,600	1,622,084,537
Short term investments	19	24,000,000,000	18,000,000,000
Cash and bank balances	20	5,413,255,180	3,950,994,383
		<u>140,060,686,792</u>	<u>108,755,913,880</u>
TOTAL ASSETS		<u>197,155,754,625</u>	<u>167,966,656,551</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
4,500,000,000 ordinary shares of Rs. 10 each		<u>45,000,000,000</u>	<u>45,000,000,000</u>
Issued, subscribed and paid up capital	21	20,885,120,920	20,885,120,920
Reserves			
Reserves	22	56,230,873,852	56,230,873,852
Unappropriated profits		<u>84,155,485,364</u>	<u>56,015,381,649</u>
		<u>161,271,480,136</u>	<u>133,131,376,421</u>
Advance against issue of shares to Government of Pakistan	21.3	<u>414,327,501</u>	-
		<u>161,685,807,637</u>	<u>133,131,376,421</u>
NON CURRENT LIABILITIES			
Long term liability	23	4,188,263,503	4,122,651,375
Deferred taxation	24	6,192,651,064	8,262,319,007
Provision for decommissioning cost	25	9,078,006,417	7,148,060,428
Deferred employee benefit	26	<u>64,360,310</u>	<u>51,628,374</u>
		<u>19,523,281,294</u>	<u>19,584,659,184</u>
CURRENT LIABILITIES			
Trade and other payables	27	11,690,163,523	11,054,590,619
Current portion of long term liability	23	794,851,274	971,546,027
Provision for taxation	28	<u>3,461,650,897</u>	<u>3,224,484,300</u>
		<u>15,946,665,694</u>	<u>15,250,620,946</u>
TOTAL EQUITY AND LIABILITIES		<u>197,155,754,625</u>	<u>167,966,656,551</u>

CONTINGENCIES AND COMMITMENTS

29

The annexed notes from 1 to 47 form an integral part of these financial statements.



Chief Executive Officer




Director

GOVERNMENT HOLDINGS (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	June 2020 Rupees	June 2019 Rupees
SALES - NET	30	71,520,123,397	77,609,564,520
Royalty and other levies	31	(8,058,827,908)	(8,408,429,497)
Operating expenses	32	<u>(13,985,289,491)</u>	<u>(9,564,425,000)</u>
GROSS PROFIT		49,476,005,998	59,636,710,023
Other income	33	4,670,233,427	3,240,091,801
Exploration and prospecting expenditure	34	(598,307,034)	(539,400,882)
General and administrative expenses	35	(536,554,642)	(352,959,695)
Other expenses	36	<u>(1,705,207,585)</u>	<u>(7,207,739,337)</u>
OPERATING PROFIT		51,306,170,164	54,776,701,910
Finance cost	37	<u>(528,377,088)</u>	<u>(338,549,576)</u>
PROFIT BEFORE TAXATION		50,777,793,076	54,438,152,334
Taxation	38	<u>(17,634,037,656)</u>	<u>(19,876,684,829)</u>
NET PROFIT FOR THE YEAR		<u>33,143,755,420</u>	<u>34,561,467,505</u>
EARNINGS PER SHARE - BASIC AND DILUTED	39	<u>15.87</u>	<u>16.84</u>

The annexed notes from 1 to 47 form an integral part of these financial statements.



Chief Executive Officer



Director

GOVERNMENT HOLDINGS (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

	Note	June 2020 Rupees	June 2019 Rupees
NET PROFIT FOR THE YEAR		33,143,755,420	34,561,467,505
Other comprehensive loss for the year			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement loss on employees' retirement benefits	26.2	(6,086,175)	(9,700,495)
Tax effect of remeasurement loss on employee's retirement benefits	24.1	2,434,470	3,880,198
		(3,651,705)	(5,820,297)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		33,140,103,715	34,555,647,208

The annexed notes from 1 to 47 form an integral part of these financial statements.



Chief Executive Officer


Director

GOVERNMENT HOLDINGS (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020

	Share capital	Advance against issue of shares	Revenue Reserve	Capital Reserve						
	Issued, Subscribed and Paid-up	Advance against issue of shares (Note 21.3)	General Reserve (Note 22)	Committed Outlay Reserve (Note 22)	LNG Project Reserve (Note 22)	Asset Insurance Reserve (Note 22)	Assets Acquisition Reserve (Note 22)	Reserves Total	Unappropriated Profits	Total
	(Rupees)									
Balance as at July 01, 2018	20,250,000,020	432,129,610	2,284,626,436	20,946,247,416	25,000,000,000	3,000,000,000	5,000,000,000	56,230,873,852	26,459,734,441	103,372,737,923
Profit after taxation	-	-	-	-	-	-	-	-	34,561,467,505	34,561,467,505
Other comprehensive loss - net of tax	-	-	-	-	-	-	-	-	(5,820,297)	(5,820,297)
Total comprehensive income for the year	-	-	-	-	-	-	-	-	34,555,647,208	34,555,647,208
Transactions with owners, recorded directly in equity										
Advance received against issue of shares	-	202,991,290	-	-	-	-	-	-	-	202,991,290
Issue of shares	635,120,900	(635,120,900)	-	-	-	-	-	-	-	-
Interim dividend 2019: Rs. 2.39 per share	-	-	-	-	-	-	-	-	(5,000,000,000)	(5,000,000,000)
	635,120,900	(432,129,610)	-	-	-	-	-	-	(5,000,000,000)	(4,797,008,710)
Balance as at June 30, 2019	20,885,120,920	-	2,284,626,436	20,946,247,416	25,000,000,000	3,000,000,000	5,000,000,000	56,230,873,852	56,015,381,649	133,131,376,421
Profit after taxation	-	-	-	-	-	-	-	-	33,143,755,420	33,143,755,420
Other comprehensive loss - net of tax	-	-	-	-	-	-	-	-	(3,651,705)	(3,651,705)
Total comprehensive income for the year	-	-	-	-	-	-	-	-	33,140,103,715	33,140,103,715
Advance received against issue of shares	-	414,327,501	-	-	-	-	-	-	-	414,327,501
Interim dividend 2020: Rs. 2.39 per share	-	-	-	-	-	-	-	-	(5,000,000,000)	(5,000,000,000)
	-	-	-	-	-	-	-	-	(5,000,000,000)	(4,585,672,499)
Balance as at June 30, 2020	20,885,120,920	414,327,501	2,284,626,436	20,946,247,416	25,000,000,000	3,000,000,000	5,000,000,000	56,230,873,852	84,155,485,364	161,685,807,637

The annexed notes from 1 to 47 form an integral part of these financial statements.



Chief Executive Officer



Director

GOVERNMENT HOLDINGS (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	June 2020 Rupees	June 2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		50,777,793,076	54,438,152,334
Adjustments for:			
Amortization of development and production assets	9.2	3,024,966,936	1,630,172,043
Depreciation on Joint operations' fixed assets	6.4	2,889,072,499	2,168,038,531
Impairment on property, plant and equipment	6.5	113,425,750	(454,635,107)
Impairment on development and production assets	9.3	270,267,309	-
Depreciation on owned fixed assets	6.4	13,692,912	9,119,119
Amortization of intangible assets	7	20,624,479	8,402,166
Dry hole wells	34	111,492,335	147,058,772
Provision for employee benefits	26.1.3 & 26.2.5	29,965,200	19,052,700
Unwinding of discount	37	259,715,452	315,901,210
Discount of long term liability	37	268,567,794	22,582,927
Unrealised exchange (gain) / loss		(281,668,492)	3,086,875,399
Provision for windfall levy on oil/condensate	36	1,328,505,943	3,759,411,028
Interest income	33	(4,666,609,927)	(3,234,516,057)
		54,159,811,266	61,915,615,065
Changes in working capital			
Stores, spare and loose tools - share in Joint operations' inventory		(256,501,386)	(390,095,344)
Trade debts - net		(19,723,306,172)	(25,041,053,651)
Loans, advances and other receivables		(2,011,872)	1,673,185
Trade deposits and short-term prepayments		(406,211)	(330,394)
Trade and other payables		(244,112,796)	(560,770,440)
		(20,226,338,437)	(25,990,576,644)
Cash generated from operations		33,933,472,829	35,925,038,421
Interest received		4,941,332,045	2,350,963,738
Income tax paid		(19,464,104,532)	(18,687,212,459)
Employee benefits paid		(23,319,439)	(13,409,527)
Net cash generated from operating activities		19,387,380,903	19,575,380,173
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(6,869,288,409)	(8,621,239,029)
Investment in subsidiary		(414,327,501)	(208,091,290)
Short term investments		-	6,719,529,035
Loan repaid by subsidiaries		242,738,656	978,000,000
Long-term loan given		(298,570,353)	(301,196,053)
Net cash (used) / generating from investing activities		(7,339,447,607)	(1,432,997,337)

	Note	June 2020 Rupees	June 2019 Rupees
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received against issue of shares		414,327,501	202,991,290
Dividend paid		(5,000,000,000)	(5,000,000,000)
Net cash used in financing activities		(4,585,672,499)	(4,797,008,710)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		7,462,260,797	13,345,374,126
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		15,950,994,383	2,605,620,257
CASH AND CASH EQUIVALENTS AT YEAR END	20.2	23,413,255,180	15,950,994,383

The annexed notes from 1 to 47 form an integral part of these financial statements.



Chief Executive Officer




Director

GOVERNMENT HOLDINGS (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1. THE COMPANY AND ITS OPERATIONS

- 1.1** Government Holdings (Private) Limited (the "Company") was incorporated in Pakistan as a private limited company on January 15, 2000, under the Companies Ordinance, 1984 (Currently Companies Act, 2017). The Company's registered office is situated at 7th Floor, Petroleum House, Ataturk Avenue, G-5/2, Islamabad. The main objectives of the Company are to:
- a) Acquire shares of the companies or interest of Government of Pakistan (GoP) in the existing and new oil and gas concessions, either by payment or by issuance of shares, credited as fully paid, or other securities, as the Company may think fit and to hold and enjoy all interests, rights, contracts and privileges vested in, or connected with, the title of such shares; and
 - b) Take over, acquire, renew, unitize, and hold any exploration, prospecting, development and production concessions of whatever nature or otherwise acquire any estate or interest, develop resources of work, dispose off or otherwise turn to account land or sea beds in any part of the world containing or thought to contain petroleum or any other oil in any form, and to search for or participate in the exploration for petroleum or any other oil in any form, asphalt, bitumen or similar substances or natural gas, or any substance used or which may be capable of use, and to organize, equip and employ expeditions, experts and other agents to carry out drilling and other exploratory operations, and to establish and operate oil and gas wells and other undertakings for the extraction of any of the aforesaid substances.
- 1.2** The Company has 99.83% shareholding in the Inter State Gas System (Private) Limited (ISGSL) under share subscription agreement. The main objective of the ISGSL is to carry on the business of importing, processing, purifying, buying, storing, supplying, transporting, transmitting, selling and exporting natural gas and other natural gas products whether as such or in a liquid state, for lighting, heating, motive power, power generation or for any other purpose whatsoever. TAPI Pipeline Company Limited (TPCL), the associate of ISGSL is registered in the Isle of Man as a limited liability company and its head office is situated in Dubai, United Arab Emirates. TPCL is principally engaged to carry out the business of developing, engineering, funding the construction of, procuring the equipment engineering and other services for construction and operation of, constructing owning, operating and providing maintenance for the proportion of TAPI Pipeline running from the borders of Turkmenistan and Afghanistan to the border of Pakistan and India. Subsequent to the year end the Company holds 100% of the shareholding.
- 1.3** The Company has 100% shareholding in Pakistan LNG Limited (PLL), a public company incorporated on December 11, 2015 under the Companies Ordinance, 1984 (Currently Companies Act, 2017). The principle activity of PLL is to import, transport, market and distribute Liquefied Natural Gas (LNG). PLL has achieved its commercial operation date on January 04, 2018.
- 1.4** The Company also has 100% shareholding in Pakistan LNG Terminals Limited (PLTL), incorporated in Pakistan as a public company on December 11, 2015 under the Companies Ordinance, 1984 (Currently Companies Act, 2017). The principle activity of PLTL is to operate and maintain terminals for the handling, re-gasification, storage, treatment, transportation and processing of Liquefied Natural Gas (LNG). PLTL has achieved its commercial operation date on January 04, 2018.

- 1.5 The Company has interest in certain joint operations / concessions as non-operator. Geographical location of concessions / blocks is as under:

Operator	Concession / Block	Province
Al-Haj	Baska North	Balochistan & KPK
Al-Haj	Potwar South	Punjab
Hycarbex	Yasin	Sindh & Balochistan
KPBV	Paharpur	Punjab & KPK
KPBV	Makhad	KPK
Tallahasse	Karak North	KPK
MOL	Tal	KPK
MPCL	Bolan / Zarghun South	Balochishtan
OGDCL	Bitrism	Sindh
OGDCL	Guddu	Sindh & Punjab
OGDCL	Gwadar	Balochistan
OGDCL	Hetu	Punjab & KPK
OGDCL	Jhakro	Sindh
OGDCL	Khanpur	Punjab
OGDCL	Khewari	Sindh
OGDCL	Khuzdar North	Balochistan
OGDCL	Kotra	Balochishtan
OGDCL	Kulachi	Punjab
OGDCL	Nashpa	KPK
OGDCL	Nim	Sindh
OGDCL	Orakzai	KPK
OGDCL	Palantak	Balochistan
OGDCL	Pasni West	Balochistan
OGDCL	Pezu	Punjab & KPK
OGDCL	Rakhshan	Balochistan
OGDCL	Ranipur	Sindh
OGDCL	Chanda	KPK
OGDCL	Sinjhoro	Sindh
OGDCL	Tirah	KPK
OGDCL	Tando Allah Yar	Sindh
OGDCL	Gurgalot	Punjab & KPK
OGDCL	Zin	Balochistan
OGDCL	Zorgarh	Sindh & Balochistan
OPPL	Zamzama	Sindh
PEL	Block 22	Sindh
PEL	Kandra	Sindh
PEL	Mirpur Mathelo	Sindh
POL	Pariwali	Punjab
POL	Minwal	Punjab
PPL	Bela West	Balochistan
PPL	Dhok Sultan	Punjab & KPK
PPL	Gambat South	Sindh
PPL	Hisal	Punjab
PPL	Hub	Balochistan
PPL	Malir	Sindh
PPL	Mazarani	Sindh

Operator	Concession / Block	Province
PPL	Chachar	Sindh
PPL	Nausherwani	Balochistan
PPL	Sadiqabad	Punjab
PPL	Shah Bandar	Sindh
PPL	Sirani	Sindh
PPL	South Kharan	Balochistan
PPL	Musakhel	Balochistan
UEP	Badin III	Sindh
UEP	Gambat / Tajjal	Sindh
UEP	Khipro	Sindh
UEP	Kuhan	Balochistan
UEP	Mehar	Sindh & Balochistan
UEP	Mehran	Sindh
UEP	Mirpur Khas	Sindh
UEP	Mubarak	Sindh
UEP	Sawan	Sindh

These are separate financial statements of the Company, in which investment in subsidiaries is reported on the basis of direct equity interest at cost and is not consolidated, in these financial statements.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

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

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

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except for obligation under certain employee benefits which are measured at present value using actuarial assumptions.

2.3 Functional and presentation currency

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

3 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2020

The following standards, amendments and interpretations are effective for the year ended June 30, 2020. These standards, amendments and interpretations 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.

	Effective from accounting period beginning on or
IFRS 14 – Regulatory Deferral Accounts	July 01, 2019
Amendments to IFRS 9 'Financial Instruments' - prepayment features with negative compensation	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Long-term interests in associates and joint ventures	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Plan amendment, curtailment or settlement	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments'	January 01, 2019

Certain annual improvements have also been made to a number of IFRSs.

3.1.1 Impact of initial application of IFRS 16 - Leases

IFRS 16 - Leases replaced IAS 17 - Leases, the former lease accounting standard and became effective for periods beginning on or after January 01, 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. There is no material impact of adoption of IFRS 16 - *Leases* on the Company's financial statements.

3.2 New accounting standards / amendments and IFRS interpretations that are not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments 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.

International Accounting Standards/International Financial Reporting Standards/Interpretations	Effective date (accounting periods beginning on or after)
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Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 01, 2020
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Amendments to IFRS 3 'Business Combinations' - Definition of a business	January 01, 2020
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Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material	January 01, 2020
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Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform	January 01, 2020
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Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	January 01, 2020
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Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
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Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
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Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
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Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022
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Certain annual improvements have also been made to a number of IFRSs.

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

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

4.1 Property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation on property, plant and equipment. Further, where applicable, an estimate of the recoverable amount of property, plant and equipment is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available with the Company. Any change in the estimate in the future might affect the carrying amount of the respective items of property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

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 statement of profit or loss.

4.3 Development and production expenditure

Where the commercial discovery has been announced, the Company initially provides for the liability related to relevant carried cost of the Joint operations and the corresponding development and production expenditure; on the basis of best estimates available from the shared cost statement of the relevant joint operation. An adjustment is made based on the finalized cost with the operator.

4.4 Provision for income tax

The Company recognizes tax provisions using estimates based upon expert opinions of its tax and legal advisors. Differences, if any, between the recorded income tax provision and the Company's tax liability, are recorded on the final determination of such liability. Deferred income tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted, by the date of the statement of financial position.

4.5 Measurement of the expected credit loss allowance

The measurement of the expected credit loss ("ECL") allowance for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses).

Elements of the ECL models that are considered accounting judgments and estimates include:

- Development of ECL models, including the various formulas and choice of inputs
- Determining the criteria if there has been a significant increase in credit risk and so allowances for financial assets
- The segmentation of financial assets when their ECL is assessed on a collective basis; and
- Determination of associations between macroeconomic scenarios and, economic inputs, and their effect on probability of default (PDs), exposure at default (EADs) and loss given default (LGDs).

Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

4.6 Provision for decommissioning cost

Provision is recognized for the future decommissioning and restoration 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 amounts of provisions and liabilities recognized are based on current legal and constructive requirements, technology and price levels. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions and liabilities are regularly reviewed and adjusted to take account of such changes.

4.7 Estimation of oil and natural gas reserves

Oil and gas reserves are important elements in impairment testing of cash generating units and amortization charged on 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 by 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, 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 reserves, particularly proved developed reserves, also affect the amount of depreciation, depletion and amortization recorded in the financial statements for fixed assets related to hydrocarbon production activities.

4.8 Employee benefits

Defined benefits plans are provided for permanent as well as contractual employees of the Company.

Provident fund contribution plan and gratuity fund plan are structured as separate legal entities managed by trustees where as accumulating compensated absences plan is managed by the Company. 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, the expected long term return on plan assets 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. The amount of the expected return on plan assets is calculated using the expected rate of return for the year and the market related value at the beginning of the year. 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 obligation in respect of employee's service in previous years, net of the expected return on plan assets. Calculations are sensitive to changes in the underlying assumptions.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Property, plant and equipment

These are initially recognized at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management. These assets are subsequently measured using the cost model, which is cost less subsequent depreciation and impairment losses, if any.

The cost includes the cost of replacing parts of the plant and equipment when that cost is incurred, if the recognition criteria are met. Depreciation is charged using the straight line method when assets are available for use. No depreciation is charged on the assets in the month of sale/disposal, while full depreciation is charged in the month of acquisition. Maintenance and normal repairs are charged to income for the year as and when incurred, while major renewals and improvements are capitalized.

The carrying amounts of the Company's assets are reviewed at each date of the statement of financial position to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are charged to income for the year. An item of fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the asset is derecognized.

5.2 Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment loss. The cost of intangible is amortized over the estimated useful life on straight line basis.

The useful lives of intangible assets are reviewed at each reporting date. The effect of any adjustment to the useful life is recognized prospectively as a change in accounting estimates.

5.3 Exploration and evaluation assets

The exploration cost of all those joint operations, where GHPL participates on full sharing basis, is accounted for under the "Successful Efforts" method.

All exploratory cost directly related to wells are initially capitalized as exploration and evaluation (E&E) assets until the drilling of the well is completed and results have been evaluated. Based on the results, the cost of successful wells are transferred to development, production assets, once commerciality is declared and production starts coming in. Whereas the cost of dry hole is immediately written off.

All other exploration costs are charged to statement of profit or loss as exploration and prospecting expenditure as and when incurred.

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 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.

5.4 Development and production assets - Intangibles

During the exploratory phase, relevant working interest of the Company in various concessions is carried by its relevant partners in the respective Joint operations, in accordance with the related Petroleum Concession Agreements. Consequent to the declaration of commercial discovery by the operator and approval by the Director General, Petroleum Concessions (DGPC), the Company has right to increase its working interest up to 25% and the resulting consideration is payable to relevant joint operation partners in these Joint operations, according to the provisions of the related Petroleum Concession Agreements.

The carried cost payable to JV partners comprise of the cost of the successful wells and expenditure that are attributable to the commercial discovery. The cost is directly recognized as development and production assets to the extent to which the cost relates to wells. The remaining portion of the cost is charged off to profit or loss as exploration and prospecting expenditure.

Development and production assets also include 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 E&E assets as outlined in accounting policy 5.3 above 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 of oil or gas, whichever is dominant in production relevant to a particular field, over the estimated quantities of proved developed reserves at the end of the year plus the production during the year, on a concession by concession basis. Amortization expense for the year is computed on all development and production assets at year end including additions / adjustments made during the year. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

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 with 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 concession by concession basis, except that a number of fields may be grouped as a single cash generating unit where the cash flows of each field are inter dependent.

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

5.5 Joint Operations

The Company has certain contractual arrangements with other participants to engage in joint activities, where all significant operating and financial matters are determined by the participants, such that the operator itself has no significant independence to pursue its own commercial strategy. These contractual arrangements do not create a joint venture entity and are accounted for as jointly controlled assets. The Company accounts for its share of the jointly controlled assets, liabilities and operating expenses on proportionate basis. The Company's share of assets, liabilities, revenue and expenses in Joint operations are accounted for 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 reporting date. The difference, if any, between the cost statements and audited financial statements is accounted for in the next accounting year.

5.6 Investments

Investment in subsidiary

Long-term investment in subsidiary, where the Company has control or significant influence, are measured at cost in the Company's financial statements. The profit or loss of a subsidiary is carried in the financial statements, and are not dealt within the financial statements of the Company, except to the extent of dividend declared by the subsidiary.

5.7 Stores, spares & loose tools - share in Joint operations' inventory

Stores and spares are valued at the lower of cost and net realizable value less allowance for slow moving items. Cost is determined on the basis of costing methods adopted by operators of respective Joint operations. 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.

5.8 Financial instruments

Financial assets and financial liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gains or losses on de-recognition

Initial recognition

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received.

These are subsequently measured at fair value, amortized cost or cost as the case may be.

Classification of financial assets

The Company classifies its financial instruments in the following categories:

- fair value through profit or loss (FVTPL);
- fair value through other comprehensive income (FVTOCI); and
- at amortized cost

The Company determines the classification of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

Classification of financial liabilities

The Company classifies its financial liabilities in the following categories:

- at fair value through profit or loss ("FVTPL"); and
- at amortized cost.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

Subsequent measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost, and in the case of financial assets, less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of profit or loss in the period in which they arise.

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs.

Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognized in other comprehensive income / (loss).

Impairment of financial assets

The Company recognizes loss allowance for Expected Credit Loss (ECL) on financial assets measured at amortized cost except for debts due directly / ultimately from GoP which includes certain trade debts in respect of which exemption is granted by SECP. The Company applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected allowance. The Company uses General 3-stage approach for loans and advances, deposits, long term investments, other receivables, other financial assets and cash and bank balances i.e. to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instruments has not increased significantly since initial recognition.

Life time ECLs are the ECLs that results from all possible default events over the expected life of a financial instrument. 12 months' ECL are portion of ECL that result from default events that are possible within 12 months after the reporting date

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and cash flows that the Company expects to receive).

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

In respect of financial assets due directly /ultimately from GoP, the Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 985(i)/2019 dated September 02, 2019 has deferred the requirements contained in IFRS-9 with respect to application of expected credit loss method for companies holding financial assets due from Government of Pakistan till June 30, 2021.

In accordance with the aforementioned S.R.O., the Company does not recognize impairment against the its receivable balances against companies owned by the Government of Pakistan.

Derecognition Policy

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to statement of changes in equity.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of profit or loss.

5.9 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise of TDRs maturing within 3 months, cash in hand and cash at banks. Cash equivalents are 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.

5.10 Decommissioning cost

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Estimated cost to abandon and dismantle wells and production facilities is recognized as liability and a corresponding equivalent amount is capitalized as cost of development and production assets and property, plant and equipment as the case may be. The amount is based on present value of the estimated future expenditure which are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. 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 on unit of production method and over the assets' useful life respectively.

Changes in the timing/cost of decommissioning estimates are dealt with prospectively, by recording adjustment to the provision and a corresponding adjustment to the property, plant and equipment, exploration and evaluation assets and development and production assets.

Any reduction in the decommissioning liability and therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit and loss account.

If the change in estimate results in an increase in the decommissioning liability and, therefore, an addition to the carrying value of the asset, the Company considers whether there is an indication of impairment of the asset as a whole, and if so, test for impairment in accordance with the IAS-36 Impairment of Assets. If, for mature fields, revised oil and gas assets net of decommissioning provisions exceeds the recoverable value, that portion of the increase is charged directly to the statement of profit or loss.

The unwinding of the discount is recognized as finance cost in the statement of profit or loss.

5.11 Staff retirement benefits

Defined benefit plan

The Company operates an approved funded gratuity scheme for its permanent and contractual staff. Provision for the scheme is made on the basis of actuarial valuation. The most recent valuation in this regard was carried out on June 30, 2020, using the Projected Unit Credit Method.

Defined contribution plan

The Company operates an approved contributory provident fund scheme for its permanent and contractual staff. Equal monthly contributions are made, both the Company and the employees, to the fund at the rate of 8.33% of basic salary.

Compensated absences

The Company accounts for all compensated absences when employees render services that increase their entitlement to future compensated absences. The liability is provided for the scheme is made on the basis of actuarial valuation. The most recent valuation in this regard was carried out at June 30, 2020, using the Projected Unit Credit Method.

5.12 Taxation

Current

Provision for taxation is based on taxable income at the rates applicable for the current tax year, after considering the rebates and tax credits available.

Deferred

Deferred income tax is accounted for using the balance sheet liability method in respect of all significant temporary differences between the carrying value of assets and liabilities for financial reporting purposes and the corresponding tax bases of such assets and liabilities. Deferred income tax assets are recognized only to the extent it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred tax assets and liabilities are only offset if they relate to income taxes levied by the same taxation authority and the entity has a legally enforceable right to set off current tax assets against current tax liabilities.

5.13 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

5.14 Revenue recognition

Revenue from contracts with customers is recognized when or as the Company satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of control of oil, natural gas and liquefied petroleum gas coincides with title passing to the customer and the customer taking physical possession. The Company principally satisfies its performance obligations at a point in time and the amounts of revenue recognized relating to performance.

Revenue is measured at the fair value of the consideration received or receivable which the Company expects to be entitled in exchange for transferring goods, net of government levies. Prices of crude oil and gas are specified in relevant agreements and / or as notified by the Government Authorities based on contracts with customers or petroleum policy. 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.

Billings are generally raised by the end of each month which are payable within 30 to 45 days in accordance with the contractual arrangement with customers. Amounts billed or received prior to being earned, are deferred and recognized as advances from customers.

5.15 Finance income / Late Payment Surcharge

Income on bank deposits is recognized on time proportion basis using the effective interest method.

Late Payment Surcharge (LPS) on trade debts are recognized on receipt basis as per the interest rate agreed with customers.

5.16 Foreign currency translations

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. Foreign currency transactions during the year are recorded at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Exchange differences are taken to the statement of profit or loss for the year.

5.17 Royalty expense

Royalty expense is recognized on sale of Crude Oil, Gas and LPG at the rate specified in the respective concessions agreements.

5.18 Dividends

Dividend distribution and appropriation of reserves are recognized in the financial statements in the period in which these are approved.

5.19 Earning per share

The company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

6 PROPERTY, PLANT AND EQUIPMENT

	Note	June 2020 Rupees	June 2019 Rupees
Owned fixed assets	6.1	51,432,229	42,918,602
Share in Joint operations' fixed assets	6.2	25,523,716,514	26,510,551,086
Share in Joint operations' fixed assets - CWIP	6.3	2,854,757,783	1,763,074,989
		<u>28,429,906,526</u>	<u>28,316,544,677</u>

6.1 Owned fixed assets

June 2020	COST			Rate	ACCUMULATED DEPRECIATION			WRITTEN DOWN VALUE
Particulars	As at 01 July 2019	Additions	As at 30 June 2020	%	As at 01 July 2019	Charge for the year	As at 30 June 2020	As at 30 June 2020
	Rupees				Rupees			Rupees
Office equipment	24,566,874	95,999	24,662,873	20	10,751,576	4,361,738	15,113,314	9,549,559
Furniture and fixtures	30,653,204	-	30,653,204	15	10,243,224	3,851,235	14,094,459	16,558,745
Computer equipment	19,511,798	22,110,540	41,622,338	20-33	14,350,700	4,417,214	18,767,914	22,854,424
Vehicles	11,835,858	-	11,835,858	20	8,303,632	1,062,725	9,366,357	2,469,501
	86,567,734	22,206,539	108,774,273		43,649,132	13,692,912	57,342,044	51,432,229

June 2019	COST			Rate	ACCUMULATED DEPRECIATION			WRITTEN DOWN VALUE
Particulars	As at 01 July 2018	Additions	As at 30 June 2019	%	As at 01 July 2018	Charge for the year	As at 30 June 2019	As at 30 June 2019
	Rupees				Rupees			Rupees
Office equipment	17,671,416	6,895,458	24,566,874	20	7,627,729	3,123,847	10,751,576	13,815,298
Furniture and fixtures	29,574,653	1,078,551	30,653,204	15	6,484,484	3,758,740	10,243,224	20,409,980
Computer equipment	14,415,982	5,095,816	19,511,798	20-33	13,177,210	1,173,490	14,350,700	5,161,098
Vehicles	11,835,858	-	11,835,858	20	7,240,907	1,062,725	8,303,632	3,532,226
	73,497,909	13,069,825	86,567,734		34,530,330	9,118,802	43,649,132	42,918,602

6.2 Share in Joint operations' fixed assets

June 2020	COST				Rate	ACCUMULATED DEPRECIATION			ACCUMULATED IMPAIRMENT			WRITTEN DOWN VALUE
Particulars	As at 01 July 2019	Additions	Transfers from CWIP	As at 30 June 2020	%	As at 01 July 2019	Charge for the year	As at 30 June 2020	As at 01 July 2019	Charge / reversal for the year	As at 30 June 2020	As at 30 June 2020
	Rupees					Rupees			Rupees			Rupees
Leasehold land	54,214,896	-	-	54,214,896	4-33	38,998,911	1,461,460	40,460,371	6,457,517	-	6,457,517	7,297,008
Plant and equipment	43,667,261,424	1,128,021,212	177,640,429	44,972,923,065	4-33	17,693,699,329	2,394,496,370	20,088,195,699	2,766,078,052	85,469,105	2,851,547,157	22,033,180,209
Pipelines	7,032,072,191	346,093,324	65,141,603	7,443,307,118	4-33	3,491,778,607	385,359,652	3,877,138,259	562,519,440	72,209,150	634,728,590	2,931,440,269
Office equipment	314,157,987	21,799,039	-	335,957,026	20	260,300,434	24,387,796	284,688,230	25,338,327	600,379	25,938,706	25,330,090
Furniture and fixtures	77,777,750	28,899	-	77,806,649	15	68,076,234	3,863,250	71,939,484	3,793,939	21,788	3,815,727	2,051,438
Vehicles	174,426,295	(1,817,086)	-	172,609,209	20	147,719,998	11,733,698	159,453,696	3,129,702	-	3,129,702	10,025,811
Decommissioning cost	587,518,367	337,812,002	362,670	925,693,039	4-33	284,499,351	67,770,273	352,269,624	44,487,983	14,543,743	59,031,726	514,391,689
	51,907,428,910	1,831,937,390	243,144,702	53,982,511,002		21,985,072,864	2,889,072,499	24,874,145,363	3,411,804,960	172,844,165	3,584,649,125	25,523,716,514

June 2019	COST			Rate	ACCUMULATED DEPRECIATION			ACCUMULATED IMPAIRMENT			WRITTEN DOWN VALUE	
Particulars	As at 01 July 2018	Additions/ (adjustments)	Transfers from CWIP	As at 30 June 2019	%	As at 01 July 2018	Charge for the year	As at 30 June 2019	As at 01 July 2018	Charge for the year	As at 30 June 2019	As at 30 June 2019
	Rupees					Rupees			Rupees			Rupees
Leasehold land	54,214,896	-	-	54,214,896	4-33	38,196,645	802,266	38,998,911	9,753,490	(3,295,973)	6,457,517	8,758,468
Plant and equipment	41,137,459,553	1,721,975,065	807,826,806	43,667,261,424	4-33	15,418,637,232	2,275,062,097	17,693,699,329	3,130,420,321	(364,342,269)	2,766,078,052	23,207,484,043
Pipelines	6,824,661,031	204,188,931	3,222,229	7,032,072,191	4-33	3,069,868,687	421,909,920	3,491,778,607	547,048,313	15,471,127	562,519,440	2,977,774,144
Office equipment	300,494,854	13,663,133	-	314,157,987	20	250,600,690	9,699,744	260,300,434	26,381,921	(1,043,594)	25,338,327	28,519,226
Furniture and fixtures	77,474,986	302,764	-	77,777,750	15	61,938,487	6,137,747	68,076,234	4,729,236	(935,297)	3,793,939	5,907,577
Vehicles	172,686,922	1,739,373	-	174,426,295	20	131,463,893	16,256,105	147,719,998	4,981,680	(1,851,978)	3,129,702	23,576,595
Decommissioning cost	1,441,057,395	(853,539,028)	-	587,518,367	4-33	846,328,699	(561,829,348)	284,499,351	55,505,085	(11,017,102)	44,487,983	258,531,033
	50,008,049,637	1,088,330,238	811,049,035	51,907,428,910		19,817,034,333	2,168,038,531	21,985,072,864	3,778,820,046	(367,015,086)	3,411,804,960	26,510,551,086

June 2020
Rupees

June 2019
Rupees

6.3 Share in Joint Operations' fixed assets - CWIP

Note	June 2020 Rupees	June 2019 Rupees
Opening balance	1,833,026,480	2,125,222,111
Add: Cost incurred during the year	1,275,409,081	518,853,404
Less: Capitalized during the year	(243,144,702)	(811,049,035)
	2,865,290,859	1,833,026,480
Less: Accumulated Impairment	(10,533,076)	(69,951,491)
Closing balance	2,854,757,783	1,763,074,989

6.3.1 Total capitalized cost includes asset decommissioning cost amounting to Rs. 149,832,576 at June 30, 2020 (2019: Rs. 89,828,716)

	Note	June 2020 Rupees	June 2019 Rupees
6.4 Allocation of depreciation			
Operating expenses	32	2,889,072,499	2,168,038,531
General and administrative expenses	35	13,692,912	9,119,119
		<u>2,902,765,411</u>	<u>2,177,157,650</u>

6.5 Allocation of impairment / reversal of impairment

Operating expenses	32	<u>113,425,750</u>	<u>(404,491,461)</u>
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6.6 As the Company is a non-operator, property, plant and equipment other than owned fixed assets are not in the possession and control of the Company.

7 INTANGIBLE ASSETS

June 2020		COST		Rate	ACCUMULATED AMORTIZATION			WRITTEN DOWN VALUE
Particulars	As at 01 July 2019	Additions	As at 30 June 2020	%	As at 01 July 2019	Charge for the year	As at 30 June 2020	As at 30 June 2020
	Rupees				Rupees			Rupees
Software	<u>81,335,836</u>	<u>30,367,269</u>	<u>111,703,105</u>	33	<u>43,589,365</u>	<u>20,624,479</u>	<u>64,213,844</u>	<u>47,489,261</u>

June 2019		COST		Rate	ACCUMULATED AMORTIZATION			WRITTEN DOWN VALUE
Particulars	As at 01 July 2018	Additions	As at 30 June 2019	%	As at 01 July 2018	Charge for the year	As at 30 June 2019	As at 30 June 2019
	Rupees				Rupees			Rupees
Software	<u>39,174,879</u>	<u>42,160,957</u>	<u>81,335,836</u>	33	<u>35,187,199</u>	<u>8,402,166</u>	<u>43,589,365</u>	<u>37,746,471</u>

		June 2020 Rupees	June 2019 Rupees
8 EXPLORATION AND EVALUATION ASSETS - INTANGIBLES			
	Note		
Opening balance		4,132,725,421	2,881,818,774
Expenditure incurred during the year		1,435,098,974	1,397,965,419
Transfer to development and production assets		-	-
Dry hole wells	34	(111,492,335)	(147,058,772)
		<u>5,456,332,060</u>	<u>4,132,725,421</u>

8.1 Total capitalized cost includes asset decommissioning cost amounting to Rs. 31,170,766 at June 30, 2020 (2019: Rs. 18,354,821)

9 DEVELOPMENT AND PRODUCTION ASSETS

June 2020		COST			ACCUMULATED AMORTIZATION			ACCUMULATED IMPAIRMENT			WRITTEN DOWN VALUE	
Particulars	Working Interest	As at 01 July 2019	Additions	Transfers	As at 30 June 2020	As at 01 July 2019	Charge for the year*	As at 30 June 2020	As at 01 July 2019	Charge / (Reversal) for the year	As at 30 June 2020	As at 30 June 2020
		Rupees			Rupees			Rupees			Rupees	
Intangibles												
Producing fields-Joint operations												
Badin III	25.00%	306,791,706	-	-	306,791,706	269,210,342	37,581,364	306,791,706	-	-	-	-
Block-22 (all fields)	22.50%	275,417,663	-	-	275,417,663	193,253,787	26,976,728	220,230,515	1,476,363	53,710,785	55,187,148	-
Ahmadal/Pariwali	17.50%	837,361,762	17,944,721	-	855,306,483	488,488,775	31,575,441	520,064,216	-	-	-	335,242,267
Minwal	17.50%	7,896,446	202,228	-	8,098,674	1,184,388	316,134	1,500,521	-	-	-	6,598,153
Mazarani	12.50%	136,694,963	-	-	136,694,963	115,366,566	-	115,366,566	21,328,397	-	21,328,397	-
Sawan	22.50%	3,349,942,471	21,364,916	-	3,371,307,387	2,198,062,465	127,107,560	2,325,170,025	604,063,167	-	604,063,167	442,074,195
Zamzama	25.00%	4,775,430,444	(31,736,382)	-	4,743,694,062	3,379,438,404	317,789,608	3,697,228,012	783,786,703	77,856,350	861,643,053	184,822,997
Mubarak	25.00%	1,234,126,958	-	-	1,234,126,958	128,859,759	79,790,392	208,650,151	1,025,476,807	-	1,025,476,807	-
Nim	22.50%	107,582,064	4,856,579	-	112,438,643	61,285,470	51,153,173	112,438,643	-	-	-	-
Mehran	25.00%	69,203,189	-	-	69,203,189	1,933,209	-	1,933,209	67,269,980	-	67,269,980	-
Chanda	17.50%	1,050,001,137	1,341,259	-	1,051,342,396	578,154,518	108,369,237	686,523,755	-	-	-	364,818,641
Gambat	22.50%	380,517,667	6,823,727	-	387,341,394	182,657,675	5,001,248	187,658,923	197,232,511	2,449,960	199,682,471	-
Tal (all fields)	15.00%	5,651,880,171	291,480,293	-	5,943,360,464	2,827,301,301	468,718,378	3,296,019,679	-	-	-	2,647,340,785
Khipro (all fields)**	25.00%	3,014,516,250	(309,396,648)	-	2,705,119,602	1,766,046,860	(27,004,033)	1,739,042,827	-	-	-	966,076,775
MirpurKhas (all fields)	25.00%	5,174,865,029	200,884,582	132,843,762	5,508,593,373	2,194,222,462	855,252,813	3,049,475,275	-	-	-	2,459,118,098
Chachar	25.00%	257,891,437	-	-	257,891,437	143,904,696	2,641,204	146,545,900	91,854,609	-	91,854,609	19,490,928
Nashpa	15.00%	3,724,377,521	29,043,246	-	3,753,420,767	1,068,479,229	133,734,554	1,202,213,783	-	-	-	2,551,206,984
Sinjhoru	22.50%	414,696,783	-	-	414,696,783	132,193,095	99,641,412	231,834,507	-	-	-	182,862,276
Mehar	25.00%	2,230,972,491	90,496,308	-	2,321,468,799	522,318,308	266,283,793	788,602,101	-	-	-	1,532,866,698
Jhakro	22.50%	10,107,129	-	-	10,107,129	9,092,310	281,516	9,373,826	-	-	-	733,303
Guddu	22.50%	148,747,553	13,662,163	-	162,409,716	70,561,196	13,353,806	83,915,002	-	-	-	78,494,714
Bolan	17.50%	386,109,812	11,111,362	-	397,221,174	84,398,619	40,583,732	124,982,351	-	-	-	272,238,823
Gambat South	25.00%	1,177,466,319	-	-	1,177,466,319	195,942,088	87,657,346	283,599,434	-	-	-	893,866,885
Bitrisim	22.50%	-	261,234,863	-	261,234,863	-	15,334,956	15,334,956	-	-	-	245,899,907
Tando Allah Yar (all fields)	22.50%	235,927,475	31,334,293	-	267,261,768	87,259,171	19,138,660	106,397,831	-	-	-	160,863,937
Decommissioning cost		1,703,330,067	1,129,594,878	-	2,832,924,945	882,966,650	263,687,914	1,146,654,564	107,370,321	87,981,359	195,351,680	1,490,918,701
		36,661,854,507	1,770,242,388	132,843,762	38,564,940,657	17,582,581,343	3,024,966,936	20,607,548,278	2,899,858,858	221,998,454	3,121,857,312	14,835,535,067

* Amortization on unit of production basis with amortization rates ranging between 2% and 88%.

** Additions include reversal amounting Rs. 325,417,525 in respect of two capitalized development wells whose classification, during the year, was revised to exploratory wells (with Company's share being carried). Accordingly, related accumulated depreciation amounting Rs. 177,223,787 has also been reversed.

Developing fields

June 2020		COST				ACCUMULATED AMORTIZATION			ACCUMULATED IMPAIRMENT			WRITTEN DOWN VALUE
Particulars	Working Interest	As at	Additions /		As at	As at	Charge	As at	As at	Charge	As at	As at
		01 July 2019	(adjustments)		30 June 2020	01 July 2019	for the year	30 June 2020	01 July 2019	for the year	30 June 2020	30 June 2020
		Rupees				Rupees			Rupees			Rupees
Developing fields-Joint operations												
Mehar	25.00%	337,219,554	200,675,179	-	537,894,733	-	-	-	-	-	-	537,894,733
Ahmadal/Pariwali	17.50%	-	-	-	-	-	-	-	-	-	-	-
Tando Allah Yar (all fields)	22.50%	487,949	-	-	487,949	-	-	-	-	-	-	487,949
Kandra	25.00%	3,577,000	-	-	3,577,000	-	-	-	3,577,000	-	3,577,000	-
Nim	22.50%	85,346,830	-	-	85,346,830	-	-	-	-	-	-	85,346,830
Kotra	20.00%	85,372,382	2,348,511	-	87,720,893	-	-	-	-	-	-	87,720,893
Mubarak	25.00%	-	-	-	-	-	-	-	-	-	-	-
Tal	15.00%	152,517,166	132,660,465	-	285,177,631	-	-	-	-	-	-	285,177,631
MirpurKhas (all fields)	25.00%	132,843,764	40,353	(132,843,762)	40,355	-	-	-	-	-	-	40,355
Khipro (all fields)	25.00%	6,857,713	61,782,179	-	68,639,892	-	-	-	-	-	-	68,639,892
Sawan	22.50%	-	-	-	-	-	-	-	-	-	-	-
Nashpa	15.00%	452,794,841	739,680,439	-	1,192,475,280	-	-	-	-	-	-	1,192,475,280
Mazarani	12.50%	-	-	-	-	-	-	-	-	-	-	-
Badin III	25.00%	-	-	-	-	-	-	-	-	-	-	-
Gambat South	25.00%	1,190,740,108	13,116,312	-	1,203,856,420	-	-	-	-	-	-	1,203,856,420
Block-22	22.50%	15,533,960	-	-	15,533,960	-	-	-	279,122	15,254,838	15,533,960	-
Zamzama	25.00%	222,741,208	(3,476,639)	-	219,264,569	-	-	-	107,878,659	33,014,017	140,892,676	78,371,893
Sinjhoro	22.50%	86,441,019	-	-	86,441,019	-	-	-	-	-	-	86,441,019
Chanda	17.50%	319,261,789	270,815,420	-	590,077,209	-	-	-	-	-	-	590,077,209
Bolan	17.50%	-	307,924,212	-	307,924,212	-	-	-	-	-	-	307,924,212
Khewari	22.50%	-	100,524,320	-	100,524,320	-	-	-	-	-	-	100,524,320
Decommissioning cost		204,536,082	52,982,245	-	257,518,327	-	-	-	-	-	-	257,518,327
		3,296,271,365	1,879,072,996	(132,843,762)	5,042,500,599	-	-	-	111,734,781	48,268,855	160,003,636	4,882,496,963
		39,958,125,872	3,649,315,384	-	43,607,441,256	17,582,581,343	3,024,966,936	20,607,548,278	3,011,593,639	270,267,309	3,281,860,948	19,718,032,030

9.1 Developing fields comprise of cost of wells and related expenditure which are under development and, hence, no amortization thereon has been charged.

June 2019		COST			ACCUMULATED AMORTIZATION			ACCUMULATED IMPAIRMENT			WRITTEN DOWN VALUE	
Particulars	Working Interest	As at	Additions	Transfers	As at	As at	Charge	As at	As at	Charge /	As at	As at
		01 July 2018			30 June 2019	01 July 2018	for the year*	30 June 2019	01 July 2018	(Reversal) for the year	30 June 2019	30 June 2019
Rupees												
Rupees												
Rupees												
Rupees												
Intangibles												
Producing fields-Joint operations												
Badin III	25.00%	306,791,706	-	-	306,791,706	269,149,610	60,732	269,210,342	-	-	-	37,581,364
Block-22 (all fields)	22.50%	275,417,663	-	-	275,417,663	178,212,371	15,041,416	193,253,787	3,174,181	(1,697,818)	1,476,363	80,687,513
Ahumadal/Pariwali	17.50%	773,484,001	62,034,854	1,842,907	837,361,762	434,308,315	54,180,460	488,488,775	-	-	-	348,872,987
Minwal	17.50%	7,699,607	196,839	-	7,896,446	755,594	428,795	1,184,388	-	-	-	6,712,058
Mazarni	12.50%	136,518,904	176,059	-	136,694,963	102,580,083	12,786,483	115,366,566	14,022,629	7,305,767	21,328,397	-
Sawan	22.50%	3,351,746,021	(2,378,349)	574,799	3,349,942,471	2,124,059,881	74,002,584	2,198,062,465	883,314,561	(279,251,394)	604,063,167	547,816,839
Zamzama	25.00%	4,009,389,468	741,181,680	24,859,296	4,775,430,444	3,229,630,343	149,808,061	3,379,438,404	492,820,604	290,966,099	783,786,703	612,205,337
Mubarak	25.00%	1,234,126,958	-	-	1,234,126,958	125,195,578	3,664,181	128,859,759	1,090,065,302	(64,588,495)	1,025,476,807	79,790,392
Nim	22.50%	106,532,892	1,049,172	-	107,582,064	54,833,110	6,452,360	61,285,470	-	-	-	46,296,594
Mehran	25.00%	69,203,189	-	-	69,203,189	1,933,209	-	1,933,209	67,269,980	-	67,269,980	-
Chanda	17.50%	1,038,849,026	11,152,111	-	1,050,001,137	489,244,659	88,909,859	578,154,518	-	-	-	471,846,619
Gambat	22.50%	378,489,513	2,028,154	-	380,517,667	179,130,790	3,526,885	182,657,675	163,812,122	33,420,389	197,232,511	627,481
Tal (all fields)	15.00%	4,978,472,904	306,052,106	367,355,161	5,651,880,171	2,455,092,133	372,209,168	2,827,301,301	-	-	-	2,824,578,870
Khipro (all fields)	25.00%	2,772,941,493	234,542,661	7,032,096	3,014,516,250	1,538,726,559	227,320,301	1,766,046,860	-	-	-	1,248,469,390
MirpurKhas (all fields)	25.00%	4,114,320,304	966,540,926	94,003,799	5,174,865,029	1,714,025,207	480,197,255	2,194,222,462	-	-	-	2,980,642,567
Chachar	25.00%	257,891,437	-	-	257,891,437	138,136,157	5,768,539	143,904,696	101,845,101	(9,990,492)	91,854,609	22,132,132
Nashpa	15.00%	3,157,677,592	240,135,718	326,564,211	3,724,377,521	920,980,596	147,498,633	1,068,479,229	-	-	-	2,655,898,292
Sinjhoro	22.50%	376,832,776	37,864,007	-	414,696,783	93,219,502	38,973,593	132,193,095	-	-	-	282,503,688
Mehar	25.00%	2,231,139,539	(167,048)	-	2,230,972,491	376,064,891	146,253,417	522,318,308	-	-	-	1,708,654,183
Jhakro	22.50%	10,107,129	-	-	10,107,129	9,092,310	-	9,092,310	-	-	-	1,014,819
Guddu	22.50%	137,522,930	11,224,623	-	148,747,553	52,831,497	17,729,699	70,561,196	-	-	-	78,186,357
Bolan	17.50%	298,303,195	87,806,617	-	386,109,812	62,007,417	22,391,202	84,398,619	-	-	-	301,711,193
Gambat South	25.00%	1,158,665,954	18,800,365	-	1,177,466,319	124,414,112	71,527,976	195,942,088	-	-	-	981,524,231
Tando Allah Yar (all fields)	22.50%	243,843,344	(7,915,869)	-	235,927,475	59,917,886	27,341,285	87,259,171	-	-	-	148,668,304
Decommissioning cost		2,430,639,626	(727,309,559)	-	1,703,330,067	1,218,867,491	(335,900,841)	882,966,650	103,929,797	3,440,524	107,370,321	712,993,096
		33,856,607,171	1,983,015,067	822,232,269	36,661,854,507	15,952,409,301	1,630,172,043	17,582,581,343	2,920,254,277	(20,395,420)	2,899,858,858	16,179,414,306

* Amortization on unit of production basis with amortization rates ranging between 3% and 86%.

June 2019		COST			ACCUMULATED AMORTIZATION			ACCUMULATED IMPAIRMENT			WRITTEN DOWN VALUE	
Particulars	Working Interest	As at 01 July 2018	Additions / (adjustments)	As at 30 June 2019	As at 01 July 2018	Charge for the year	As at 30 June 2019	As at 01 July 2018	Charge for the year	As at 30 June 2019	As at 30 June 2019	
		Rupees			Rupees			Rupees			Rupees	
Developing fields-Joint operations												
Mehar	25.00%	-	337,219,554	-	337,219,554	-	-	-	-	-	337,219,554	
Ahmadal/Pariwali	17.50%	1,842,907	-	(1,842,907)	-	-	-	-	-	-	-	
Tando Allah Yar (all fields)	22.50%	-	487,949	-	487,949	-	-	-	-	-	487,949	
Kandra	25.00%	3,577,000	-	-	3,577,000	-	-	3,577,000	-	3,577,000	-	
Nim	22.50%	85,346,830	-	-	85,346,830	-	-	-	-	-	85,346,830	
Kotra	20.00%	83,604,634	1,767,748	-	85,372,382	-	-	20,534,476	(20,534,476)	-	85,372,382	
Tal	15.00%	367,355,162	152,517,165	(367,355,161)	152,517,166	-	-	-	-	-	152,517,166	
MirpurKhas (all fields)	25.00%	94,003,800	132,843,763	(94,003,799)	132,843,764	-	-	-	-	-	132,843,764	
Khipro (all fields)	25.00%	7,032,096	6,857,713	(7,032,096)	6,857,713	-	-	-	-	-	6,857,713	
Sawan	22.50%	574,799	-	(574,799)	-	-	-	154,222	(154,222)	-	-	
Nashpa	15.00%	363,318,800	416,040,252	(326,564,211)	452,794,841	-	-	-	-	-	452,794,841	
Gambat South	25.00%	1,175,365,399	15,374,709	-	1,190,740,108	-	-	-	-	-	1,190,740,108	
Block-22	22.50%	15,533,960	-	-	15,533,960	-	-	507,252	(228,130)	279,122	15,254,838	
Zamzama	25.00%	265,330,012	(17,729,508)	(24,859,296)	222,741,208	-	-	57,518,813	50,359,846	107,878,659	114,862,549	
Sinjboro	22.50%	43,227,488	43,213,531	-	86,441,019	-	-	-	-	-	86,441,019	
Chanda	17.50%	-	319,261,789	-	319,261,789	-	-	-	-	-	319,261,789	
Decommissioning cost		78,650,192	125,885,890	-	204,536,082	-	-	-	-	-	204,536,082	
		2,584,763,079	1,533,740,555	(822,232,269)	3,296,271,365	-	-	-	82,291,763	29,443,018	111,734,781	3,184,536,584
		36,441,370,250	3,516,755,622	-	39,958,125,872	15,952,409,301	1,630,172,043	17,582,581,343	3,002,546,040	9,047,598	3,011,593,639	19,363,950,890
Note		June 2020 Rupees	June 2019 Rupees									
Allocation of Amortization Operating expenses	32	3,024,966,936	1,630,172,043									
Allocation of Impairment Operating expenses	32	270,267,309	9,047,598									

- 9.4 During the year 2003-04, the Company assigned 2.5% working interest in Block 22 to Petroleum Exploration (Private) Limited (PEL) and 2.5% working interest in Zarghun South Petroleum Concession to Mari Petroleum Company Limited (MPCL), upon commercial discovery. These assignments are not in accordance with the governing Petroleum Concession Agreements. Subsequently, Development and Production lease has been signed between the Company and PEL. On June 21, 2016, the Company entered into an interim agreement with MPCL. As per agreement, the parties were to continue the consultative process to achieve amicable settlement of dispute and open a joint account where MPCL was to deposit its working interest share of sale proceeds to the extent of 2.5% of working interest in joint account; and the Company was required to deposit the amount of 2.5% proportionate share of total amount of cash calls raised by operator in joint account since date of grant of Zarghun South Development and Production lease. However, the joint account could not be opened due to legal requirements of Banks. The interim agreement between the Company and MPCL expired on December 20, 2016.

The Board of Directors of the Company referred the matter to Ministry of Energy (Petroleum Division) for advice. The matter is also under consideration at Public Accounts Committee (PAC) which directed the Ministry to conduct an inquiry into the matter. An inquiry report has been presented by the Ministry before the PAC for advice on further action. The Company's Board in its 89th meeting dated September 25, 2017 has advised the management to follow the recommendations of the inquiry report and take further actions based on PAC advice. Pending the ultimate outcome of this matter, no adjustment has been made in the financial statements (i.e. assets, liabilities, revenue and expenses pertaining to working interests assigned to PEL and MPCL).

	Note	June 2020 Rupees	June 2019 Rupees
10 LONG TERM INVESTMENT IN SUBSIDIARIES			
Investment in subsidiaries - at cost			
Inter State Gas Systems (Private) Limited (ISGS)	10.1	2,953,920,900	2,953,920,900
Pakistan LNG Terminals Limited (PLTL)	10.2	15,000,000	15,000,000
Pakistan LNG Limited (PLL)	10.2	15,000,000	15,000,000
		<u>2,983,920,900</u>	<u>2,983,920,900</u>
Advance against investment in ISGS	21.3	414,327,501	-
		<u>3,398,248,401</u>	<u>2,983,920,900</u>

- 10.1 Inter State Gas System (Private) Limited (ISGSL) was incorporated on August 04, 1996 in Pakistan under Companies Ordinance 1984 as a private limited company. At June 30, 2020, the Company has a direct shareholding of 99.83% with 295,392,090 (June 30, 2019: 99.83% with 295,392,090) equity shares of Rs.10 each held in ISGS. Subsequent to year end, in pursuance of the directives of the Economic Coordination Committee (ECC) of the Federal Cabinet, Sui Northern Gas Pipelines Limited transferred its 490,000 shares of ISGSL of Rs. 4,900,000 to the Company against cash payment. Subsequent to the year end the Company holds 100% shareholding.

- 10.1.1 As disclosed in financial statement of ISGSL for the year ended June 30, 2020, following is the significant information relating to its principle project i.e. Iran- Pakistan Gas Pipeline Project (IP- Project).

The Governments of Pakistan and Iran signed an Inter-Governmental Framework Declaration (IGFD) for the Iran Pakistan Gas Pipeline Project (IP-Project) on May 24, 2009. The Company then entered into an Iran Pakistan Gas Sale Purchase Agreement (IP-GSPA) with National Iranian Oil Company (NIOC) on June 5, 2009 which became effective on June 13, 2010 upon completion of all conditions precedent to IP-GSPA. The commitments under IP-GSPA are backed by a sovereign guarantee issued by the GoP on May 28, 2010, whereas, the financial requirements were envisaged to be met through Gas Infrastructure Development Cess (GIDC) and Private Sector Entity (PSE) equity injection as approved by Economic Coordination Committee (ECC) of the Federal Cabinet.

To commence work on the IP-Project, ISGSL hired an Engineering and Project Management Consultant (E&PM) which is a joint venture between a German Based firm ILF Beratende Ingenieure GMBH and National Engineering Services Pakistan (Private) Limited (NESPAK). ILF - NESPAK submitted reports on Stage I and Stage II which have been accepted by ISGSL. Complete design of the pipeline system (Front End Engineering & Design), feasibility study, installation of concrete markers and tender documents for the supply of equipment and construction of the pipeline system have also been completed in a timely manner.

In accordance with the guidelines issued by the Sub-Committee / Steering Committee of the ECC, the initial capital requirement of the IP-Project is being funded through equity injection by GHPL.

Government to Government Co-operation Agreement as initialed on December 1, 2012 was endorsed by the Federal Cabinet on January 30, 2013. The President of Pakistan and the President of Iran inaugurated the construction phase of IP-Project in a Ground Breaking Ceremony held on March 11, 2013.

The IP Project faced constraints, as a consequence of the international sanctions imposed on Iran by United Nations, United States of America and the European Union. Iran's association with the Project and risk of violating sanctions was considered to affect potential financiers, reputable international suppliers of crucial equipment and contractors. The ISGSL believes that this has created a Force Majeure and Excusing Events situation and accordingly the matter has been taken up with Government of Iran as per the provisions of the signed IP-GSPA. In terms of the letter dated April 14, 2014, NIOC rejected the ISGSL's force majeure notice on the premise that substantively, the situations alluded by the ISGSL do not constitute any ground for the occurrence of Force Majeure or Excusing Events under the IP-GSPA. The ISGSL has not accrued any penalty under the terms of IP-GSPA agreement with NIOC. The discussions are underway with Government of Iran to get an extension in the target date to contract and complete the required segment as per IP-GSPA by both sides which was due by December 31, 2014. Further, it is also apparent that NIOC has also not completed reasonable component of its required segment of the gas pipeline.

On February 27, 2019 NIOC issued a formal notice of material breach of buyer's warranties under the IP-GSPA. After negotiation with Iran, on September 5, 2019 Pakistan and Iran has signed an addendum to the IP-GSPA for extension of limitation period of any claims for further five years from the date of signing of the addendum. In light of the addendum Iran has withdrawn the aforementioned notice of material breach and accordingly, the Company has not accrued any penalty under the terms of IP-GSPA agreement with NIOC. The management of the Company believes that the project is still viable and the GoP and the Company is fully committed to pursue the project.

10.1.2 As disclosed in financial statement of ISGSL for the year ended June 30, 2020, following is the significant information relating to Gwadar-Nawabshah LNG terminal & Pipeline project (GNP).

ECC in its meeting held on October 02, 2014 approved the Gwadar-Nawabshah LNG terminal & Pipeline project (GNP). It was envisaged that GNP shall not only serve to meet ever growing energy needs of Pakistan but can also be utilized to link up to Iranian border in future and therefore Pakistan would substantially be complying with its contractual obligations under the GSPA. As essential technical work of pipeline route has already been done for IP project, it has been envisaged that the same shall be utilized for the Gwadar Nawabshah LNG terminal & Pipeline.

During the visit of President of China to Pakistan on April 20, 2015, National Energy Administration of China and Ministry of Energy (MoE) of Pakistan signed Framework Agreement at Islamabad in relation to GNP. In this respect, Chinese nominated entity i.e. China Petroleum Pipeline Bureau (CPP) submitted the technical and financial bid to ISGSL for Engineering, Procurement, Construction and Financing (EPCF) under G to G framework agreement, which was being negotiated. However, the Cabinet Committee on Energy (CCE) through its decision taken in its meeting dated June 6, 2017 directed MoE to drop the GNP forthwith. As per the said direction, ISGSL has discontinued the GNP, however, it has requested certain clarifications and guidelines from MoE regarding the strategic outcome of the decision, for which the response is pending. ISGSL recognized an impairment loss against aggregate cost incurred on GNP.

10.1.3 As disclosed in financial statement of ISGSL for the year ended June 30, 2020, following is the significant information relating to Machike-Tarujabba Oil Pipeline Project (MTOPP).

The ECC of the Cabinet in its meeting held on November 01, 2017 vide case no.EE-117/21/2017 assigned the Machike-Tarujabba Oil Pipeline Project ("MTOPP") to ISGSL. The ECC directed ISGSL to implement the Project on Build, Own, Operate and Transfer ("BOOT") basis for a fifteen years term, through open tendering process, divided into three (3) separate sections originating from Machike via Chakpirana, Rawat and terminate at Taru Jabba completing the pipeline 'backbone' from Karachi to Peshawar. The ownership of MTOPP was to be transferred to ISGSL after 15 years or earlier as per the BOOT Agreement to be signed between the Company and the successful bidder of each section.

In the above said decision, the ECC also directed the Company to conduct a techno-economic feasibility study for undertaking the Project before initiating the tender process. ISGSL appointed an independent technical Consultant to provide consultancy services in respect of the Project, including undertaking a detailed techno-economic feasibility study. The Consultant in the detailed techno-economic feasibility report opined that the Project is financially viable and will result in significant savings to the Government exchequer over the life of the Project when compared with the prevailing road freight besides ensuring safe and steady oil supply from Karachi to Peshawar.

The bidding process was conducted by the ISGSL and the transportation tariff quoted by the successful bidder was approved by ECC of the Cabinet in its meeting dated April 17, 2018. The ISGSL also obtained in principle approval from National Highway Authority for usage of 340 km out of 427 km Right of Way (RoW) along the Highway.

ECC of the Cabinet in its meeting held on February 12, 2019 assigned the project to the private sector. Accordingly, ISGSL recognized an impairment loss for the aggregate cost incurred on the project in current year.

10.1.4 Current projects undertaken by ISGSL are Iran Pakistan Gas Pipeline Project (IP - Project) and Turkmenistan, Afghanistan, Pakistan and India Gas Pipeline Project (TAPI - Project). Based on positive financial projections of aforementioned two projects management believes that Company's investment in ISGSL entails no impairment in standalone financial statement of the Company.

10.2 Pakistan LNG Terminals Limited (PLTL) and Pakistan LNG Limited (PLL) (Collectively referred to as the subsidiaries) were incorporated in Pakistan as a public companies on December 11, 2015 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company has subscribed 100% shareholding in the subsidiaries with 1,500,000 equity shares at Rs.10 each. The registered office of the subsidiaries are located at 3rd floor, Block A, Pak Secretariat, Islamabad, Pakistan and the registered office of PLTL is located at 5th Floor, Petroleum House, Sector G-5, Islamabad Pakistan.

Based on positive financial result of PLL for the year and positive financial projections of PLTL, management believes that Company's investment in PLL and PLTL entails no impairment in the standalone financial statement of the Company.

10.2.1 The Ministry of Energy (Petroleum Division) vide its letter dated January 02, 2020 directed that Pakistan LNG Limited (PLL) and Pakistan LNG Terminal Limited (PLTL) be merged as a single unit autonomous body. The Boards of PLL & PLTL have principally agreed the merger and the matter has been referred to the parent Company, Government Holdings (Private) Limited (GHPL) along with the merger due diligence report, tax advice and legal opinion thereupon by external consultants. GHPL, vide its letter no. DF/FIN/619/2020 dated October 06, 2020 communicated the decision of its Board of Directors regarding approval for the amalgamation of PLTL into PLL. Both PLL and PLTL are currently working on the finalization of the merger process.

	Note	June 2020 Rupees	June 2019 Rupees
11 LONG TERM LOAN			
Loan to subsidiaries	11.1	40,290,860	4,196,387,789
Long term loans to staff	11.2	4,768,695	7,698,342
		<u>45,059,555</u>	<u>4,204,086,131</u>
11.1 Loan to subsidiaries			
Pakistan LNG Terminals Limited (PLTL)	11.1.1	120,872,580	241,745,160
Pakistan LNG Limited (PLL)	11.1.2	5,316,346,884	5,316,346,884
Inter State Gas Systems (Private) Limited (ISGS)	11.1.3	1,472,802,249	1,293,168,325
		<u>6,910,021,713</u>	<u>6,851,260,369</u>
Current portion			
Pakistan LNG Terminals Limited (PLTL)		80,581,720	120,872,580
Pakistan LNG Limited (PLL)		5,316,346,884	2,534,000,000
Inter State Gas Systems (Private) Limited (ISGS)		1,472,802,249	-
Total current portion		<u>6,869,730,853</u>	<u>2,654,872,580</u>

	Note	June 2020 Rupees	June 2019 Rupees
Non current portion			
Pakistan LNG Terminals Limited (PLTL)		40,290,860	120,872,580
Pakistan LNG Limited (PLL)		-	2,782,346,884
Inter State Gas Systems (Private) Limited (ISGS)		-	1,293,168,325
Total non - current portion		<u>40,290,860</u>	<u>4,196,387,789</u>
11.1.1	Opening balance	241,745,160	241,745,160
	Payment to PLTL	-	-
	Repayment by PLTL	(120,872,580)	-
	Closing balance	<u>120,872,580</u>	<u>241,745,160</u>
	11.1.4		
11.1.2	Opening balance	5,316,346,884	5,316,346,884
	Payment to PLL	-	-
	Repayment by PLL	-	-
	Closing balance	<u>5,316,346,884</u>	<u>5,316,346,884</u>
	11.1.5		
11.1.3	Opening balance	1,293,168,325	1,964,168,325
	Payment to ISGSL	301,500,000	307,000,000
	Repayment by ISGSL	(121,866,076)	(978,000,000)
	Closing balance	<u>1,472,802,249</u>	<u>1,293,168,325</u>
	11.1.6		

11.1.4 The Company had provided advances to PLTL solely to meet the operational activities related to LNG imports and to meet the guarantee requirements under the contract for LNG imports. On November 27, 2017, the Company entered into a loan agreement with PLTL and signed a term sheet for the conversion of entire advances into interest bearing loan. The Company and PLTL renegotiated the repayment terms from one year to three years payable in six equal installments up till December 2021. Rate of interest on loan is six (06) months KIBOR plus 2 percent at the date of transaction.

11.1.5 The Company had provided advances to PLL solely to meet the operational activities related to LNG imports and to meet the guarantee requirements under the contract for LNG imports. On November 22, 2017, the Company agreed to convert entire amount of advances into interest bearing loan agreed under term sheet signed by both parties. The loan repayment schedule was re-negotiated by both parties by term sheet amendment dated October 19, 2018, with the loan now payable to GHPL over a course of three (03) years up till March 2021. No repayment of the loan installment has been made during the year. Rate of interest on loan is six (06) months KIBOR plus 2 percent at the date of transaction.

11.1.6 This represents amount paid to ISGSL as per directive of ECC for meeting their operational requirements. Initially the amount of Rs. 396 million up to June 30, 2016 was transferred as advance. However, on the directive of ECC taken in the meeting dated December 15, 2016 the said amount and all subsequent amounts received were classified as loan. In the said meeting ECC tasked the Company to fund all the project activities as well as expenditure on all Government mandated projects of the ISGSL in the form of a three year bullet term loan at terms separately agreed between the Company and ISGSL through a loan agreement.

During the year the Company gave a loan of Rs. 301.5 million (2019: Rs. 307 million) to ISGSL. ISGSL repaid Rs. 121.9 million (2019: Rs. 978 million).

A loan agreement between the Company and ISGSL was signed on August 9, 2018. As per provisions of this loan agreement the ISGSL assets (i.e. receivables, properties gross revenues, movable/immovable assets) to the extent of loan amount disbursed are assumed as security. The loan carry's interest rate of annual KIBOR + 0.1% effective from date of disbursement. Loan and interest was receivable in a single bullet payment due on December 14, 2019.

The ECC of the Cabinet in its meeting held on February 10, 2020, approved the continuation of funding facility to ISGS through GHPL for the period of one (01) year. In pursuance of the directives of ECC an amendment agreement was signed on June 09, 2020 between the Company and ISGSL. The loan agreement will expire on December 14, 2020 and loan repayment will be due on loan expiry date.

	Note	June 2020 Rupees	June 2019 Rupees
11.2 Long term loans to staff			
Considered good - unsecured		9,104,601	14,292,389
Current portion of long term loan		(4,335,906)	(6,594,047)
		<u>4,768,695</u>	<u>7,698,342</u>
12 INTEREST ACCRUED ON LONG TERM LOAN			
Interest accrued on long term loan to ISGS		-	171,768,181
		<u>-</u>	<u>171,768,181</u>
This represents interest receivable on loan to ISGSL which is receivable along with principal.			
13 STORES, SPARES AND LOOSE TOOLS - SHARE IN JOINT OPERATIONS' INVENTORY			
Store, spares and loose tools	13.1	4,048,014,411	3,791,513,025
Impairment for slow moving and obsolete stores, spares and loose tools		(495,707,406)	(495,707,406)
		<u>3,552,307,005</u>	<u>3,295,805,619</u>
13.1 Opening balance		495,707,406	554,898,650
Impairment (reversal) / charge for the year	32.2	-	(59,191,244)
Closing balance		<u>495,707,406</u>	<u>495,707,406</u>
14 CURRENT PORTION OF LOAN TO SUBSIDIARIES			
Pakistan LNG Terminals Limited (PLTL)	11.1	80,581,720	120,872,580
Pakistan LNG Limited (PLL)	11.1	5,316,346,884	2,534,000,000
Inter State Gas Systems (Private) Limited (ISGS)	11.1	1,472,802,249	-
		<u>6,869,730,853</u>	<u>2,654,872,580</u>
15 TRADE DEBTS - NET			
Unsecured - considered good		98,688,246,709	79,216,558,399
Unsecured - considered doubtful			
Unsecured - considered doubtful		4,604,647,534	4,604,647,534
Less: Provision for doubtful debts		(4,604,647,534)	(4,604,647,534)
		<u>-</u>	<u>-</u>
		<u>98,688,246,709</u>	<u>79,216,558,399</u>
15.1	The trade debts include Rs. 92,782,915,817 (2019: Rs. 68,913,442,685) from oil and gas customers which is overdue for period longer than as provided in the agreement. The amount is overdue on account of Inter-Corporate circular debt. Out of the total overdue amount Rs. 60,835,327,379 (2019: Rs. 49,348,165,599) and Rs. 28,608,840,163 (2019: Rs. 17,623,450,236) is mainly overdue from related parties, Sui Southern Gas Company Limited and Sui Northern Gas Pipeline Limited respectively. The management of Company considers this amount to be fully recoverable because Government of Pakistan has been assuming the responsibility to settle the Inter-Corporate circular debt in the energy sector. SECP through S.R.O. 985(I)/2019 dated September 2, 2019 has exempted the applicability of expected credit loss (ECL) model on financial assets due directly / ultimately from GoP. Management believes that payment of these balances is slow because of financial problem being faced by public sector entities due to circular debt issue. Based on difficulty of recoverability of principal amount, the management had estimated the amount of Rs. 4,604,647,534 (2019: Rs. 4,604,647,534) as provision for doubtful debts.		
15.2	Late Payment Surcharge (LPS) on trade debts is recognized on receipt basis as per the interest rate agreed with customers. Aggregate amount of LPS stand at Rs. 26,147 million as of June 30, 2020 (2019: Rs. 16,447 million) which is not recognized, based on the premise that it has not been received yet.		

	Note	June 2020 Rupees	June 2019 Rupees
15.3	Opening balance	4,604,647,534	4,604,647,534
	Provision for the year	-	-
		<u>4,604,647,534</u>	<u>4,604,647,534</u>
16	LOANS, ADVANCES AND OTHER RECEIVABLES (CONSIDERED GOOD)		
	Advances against salary to staff	16.1 7,091,834	2,889,167
	Current portion of loan to staff	11.2 4,335,906	6,594,047
	Advances to suppliers	595,028	527,682
		<u>12,022,768</u>	<u>10,010,896</u>
16.1	Movement of carrying amount of advances against salary:		
		<u>Executives</u>	<u>Other employees</u>
			<u>Total</u>
		-----Rupees-----	
	Balance as at July 01, 2019	1,183,334	1,705,833
	Disbursement during the year	22,095,178	940,000
	Repayments during the year	(16,315,011)	(2,517,500)
		<u>6,963,501</u>	<u>128,333</u>
			<u>7,091,834</u>
16.2	The advances are granted to employees of the Company in accordance with the Company's service rules. These advances are for short term period against salaries and carry no interest.		
17	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS	June 2020 Rupees	June 2019 Rupees
	Security deposits	55,250	55,250
	Short term prepayments		
	Software maintenance fee	2,488,414	2,464,563
	Insurance	3,450,013	3,067,653
		<u>5,938,427</u>	<u>5,532,216</u>
		<u>5,993,677</u>	<u>5,587,466</u>
18	INTEREST ACCRUED		
	Interest accrued on:		
	Bank deposits	73,719,747	97,979,709
	Term deposit receipts	481,865,753	109,504,106
	Interest accrued on long term loan to PLL	667,935,946	1,393,180,078
	Interest accrued on long term loan to PLTL	569,719	21,420,644
	Interest accrued on long term loan to ISGS	295,039,435	-
		<u>1,519,130,600</u>	<u>1,622,084,537</u>
19	SHORT TERM INVESTMENTS		
	Investment held at amortized cost		
	Investment in TDRs	<u>24,000,000,000</u>	<u>18,000,000,000</u>

19.1 These represent investment in term deposit receipts placed with the commercial banks. The breakup is as under:

Credit rating	Rating agency	Rate p.a.	June 2020 Rupees	June 2019 Rupees
A1+	PACRA	12.75%	-	6,000,000,000
A-1+	JCR-VIS	12.75%	-	9,000,000,000
A1+	PACRA	12.60%	6,000,000,000	-
A1+	PACRA	11.95%	-	3,000,000,000
A1+	PACRA	7.12%	6,000,000,000	-
A-1+	JCR-VIS	7.40%	12,000,000,000	-
			<u>24,000,000,000</u>	<u>18,000,000,000</u>

19.2 Please refer to Note 29.1.3 which explains that a lien has been created on the term deposit receipt of Rs. 6 billion (2019: Rs. 6 billion) for issuing guarantee on behalf of subsidiaries.

19.3 All these investments are maturing within 6 - months from the year end.

	Note	June 2020 Rupees	June 2019 Rupees
20 CASH AND BANK BALANCES			
Cash:			
- In hand		25,640	49,425
- At banks - savings accounts	20.1	5,413,229,540	3,950,944,958
		<u>5,413,255,180</u>	<u>3,950,994,383</u>

20.1 These carry mark-up at the rate ranging between 6% and 7.61% p.a (2019: 10.50% and 12.60% p.a).

20.2 Cash and cash equivalents

Investment in TDRs	20.2.1	18,000,000,000	12,000,000,000
Cash and bank balances	20	5,413,255,180	3,950,994,383
		<u>23,413,255,180</u>	<u>15,950,994,383</u>

20.2.1 TDRs having maturity within 90 days.

21 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

June 2020 (Number of shares)	June 2019	June 2020 Rupees	June 2019 Rupees
2,088,512,092	2,088,512,092	20,885,120,920	20,885,120,920
Ordinary shares of Rs. 10 each, fully paid in cash			

21.1 The movement in issued, subscribed and paid up capital is as follows:

	June 2020 No. of shares	June 2019 No. of shares
At July 1	2,088,512,092	2,025,000,002
Ordinary shares of Rs. 10 each paid in cash issued during the year	-	63,512,090
At June 30	<u>2,088,512,092</u>	<u>2,088,512,092</u>
	June 2020 Rupees	June 2019 Rupees
At July 1	20,885,120,920	20,250,000,020
Ordinary shares of Rs. 10 each paid in cash issued during the year	-	635,120,900
At June 30	<u>20,885,120,920</u>	<u>20,885,120,920</u>

- 21.2 Government of Pakistan holds 100% shares. Of these shares, two nominee directors hold one qualification share, each.
- 21.3 The Economic Coordination Committee (ECC) of the Federal Cabinet in its meeting held on December 18, 2015 approved 5% (estimated at US\$ 200 million) equity injection as equity share of Government of Pakistan (GoP) through the ISGSL in Turkmenistan-Afghanistan-Pakistan-Indian (TAPI) Gas Pipeline Project. Accordingly, GoP provided funds to the ISGSL for subscription of Class 'A' shares in TAPI Pipeline Company Limited (TPCL).

Accordingly, during the year the GoP provided funds of US\$ 2.481 million to ISGSL for subscription of 248,100 Class 'A' shares in TAPI Pipeline Company Limited (TPCL) under Investment Agreement. Ministry of Finance (MoF) directed ISGSL to issue shares to the Company for the related amount received from GoP and directed the Company to issue shares to the President of Pakistan through Secretary Petroleum Ministry of Energy (Petroleum Division). Subsequent to the year end, GOP made a balance payment of USD 0.169 million (Rs. 28.11 million) for subscription of 16,900 remaining shares. The shares issuance against such amount is pending allotment and is currently in process.

22 RESERVES

		June 2020 Rupees	June 2019 Rupees
General reserve	22.2	2,284,626,436	2,284,626,436
Other reserves			
Committed outlay reserve	22.3	20,946,247,416	20,946,247,416
Asset insurance reserve	22.4	3,000,000,000	3,000,000,000
Assets acquisition reserve	22.5	5,000,000,000	5,000,000,000
LNG project reserve	22.6	25,000,000,000	25,000,000,000
		53,946,247,416	53,946,247,416
		56,230,873,852	56,230,873,852

- 22.1 The Company has appropriated and created these reserves in accordance with the principles of prudence. The above reserves are partially funded and proceeds are maintained in short term investments as disclosed in Note 19 to these financial statements.
- 22.2 The general and contingency reserve is created during the fiscal year 2014 to cater for contingencies related to relevant interest carried cost based on current exploration commitments and other unforeseen events.
- 22.3 The committed outlay reserve is created during the fiscal year 2014 for future requirements based on expected cash outlay for Capital Commitments, Decommissioning Obligations and liability against relevant interest carried cost.
- 22.4 The asset insurance reserve has been created during the fiscal year 2014 for self insurance of investments in assets like wells, plants, pipelines, vehicles and furniture & fixture of those Joint operations where the Insurance policy has not been taken out by the Operator.
- 22.5 In view of the declining hydrocarbon reserves profile of the Company, it is intended to acquire sizeable producing reserves for which a separate assets acquisition reserve has been established during the fiscal year 2014 and the Company plans to continue to build-up this reserve in future years.
- 22.6 The Reserve is created during the fiscal year 2016 to cater for funding / financial support for LNG Projects being undertaken by incorporated subsidiaries, Pakistan LNG Limited (PLL) and Pakistan LNG Terminals Limited (PLTL).

23 LONG TERM LIABILITY

Due to the joint operators	23.2	4,983,114,777	5,094,197,402
Current portion shown under current liabilities		(794,851,274)	(971,546,027)
		4,188,263,503	4,122,651,375

- 23.1 This represents long term liability on account of the Company's carried interest of 5% in the exploration expenditure of various joint operations. This expenditure is incurred by the joint operation partners up to the date of commercial discovery, and the amount will be adjusted in five equal annual installments, against the Company's share of commercial production in each respective joint operation.

	Note	June 2020 Rupees	June 2019 Rupees
23.2			
Opening balance		5,094,197,402	4,942,651,795
Unwinding of long term liability		94,999,285	116,569,297
Payments		(1,557,765,372)	(1,435,031,347)
Additions / adjustments during the year		594,428,483	157,490,810
Exchange loss realized		744,811,517	618,369,492
Discounting of long term liability	23.3	268,567,794	22,582,927
Exchange (gain) / loss on revaluation		(256,124,332)	671,564,428
		<u>4,983,114,777</u>	<u>5,094,197,402</u>
23.3	Long term liability in US dollars have been discounted using 0.60% (2019: 2.28%) rate of interest.		
24 DEFERRED TAXATION			
Deferred taxation		<u>6,192,651,064</u>	<u>8,262,319,007</u>
24.1 Movement in the deferred tax liability:			
Opening balance		8,262,319,007	7,418,962,398
Debited to the statement of profit or loss	38	(2,067,233,473)	847,236,807
Credited to statement of other comprehensive income		(2,434,470)	(3,880,198)
		<u>6,192,651,064</u>	<u>8,262,319,007</u>
24.2 Deferred tax in respect of taxable/(deductible) temporary differences:			
Accelerated depreciation on property, plant and equipment		6,028,383,588	6,127,004,540
Impairment of stores, spares and loose tools		(198,282,962)	(198,282,962)
Long term liability		181,330,686	(358,312,340)
Development and production expenditure		5,337,846,546	5,836,898,444
Provision for doubtful debts		(1,841,859,014)	(1,841,859,014)
Expenditure of exploration and evaluation, development and production assets		(1,277,166,522)	(1,299,249,463)
Provision for windfall levy on oil/condensate		(2,035,166,788)	-
Remeasurement of employees' retirement benefits		(2,434,470)	(3,880,198)
		<u>6,192,651,064</u>	<u>8,262,319,007</u>
24.3	Deferred tax has been calculated at the current effective tax rate of 40% (2019: 40%). The effective tax rate is reviewed annually.		
	Note	June 2020 Rupees	June 2019 Rupees
25 PROVISION FOR DECOMMISSIONING COST			
Provision for decommissioning cost		<u>9,078,006,417</u>	<u>7,148,060,428</u>
25.1 Provision for decommissioning cost			
Opening balance		7,148,060,428	6,142,566,167
Provision/(reversal) made during the year		1,593,571,599	(1,384,932,202)
Revaluation exchange loss		171,658,223	2,191,094,550
Unwinding of decommissioning cost	37	164,716,167	199,331,913
		<u>9,078,006,417</u>	<u>7,148,060,428</u>

	Note	June 2020 Rupees	June 2019 Rupees
26 DEFERRED EMPLOYEE BENEFITS			
Accumulating compensated absences	26.1	39,321,222	29,738,690
Employees' gratuity fund	26.2	25,039,088	21,889,684
		<u>64,360,310</u>	<u>51,628,374</u>
26.1 Accumulating compensated absences			
26.1.1 Amounts recognized in statement of financial position:			
Present value of defined benefit obligation	26.1.2	39,321,222	29,738,690
Fair value of plan assets		-	-
Net liability at end of the year		<u>39,321,222</u>	<u>29,738,690</u>
26.1.2 Movement in the present value of obligation:			
Balance at beginning of the year		29,738,690	23,049,731
Expense for the year	26.1.3	11,012,275	6,863,511
Payment made during the year		(1,429,743)	(174,552)
		<u>39,321,222</u>	<u>29,738,690</u>
26.1.3 Amounts recognized in statement of profit or loss:			
Current service cost		6,803,821	1,015,015
Interest expense		4,208,454	2,296,246
Remeasurement of defined benefit obligation		-	3,552,250
		<u>11,012,275</u>	<u>6,863,511</u>
26.1.4 Amounts recognized in statement of comprehensive income:		<u>-</u>	<u>-</u>
26.1.5 Principle actuarial assumptions:			
Valuation discount rate (%)		9.25%	14.50%
Salary increase rate (%)		8.25%	13.50%
26.1.6 Sensitivity analysis			
Defined Benefit Obligation		<u>39,321,222</u>	<u>29,738,690</u>
1% increase in discount rate		<u>35,135,924</u>	<u>26,429,445</u>
1% decrease in discount rate		<u>44,189,790</u>	<u>33,587,758</u>
1% increase in salary rate		<u>44,153,457</u>	<u>33,565,505</u>
1% decrease in salary rate		<u>35,096,061</u>	<u>26,394,514</u>

26.2	Employees' gratuity fund	Note	June 2020 Rupees	June 2019 Rupees
26.2.1	Amounts recognized in statement of financial position:			
	Present value of defined benefit obligation	26.2.2	120,663,183	87,987,648
	Fair value of plan assets	26.2.3	(95,624,095)	(66,097,964)
	Net liability at end of the year		<u>25,039,088</u>	<u>21,889,684</u>
26.2.2	Movement in the present value of obligation:			
	Balance at beginning of the year		87,987,648	64,733,331
	Current service cost		17,266,233	15,079,690
	Interest cost		12,658,534	6,338,602
	Benefits paid		(2,337,656)	(2,694,651)
	Remeasurement of defined benefit obligation		5,088,424	4,530,676
			<u>120,663,183</u>	<u>87,987,648</u>
26.2.3	Movement in the fair value of plan assets:			
	Balance at beginning of the year		66,097,964	51,498,356
	Contributions by employers		21,889,684	13,234,975
	Payment by employer on behalf of plan		-	-
	Expected return on plan assets		10,971,854	5,676,853
	Benefits paid		(2,337,656)	(2,694,651)
	Remeasurement of plan assets		(997,751)	(1,617,569)
			<u>95,624,095</u>	<u>66,097,964</u>
26.2.4	Detail of plan assets			
	Cash at bank		254,259	-
	Term deposits		95,369,836	64,523,986
	Accrued interest		-	1,573,978
			<u>95,624,095</u>	<u>66,097,964</u>
26.2.5	Amounts recognized in statement of profit and loss:			
	Current service cost		17,266,245	15,079,690
	Net interest cost		1,686,680	661,749
			<u>18,952,925</u>	<u>15,741,439</u>
26.2.6	Amounts recognized in statement of other comprehensive income:			
	Remeasurement loss recognized		<u>6,086,175</u>	<u>6,148,245</u>
26.2.7	Principle actuarial assumptions:			
	Valuation discount rate (%)		<u>9.25%</u>	<u>14.50%</u>
	Salary increase rate (%)		<u>8.25%</u>	<u>13.50%</u>

	June 2020 Rupees	June 2019 Rupees
26.2.8 Sensitivity Analysis		
Defined Benefit Obligation	<u>120,663,183</u>	<u>87,987,662</u>
1% increase in discount rate	<u>107,828,925</u>	<u>78,242,417</u>
1% decrease in discount rate	<u>135,573,636</u>	<u>99,323,101</u>
1% increase in salary rate	<u>135,686,734</u>	<u>99,397,949</u>
1% decrease in salary rate	<u>107,507,011</u>	<u>78,016,292</u>

26.2.9 Expected defined benefit cost to be recognized in statement of profit or loss

For the year ending

June 30, 2021

Current service cost	18,863,373
Interest expense	11,008,028
Interest income on plan assets	<u>(9,640,722)</u>
	<u>20,230,679</u>

26.2.10 Description of risks to the Company

The defined benefit plans expose the Company to the following risks:

- Discount rate risk - The risk of changes in discount rate, since discount rate is based on corporate / government bonds, any decrease in bond yields will increase plan liabilities.
- Salary increase / inflation risk - The risk that the actual salary increase are higher than the expected salary increase, where benefits are linked with final salary at the time of cessation of service, is likely to have an impact on liability.
- Mortality risk - The risk that the actual mortality experience is lighter than that of expected i.e. the actual life expectancy is longer than assumed.
- Withdrawal risk - The risk of actual withdrawals experience may different from that assumed in the calculation.

	Note	June 2020 Rupees	June 2019 Rupees
27 TRADE AND OTHER PAYABLES			
Trade creditors - due to joint operations		5,019,615,635	5,339,617,913
Other payables			
Accrued liabilities		89,641,302	66,707,189
Payable to provident fund		1,952,257	1,418,857
Sales tax payable		732,663,088	778,474,364
Other payables		429,089	3,484,960
FED / PDL / Windfall levy payable		39,571	35,805,422
Royalty payable		757,905,610	1,069,670,886
Provision for windfall levy on oil/condensate	29.1.4	5,087,916,971	3,759,411,028
		6,670,547,888	5,714,972,706
		<u>11,690,163,523</u>	<u>11,054,590,619</u>

28 PROVISION FOR TAXATION

Provision for taxation at beginning of the year		3,224,484,300	2,882,248,737
Income tax paid during the year		(19,464,104,532)	(18,687,212,459)
Provision for current taxation for the year	38	18,140,940,649	19,065,985,771
Provision for taxation - prior years	38	1,560,330,480	(36,537,749)
Income tax - payable at end of the year		<u>3,461,650,897</u>	<u>3,224,484,300</u>

- 28.1 The Company has various tax litigations pending with the tax authorities in respect of tax years 2003 to 2019. These litigations are pending at different forums of taxation authorities. However, the Company has paid, under protest to avoid penalties under the Income Tax Ordinance 2001, full amount against the demand raised by tax authorities in respect of said years and has charged it to tax expense. The Company based on advice of its tax consultant believes that there will be no future liability expected to arise in respect of said litigations.
- 28.2 Subsequent to the year end, the Company has opted Group Taxation u/s 59AA of the Income Tax Ordinance 2001 from the Tax Year 2021 onwards.

	Note	June 2020 Rupees	June 2019 Rupees
29 CONTINGENCIES AND COMMITMENTS			
29.1 Contingencies			
Relating to carried cost liability	29.1.1	1,692,661,540	1,526,651,826
Tax contingency	29.1.2	18,177,836,600	18,177,836,600
		<u>19,870,498,140</u>	<u>19,704,488,426</u>

29.1.1 This represents contingencies in respect of 5% carried cost of the discovered fields where Declaration of Commercialities (DOCs) have not yet been submitted at the year end and for those Development and Production leases where the Company's estimates varies with those of the operator.

29.1.2 This represents tax contingencies in respect of show cause notice issued by FBR regarding non-applicability of Zero percent sales tax on crude/condensate supplies by the Company from 2009-10 to 2013-14 as per SRO No. 549(1)/2008 dated 11.06.2008 with the condition of "Import and supplies thereof". The Company has not charged sales tax on its crude/condensate supplies based on the premise that the Company is not involved in the business of importing crude/condensate. The Company filed writ petition with Islamabad High Court. The writ petition was accepted and the show cause notice was declared as having been issued without jurisdiction. However, it was clarified by the court that the FBR can reissue the notices. FBR preferred Intra Court Appeal which is pending adjudication before the Honorable Islamabad High Court and no stay has been granted against the order of the single bench. The expected tax contingency has been calculated based on sales tax amount involved, penalty and default surcharge.

29.1.3 The Company has also provided lien against its investments for the guarantee issued by PLL in favor of the LNG suppliers of amounting to USD 43.7 million (i.e. for the value of two cargoes per month).

29.1.4 Contingency with respect to imposition of Windfall Levy on oil / condensate

The Company is a working interest owner in Tal, Mirpur Khas, Khipro, Mehar, Mubarak, Tando Allah Yar, Gurgalot, Sinjhor, Bitrism, Khewari and Nim Blocks whose Petroleum Concession Agreements (PCAs) were executed under the framework of Petroleum Policies 1994 and 1997. Subsequently, in pursuance to the option available under Petroleum Policy 2012, the Company along with other working interest owners signed Supplemental Agreements (SAs) with the GoP for conversion of eligible existing and future discoveries under aforesaid PCAs to the Petroleum Policy (PP), 2012. Under the said arrangement, price regimes prevailing in PP 2007, PP 2009 and PP 2012 in terms of PP 2012 shall be applicable, correlated with the spud dates of the wells in the respective policies starting from November 27, 2007. The conversion package as defined in the SAs included windfall levy on natural gas only.

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

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

The Company along with other Joint Venture Partners has challenged the applicability of WLO against the backdrop of supplemental agreements already executed pursuant to PP 2012 in the Honorable Islamabad High Court which has granted stay order against the CCI decision dated November 24, 2017 on imposition of WLO. It is pertinent to note that all writ petitions on subject matter have been consolidated by the Honorable High Court.

The Honorable High Court fixed March 19, 2020 as next date of hearing but the hearing was cancelled due to preventive measures taken in the courts amid Coronavirus. The Petitions are pending with date in office.

The cumulative impact of Windfall Levy on Oil (WLO) since application of incremental gas prices up till June 30, 2020 amount to approximately Rs 15,404 million (2019: Rs 14,076 million). As mentioned above, the Company based on the advice of legal counsels, is confident that it has valid grounds to defend the aforesaid issue in the Court and that the issue will be decided in its favor. However, without prejudice to the Company's legal contention and as a matter of prudence, the Company has booked provision of Rs. 5,028 million to prospectively account for the impact of WLO from the date of the SRO i.e. December 27, 2017 till June 30, 2020.

29.1.5 Unitization of Salamat / Adam West Field Reserves

A reservoir communication study by an independent third party, is currently in progress to determine reserve volume estimates and level of communication between Salamat field (operated by UEPL; GHPL Working Interest (WI): 25%) and Adam West field (operated by PPL; GHPL WI: Nil). If reservoir communication between the fields is proved then subject to final results of the study, agreement of concerned parties and DGPC's approval, financial exposure may arise equivalent to revenue from additional production from the reservoir to be offset by royalty / OPEX / tax and other related expenses incurred.

	Note	June 2020 Rupees	June 2019 Rupees
29.2 Commitments			
Minimum work commitment	29.2.1	<u>6,083,320,227</u>	<u>8,916,199,843</u>

29.2.1 This represents the Company's share in the minimum work commitments relating to non-operated Joint operations and the Company's own capital budget.

	Note	June 2020 Rupees	June 2019 Rupees
30 SALES - NET			
Natural gas - gross sales		<u>53,602,947,957</u>	<u>52,134,550,917</u>
Sales tax		<u>(7,777,394,678)</u>	<u>(7,570,691,048)</u>
Excise duty		<u>(770,219,266)</u>	<u>(783,260,834)</u>
Natural gas - net sales		<u>45,055,334,013</u>	<u>43,780,599,035</u>
Crude oil		<u>22,228,494,663</u>	<u>29,101,738,138</u>
Liquefied petroleum gas - gross sales		<u>5,157,032,051</u>	<u>5,753,973,064</u>
Sales tax		<u>(774,062,848)</u>	<u>(861,575,976)</u>
Excise duty		<u>(7,863,322)</u>	<u>(6,151,406)</u>
Petroleum development levy		<u>(138,811,160)</u>	<u>(159,018,335)</u>
Liquefied petroleum gas - net sales		<u>4,236,294,721</u>	<u>4,727,227,347</u>
		<u><u>71,520,123,397</u></u>	<u><u>77,609,564,520</u></u>

31 Royalty and other levies are paid to the Government of Pakistan.

32 OPERATING EXPENSES

Joint operation's operating expenses	32.1	<u>7,687,556,997</u>	<u>6,220,849,533</u>
Depreciation	6.4	<u>2,889,072,499</u>	<u>2,168,038,531</u>
Amortization of development and production assets	9.2	<u>3,024,966,936</u>	<u>1,630,172,043</u>
Impairment	32.2	<u>383,693,059</u>	<u>(454,635,107)</u>
		<u><u>13,985,289,491</u></u>	<u><u>9,564,425,000</u></u>

32.1 It represents the Company's share in operating expenses of Joint Ventures mainly comprising of personnel cost, field / contract services, repair and maintenance, workovers, travelling etc.

32.2 Impairment

Impairment on property, plant and equipment	6.5	<u>113,425,750</u>	<u>(404,491,461)</u>
Impairment on development and production assets	9.3	<u>270,267,309</u>	<u>9,047,598</u>
Impairment on inventory	13.1	<u>-</u>	<u>(59,191,244)</u>
		<u><u>383,693,059</u></u>	<u><u>(454,635,107)</u></u>

- 32.1.1** During the current year, the Company carried out impairment testing of its joint operations assets, as required under IAS 36 - 'Impairment of Assets' to assess whether there is any provision required on these assets. Based on the assessment, management has made a provision of impairment on property plant and equipment, development and production assets and respective Joint operations inventories as specified in above note.
- 32.1.2** The Company considers the relationship between international oil prices, production profiles, petroleum reserves and carrying value of its joint venture investments, amongst other factors, when reviewing for indicators of impairment. As at June 30, 2020, the estimates of future production profiles of producing / discovered fields within the Joint operations have revised based on latest technical information, indicating a potential impairment.
- 32.1.3** For the purpose of carrying out impairment testing, each joint venture has been considered a separate cash generating unit and the recoverable value of the each joint operation investment has been separately determined and compared with the respective carrying value of the assets of that joint operation.
- 32.1.4** The recoverable amount of the joint venture investment is based on 'value-in-use' computations. In assessing the value in use, estimated future cash flows are discounted to their present value, using a pre-tax discount rate that is based on the existing policy rate prevailing within the country. The pre-tax discount rate applied to cash flow projections is 8.69% (June 30, 2019: 13.72%)

	Note	June 2020 Rupees	June 2019 Rupees
33 OTHER INCOME			
Income from financial assets			
Return on bank deposits		1,143,330,228	1,036,251,376
Return on term deposit receipts		2,492,356,525	1,164,761,305
Interest on loan to subsidiaries		1,030,923,174	1,033,503,376
		<u>4,666,609,927</u>	<u>3,234,516,057</u>
Income from non financial assets			
Disposal of fixed assets		-	-
Signature bonus		3,558,500	4,982,000
Others		65,000	593,744
		<u>4,670,233,427</u>	<u>3,240,091,801</u>
34 EXPLORATION AND PROSPECTING EXPENDITURE			
Cost of dry and abandoned wells	8	111,492,335	147,058,772
Prospecting expenditure		486,814,699	392,342,110
		<u>598,307,034</u>	<u>539,400,882</u>
35 GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	35.2-35.5	345,963,846	251,071,902
Travelling and conveyance		7,257,568	5,745,352
Repairs and maintenance		6,813,191	5,764,702
Rent		20,049,984	13,223,304
Communications		1,629,194	1,535,982
Utilities		7,140,583	6,182,402
Training and seminars		2,641,153	4,363,096
Printing and stationery		2,300,968	1,813,761
Advertisement		4,864,940	2,968,641
Entertainment		1,480,564	863,544
Legal and professional charges		12,602,735	14,942,331
Auditors' remuneration	35.6	1,600,880	1,525,800
Fee and subscription		2,709,448	2,792,790
Software maintenance fee		18,870,397	12,654,680
Insurance		6,039,410	4,934,467
Business Development		48,282,243	-
Internship Program of MOE		1,785,456	-
Corporate Social Responsibility	35.1	5,000,000	500,000
Amortization of intangible assets	7	20,624,479	8,402,166
Depreciation	6.4	13,692,912	9,119,119
Security services		2,885,099	2,358,524
Others		2,319,592	2,197,132
		<u>536,554,642</u>	<u>352,959,695</u>

- 35.1** It relates to the amount donated to the Pakistan Blind Cricket Council of Rs. 500,000 and to Prime Minister's COVID-19 Relief Fund of Rs. 4,500,000.
- 35.2** It includes Rs. 40.312 million (2019: Rs.27.554 million) in respect of post employment benefits.
- 35.3** The aggregate amounts charged in these financial statements for the remuneration of the Chief Executive Officer and Executives are as follows:

	Chief Executive Officer		Executives	
	June 2020	June 2019	June 2020	June 2019
	-----Rupees-----			
Managerial remuneration	3,654,452	2,276,714	210,695,890	155,582,719
Bonus	-	-	24,000,882	14,420,468
Post employment benefits	197,270	-	39,575,048	6,712,279
Reimbursable expenses	-	-	725,418	-
	<u>3,851,722</u>	<u>2,276,714</u>	<u>274,997,238</u>	<u>176,715,466</u>
Number of persons	<u>1</u>	<u>-</u>	<u>30</u>	<u>22</u>

- 35.4** Fee paid to non-executive directors for attending the Board of Directors meetings amounted to Rs. 20,300,000 (2019: Rs. 20,300,000).

- 35.5** The amount includes expense amounting Rs. 1,385,300 accrued on account of remuneration of the Chief executive of the Company from the date of his appointment i.e. June 19, 2020. The expense also includes additional charge allowance paid to acting MD & CEO of the Company amounting 2,466,422 for the period July 01, 2019 till June 18, 2020.

	June 2020 Rupees	June 2019 Rupees
35.6 Auditors' remuneration		
Statutory audit fee	1,339,800	1,339,800
Report on compliance of Public Sector Companies (Corporate Governance) Rules 2013	76,560	66,000
Out of pocket expenses	<u>184,520</u>	<u>120,000</u>
	<u>1,600,880</u>	<u>1,525,800</u>

	Note	June 2020 Rupees	June 2019 Rupees
36 OTHER EXPENSES			
Exchange loss / (gain)	36.1	376,701,642	3,448,328,309
Windfall levy on oil/condensate	29.1.4	<u>1,328,505,943</u>	<u>3,759,411,028</u>
		<u>1,705,207,585</u>	<u>7,207,739,337</u>

- 36.1** Exchange gain/loss at year end arises on revaluation of financial assets and liabilities which mainly include trade debts and joint operation liabilities. Closing exchange rate used for year end revaluation is Rs.168.15/USD (2019: Rs. 164.25/USD).

		June 2020 Rupees	June 2019 Rupees
37 FINANCE COST			
Unwinding of discount on provision for decommissioning cost	25.1	164,716,167	199,331,913
Unwinding of discount on long term liability	23.2	94,999,285	116,569,297
Discount of long term liability	23.2	268,567,794	22,582,927
Bank charges		<u>93,842</u>	<u>65,439</u>
		<u>528,377,088</u>	<u>338,549,576</u>

38	TAXATION	Note	June 2020 Rupees	June 2019 Rupees
	Current			
	Current		18,140,940,649	19,065,985,771
	Prior		1,560,330,480	(36,537,749)
			19,701,271,129	19,029,448,022
	Deferred	24	(2,067,233,473)	847,236,807
		38.1	17,634,037,656	19,876,684,829
38.1	Reconciliation of tax charge for the year:			
	Accounting profit		50,777,793,076	54,438,152,334
	Tax rate		40%	40%
	Tax at the applicable rate of 40% (2019: 40%)		20,311,117,230	21,775,260,934
	Tax effect of:			
	Inadmissible expenditure for tax purposes		3,359,594,112	2,871,719,359
	Tax incentives allowable for petroleum business		(3,350,137,067)	(3,531,746,831)
	Accelerated tax depreciation for tax purposes		(1,666,299,384)	(2,618,307,529)
	Adjustable non-petroleum income chargeable @ 29% (2019: 29%)		(513,334,242)	(355,796,766)
	Super Tax @ 0% (2019: 2%)		-	924,856,604
	Tax effect of prior years		1,560,330,480	(36,537,749)
	Tax impact of deferred tax charged at effective tax rate		(2,067,233,473)	847,236,807
			(2,677,079,574)	(1,898,576,105)
			17,634,037,656	19,876,684,829
39	EARNINGS PER SHARE - BASIC AND DILUTED			
	Profit for the year		33,143,755,420	34,561,467,505
	Average number of shares outstanding during the year		2,088,512,092	2,051,893,892
	Earnings per share - basic		15.87	16.84

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

40 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 the measurement and managing risk, and the Company's management of the 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 financial liabilities comprise of long term liability on account of carried cost and trade and other payables. The Company's financial assets comprise of trade debts, deposits, other receivables, interest accrued, long-term investment, long term loan, short-term investments and cash and bank balances that are generated directly from its operations.

The Company's management oversees the management of these risks to provide assurance that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and Company risk bearing capacity. The Company does not carry out transactions involving derivatives.

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 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 Company's audit and risk management committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit and risk management committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the audit and risk management committee.

40.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. Company's credit risk is primarily attributable to its trade debts, loan to subsidiaries, short term investments and its balances at banks.

The credit risk related to balances with banks, in term deposits and saving accounts, are managed in accordance with the Company's policy with approved financial institutions and within the limits assigned in accordance with the counter party risk policy. The credit risk on trade debts and loan to subsidiaries is minimal as the Company has long established relationship with the counter parties, which are mainly state owned enterprises, and management does not expect non-performance by these counter parties on their obligations to the Company.

Exposure to credit risk

The Company's maximum exposure to credit risk for the components of statement of financial position at June 30, 2020 and 2019 is equal to the carrying amounts of financial assets as given below:

	June 2020 Rupees	June 2019 Rupees
Long term loan	40,290,860	4,196,387,789
Interest accrued on long term loan	-	171,768,181
Trade debts - net	98,688,246,709	79,216,558,399
Loan to subsidiaries	6,869,730,853	2,654,872,580
Loan, advances and other receivables	7,091,834	2,889,167
Deposits	650,278	582,932
Interest accrued	1,519,130,600	1,622,084,537
Short term investments	24,000,000,000	18,000,000,000
Cash and bank balances	5,413,255,180	3,950,944,958
	136,538,396,314	109,816,088,543

Impairment losses

The aging of trade debts at the reporting date is as follows:

	Neither past due nor impaired	Past due but not impaired			Past due and impaired	Total
		Upto three months	Three to six months	More than six months	More than six months	
Jun 2020	10,910,354,634	11,190,402,682	14,596,761,604	61,990,727,789	4,604,647,534	103,292,894,243
June 2019	14,907,763,248	11,205,886,786	14,657,618,634	38,445,289,731	4,604,647,534	83,821,205,933

Party wise aging of trade debts other than related parties at reporting date is as under:

Jun 2020		Past due but not impaired			Past due and impaired	Total
Party name	Neither past due nor impaired	Upto three months	Three to six months	More than six months	More than six months	
ARL	1,503,807,095	817,378,915	498,192,650	437,810,222	-	3,257,188,882
NRL	236,816,489	292,842,877	10,658,275	133,967,000	1,735,852	676,020,493
OPI	(18,408,753)	37,916,728	(1,428,918)	(56,213,071)	-	(38,134,014)
PRL	208,624,397	359,063,016	69,787,263	-	-	637,474,676
FON GAS	4,403,666	-	-	-	-	4,403,666
HASCOL	10,554,210	(6,407,867)	(15,589,563)	(3,357,980)	-	(14,801,200)
ENGRO	85,281,960	6,693,591	-	6,310,824	-	98,286,375
UEPL	-	93,302,947	27,993,797	-	-	121,296,744
Burshane	(2,562,226)	19,759,669	(3,667,753)	(19,165,156)	-	(5,635,466)
POL	(1,714,285)	41,933,970	18,909,938	(53,683,583)	-	5,446,040
Bukhari Gas	6,258,181	9,099,470	10,894,497	(28,997,326)	-	(2,745,178)
Hi-Tech Pipe	5,976,445	737,964	1,962,887	-	-	8,677,296
EGAS	-	11,274,176	33,698,704	79,470,861	-	124,443,741
	2,039,037,179	1,683,595,456	651,411,777	496,141,791	1,735,852	4,871,922,055

Party wise aging of trade debts of related parties at reporting date is as under:

Jun 2020		Past due but not impaired			Past due and impaired	Total
Party name	Neither past due nor impaired	Upto three months	Three to six months	More than six months	More than six months	
SNGPL	2,144,098,080	2,416,284,905	2,971,298,058	22,863,516,562	357,740,638	30,752,938,243
SSGCL	6,072,838,197	7,044,773,389	10,946,000,693	38,599,382,253	4,245,171,044	66,908,165,576
PARCO	373,904,488	15,094,727	-	6,337,381	-	395,336,596
ENAR	10,084,953	-	-	-	-	10,084,953
OGDCL	239,102,047	-	-	8,628,096	-	247,730,143
PPL	31,289,690	30,654,205	28,051,076	16,721,706	-	106,716,677
	8,871,317,455	9,506,807,226	13,945,349,827	61,494,585,998	4,602,911,682	98,420,972,188

Party wise aging of trade debts other than related parties at reporting date is as under:

June 2019		Past due but not impaired			Past due and impaired	Total
Party name	Neither past due nor impaired	Upto three months	Three to six months	More than six months	More than six months	
ARL	3,520,505,495	937,453,844	6,246,454	391,200,436	-	4,855,406,229
NRL	380,051,979	19,804,025	-	50,175,787	1,735,852	451,767,643
OPI	21,045,763	9,526,895	(5,303,205)	(51,517,171)	-	(26,247,718)
PRL	520,789,553	90,358,761	-	-	-	611,148,314
FON GAS	3,133,904	3,819,196	-	-	-	6,953,100
ENGRO	56,742,666	33,887,917	-	6,310,824	-	96,941,407
UEPL	249,261,565	(1,301,152)	(2,880,819)	1,480,118	-	246,559,712
Burshane	7,857,158	5,153,005	(5,408,935)	(14,828,166)	-	(7,226,938)
POL	5,173,675	13,820,443	(5,782,521)	(8,833,698)	-	4,377,899
Bukhari Gas	6,086,585	12,133,146	(5,529,549)	(17,945,680)	-	(5,255,498)
PARCO PEARL	673,821	-	-	-	-	673,821
PYRAMID GAS	6,619,130	6,042,114	-	7,890,486	-	20,551,730
EGAS	18,852,253	25,963,542	16,478,480	7,320,222	-	68,614,497
	4,796,793,547	1,156,661,736	(2,180,095)	371,253,158	1,735,852	6,324,264,198

Party wise aging of trade debts of related parties at reporting date is as under:

June 2019 Party name	Neither past due nor impaired	Past due but not impaired			Past due and impaired	Total
		Upto three months	Three to six months	More than six months	More than six months	
SNGPL	2,448,304,228	2,579,700,951	2,753,702,807	11,932,305,840	357,740,638	20,071,754,464
SSGCL	6,525,687,673	7,186,203,662	11,910,287,974	26,006,502,919	4,245,171,044	55,873,853,272
PARCO	823,878,452	-	-	6,337,381	-	830,215,833
ENAR	20,777,481	-	-	-	-	20,777,481
OGDCL	234,034,391	219,974,317	(4,192,052)	128,890,433	-	578,707,089
PPL	58,287,476	63,346,120	-	-	-	121,633,596
	10,110,969,701	10,049,225,050	14,659,798,729	38,074,036,573	4,602,911,682	77,496,941,735

The Company believes that the recovery of receivable balances of Rs. 4,604,647,534 (2019: 4,604,647,534) is doubtful of recovery due to financial difficulties of oil & gas buyers and the remaining receivable balances do not require provision for impairment.

The Company has investment of TDR having maturity date of upto 12 months in different banks which have credit rating of A1+ and A-1+.

The Company has maintained deposit accounts with different banks having credit rating as mentioned below:

		June 2020 Rupees	June 2019 Rupees
A-1+	PACRA	3,305,366,961	2,568,094,048
A-1+	JCR-VIS	2,107,862,579	1,382,850,910
		5,413,229,540	3,950,944,958

40.2 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulties in raising funds to meet commitments associated with financial instruments. Since the Company has sufficient assets against its liabilities, and being a subsidiary of the GoP it does not have any significant liquidity risk.

The maturity profile of the Company's financial assets and liabilities based on June 30, 2020, is summarized below:

June 2020	Effective yield/ Interest Rate	Markup/ Interest bearing	Non markup/ Interest bearing	Total
Financial assets	%	-----Rupees-----		
Maturity up to one year				
Long term vehicle loans to staff	-	-	4,335,906	4,335,906
Trade debts - net	-	-	98,688,246,709	98,688,246,709
Current maturity of long term loan	-	-	-	-
Loans and other receivables	-	-	7,686,862	7,686,862
Loan to subsidiaries	KIBOR+2	6,869,730,853	-	6,869,730,853
Deposits	-	-	55,250	55,250
Interest accrued	-	-	1,519,130,600	1,519,130,600
Short-term investments	7.14 - 12.75	24,000,000,000	-	24,000,000,000
Bank balances	6 - 7.61	5,413,229,540	-	5,413,229,540
Cash in hand			25,640	25,640
Maturity after one year:				
Long-term loan	-	40,290,860	4,768,695	45,059,555
Interest accrued on long term loan		-	-	-
		36,323,251,253	100,224,249,662	136,547,500,915

June 2020	Effective yield/ Interest Rate	Markup/ Interest bearing	Non markup/ Interest bearing	Total
-----Rupees-----				
Financial liabilities				
Maturity up to one year				
Trade and other payables	-	-	5,779,942,162	5,779,942,162
Current portion of long term liability	-	-	794,851,274	794,851,274
		-	6,574,793,436	6,574,793,436
Maturity after one year:				
Long term liability	-	-	4,188,263,503	4,188,263,503
		-	4,188,263,503	4,188,263,503
OFF BALANCE SHEET ITEMS				
Capital expenditure commitments	-	-	6,083,320,227	6,083,320,227

June 2019	Effective yield/ Interest Rate	Markup/ Interest bearing	Non markup/ Interest bearing	Total
-----Rupees-----				
Financial assets				
Maturity up to one year				
Long term vehicle loans to staff	-	-	6,594,047	6,594,047
Trade debts - net	-	-	79,216,558,399	79,216,558,399
Current maturity of long term loan	-	-	-	-
Loans and other receivables	-	-	3,416,849	3,416,849
Loan to subsidiaries	KIBOR+2	5,558,092,044	-	5,558,092,044
Deposits	-	-	55,250	55,250
Interest accrued	-	-	1,622,084,537	1,622,084,537
Short-term investments	11.95-12.75	18,000,000,000	-	18,000,000,000
Bank balances	10.5-12.6	3,950,944,958	-	3,950,944,958
Cash in hand			49,425	49,425
Maturity after one year:				
Long-term loan		1,293,168,325	2,910,917,806	4,204,086,131
Interest accrued on long term loan			171,768,181	171,768,181
		28,802,205,327	83,931,444,494	112,733,649,821

June 2019	Effective yield/ Interest Rate	Markup/ Interest bearing	Non markup/ Interest bearing	Total
-----Rupees-----				
Financial liabilities				
Maturity up to one year				
Trade and other payables	-	-	6,449,998,038	-
Current portion of long term liability	-	-	971,546,027	971,546,027
		-	7,421,544,065	971,546,027
Maturity after one year:				
Long term liability	-	-	4,122,651,375	4,122,651,375
		-	4,122,651,375	4,122,651,375
OFF BALANCE SHEET ITEMS				
Capital expenditure commitments	-	-	8,916,199,843	8,916,199,843

40.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three type of risks; interest rate risk, foreign exchange risk and other price risk. Financial instruments affected by market risk include trade debts, balances held in banks in saving and term deposits, long term liability in respect of carried interest and payable to joint venture partners.

Interest rate risk

Interest / mark-up rate risk management is the risk that the value of a financial instrument will fluctuate due to changes in interest rate. The Company does not have interest bearing financial liability; therefore, it does not have any interest rate/mark-up risk in respect of financial liabilities. The Company has invested in fixed interest bearing securities in the form of short term deposit receipts during the year as mentioned in Note 19.1. Further the Company has bank balances in deposit accounts that carry variable interest rates, as mentioned in Note 20.1.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk in changes in foreign exchange rates relates primarily to the trade debts, long term liability in respect of carried interest and payable to joint venture operators. At the date of statement of financial position, the net foreign currency exposure aggregates to USD 29.95 million (2019: USD 22.44 million).

Foreign currency denominated financial assets and liabilities, translated into Pak Rupees at the closing rate, are as follows:

	June 2020 (USD)	June 2019 (USD)
Financial assets		
Short term exposure		
Trade debts	29,533,278	41,086,989
Financial liabilities		
Short term exposure		
Due to joint venture operators	(29,852,011)	(32,509,089)
Current portion shown under current liabilities	(4,727,037)	(5,915,044)
Long term exposure		
Due to the joint venture operators	(24,907,901)	(25,099,856)
	<u>(59,486,949)</u>	<u>(63,523,989)</u>
Net exposure to foreign currency risk	<u>(29,953,671)</u>	<u>(22,437,000)</u>
	June 2020 Rupees	June 2019 Rupees
Financial assets		
Short term exposure		
Trade debts	4,966,020,647	6,748,538,019
Financial liabilities		
Short term exposure		
Due to joint venture operators	(5,019,615,635)	(5,339,617,913)
Current portion shown under current liabilities	(794,851,274)	(971,546,027)
Long term exposure		
Due to the joint venture operators	(4,188,263,503)	(4,122,651,375)
	<u>(10,002,730,412)</u>	<u>(10,433,815,315)</u>
Net exposure to foreign currency risk	<u>(5,036,709,765)</u>	<u>(3,685,277,296)</u>

The following note illustrates the sensitivity of the net result for the period and equity with regards to the Company's financial assets and liabilities and US Dollar - Pak Rupee exchange rate.

The following significant exchange rates applied during the year:

Average rate		Reporting date spot rate	
June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
(Pak Rupees)			
158.26	136.1	168.15	164.25

Foreign currency sensitivity

A 10% strengthening of the functional currency against USD at June 30, 2020 would have increased profit and loss by Rs. 5,131.4 million (2019: Rs. 5,855.1 million). A 10% weakening of the functional currency against USD at June 30, 2020 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

40.4 Financial instruments by categories	Rupees June 2020	Rupees June 2019
Financial assets		
Amortized cost		
Short term investment	24,000,000,000	18,000,000,000
Long-term loan	40,290,860	4,196,387,789
Interest accrued on long term loan	-	171,768,181
Loan to subsidiaries	6,869,730,853	2,654,872,580
Trade debts- net	98,688,246,709	79,216,558,399
Loan, advances and other receivables	7,091,834	2,889,167
Deposits	650,278	582,932
Cash and bank balances	5,413,255,180	3,950,944,958
Interest accrued	1,519,130,600	1,622,084,537
	136,538,396,314	109,816,088,543
Financial liabilities - at amortized cost		
Long term liability	4,983,114,777	5,094,197,402
Trade and other payables	6,512,605,250	6,874,989,964
	11,495,720,027	10,473,399,651

40.5 Fair value of financial instruments

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. The carrying amounts of all the financial instruments reflected in these financial statements approximate their fair value.

Details of the fair value hierarchy of financial assets of the Company as at June 30, 2020 are as follows:

	Level 1	Level 2	Level 3	Total
	-----Rupees-----			
June 30, 2020				
Short term investment	-	24,000,000,000	-	24,000,000,000
Long-term loan	-	-	40,290,860	40,290,860
Loan to subsidiaries	-	-	6,869,730,853	6,869,730,853
Trade debts- net	-	-	98,688,246,709	98,688,246,709
Loan, advances and other receivables	-	-	7,091,834	7,091,834
Deposits	-	-	650,278	650,278
Cash and bank balances	-	-	5,413,255,180	5,413,255,180
Interest accrued	-	-	1,519,130,600	1,519,130,600
	-	24,000,000,000	112,538,396,314	136,538,396,314

	Level 1	Level 2	Level 3	Total
		-----Rupees-----		
June 30, 2019				
Short term investment	-	18,000,000,000	-	18,000,000,000
Long-term loan	-	-	4,196,387,789	4,196,387,789
Interest accrued on long term loan	-	-	171,768,181	171,768,181
Loan to subsidiaries	-	-	2,654,872,580	2,654,872,580
Trade debts- net	-	-	79,216,558,399	79,216,558,399
Loan, advances and other receivables	-	-	2,889,167	2,889,167
Deposits	-	-	582,932	582,932
Cash and bank balances	-	-	3,950,944,958	3,950,944,958
Interest accrued	-	-	1,622,084,537	1,622,084,537
	-	18,000,000,000	91,816,088,543	109,816,088,543

40.5.1 There were no transfers between Level 2 and Level 3 during the year.

40.5.2 Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted 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); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

40.6 Capital management

The Company's objective when managing capital is to safeguard the Company's ability to remain as a going concern and continue to provide return for GoP. The Company is solely financed by the shareholders' equity.

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 GoP and/or issue new shares.

41 TRANSACTIONS WITH RELATED PARTIES

The Company is wholly owned subsidiary of Government of Pakistan. Therefore, all entities owned and controlled by the Government of Pakistan are related parties of the Company. Other related parties comprise subsidiaries and associated companies, directors, companies with common directorship, key management personnel 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 the year end are as follows:

	Note	June 2020 Rupees	June 2019 Rupees
Subsidiary companies			
Shares held in subsidiary companies as at year end	10	2,983,920,900	2,983,920,900
Pakistan LNG Limited			
<i>Balance</i>			
Loan as at 30 June	41.1	5,316,346,884	5,316,346,884
Current account with PLL - receivable		167,475	177,389
Interest receivable	18	667,935,946	1,393,180,078
<i>Transaction</i>			
Interest Income		892,206,410	890,095,985
Interest received		1,617,450,542	-

		June 2020 Rupees	June 2019 Rupees
Pakistan LNG Terminal Limited			
<i>Balance</i>	<i>Note</i>		
Loan as at 30 June	41.1	120,872,580	241,745,160
Current account with PLTL - receivable		167,475	177,389
Interest receivable	18	569,719	21,420,644
<i>Transactions</i>			
Interest Income		15,445,510	19,779,690
Interest received		36,296,435	9,968,643
Interstate Gas Systems (Private) Limited			
<i>Balance</i>			
Advance against issue of shares received from Government of Pakistan	10	414,327,501	-
Loan as at 30 June	41.1	1,472,802,249	1,293,168,325
Interest receivable	12	-	171,768,181
Current account with ISGSL- payable		686,427	676,510
<i>Transactions</i>			
Loan obtained during the year		301,500,000	307,000,000
Loan repaid during the year		121,866,076	978,000,000
Interest income		123,271,254	84,675,652
Interest received		-	-
Major shareholders			
Government of Pakistan			
Dividend paid			
Cash dividend		5,000,000,000	5,000,000,000
Other related parties			
Remuneration to Executive directors	35.3	3,654,452	2,276,714
Post employment benefits		197,270	-
Related parties by virtue of common directorship and GoP holdings			
Pak Arab Refinery Company Limited			
Sale of crude oil - Transaction		3,122,657,636	4,114,192,162
Trade debts as at 30 June - Balance	41.1	395,336,596	830,215,833
Sui Northern Gas Pipelines Limited			
Sale of natural gas - Transaction		15,881,946,580	14,536,119,922
Trade debts as at 30 June - Balance	41.1	30,752,938,243	20,071,754,464
Associated company			
Sui Southern Gas Company Limited			
Sale of natural gas - Transaction		37,512,102,473	37,011,626,099
Trade debts as at 30 June - Balance	41.1	66,908,165,576	55,873,853,272
Enar Petrotech Services Limited			
Sale of crude oil - Transaction		90,826,482	141,249,782
Trade debts as at 30 June - Balance	41.1	10,084,953	20,777,481
Oil and Gas Development Company Limited			
Cash calls paid against JV expenses - Transaction		4,423,345,503	4,294,550,499
Pakistan Petroleum Limited			
Cash calls paid against JV expenses - Transaction		2,918,226,144	3,104,478,584

41.1 This is the maximum aggregate amount outstanding at any time during the year calculated by reference to month-end balances.

42 NUMBER OF EMPLOYEES	2020	2019
Number of employees as at year end	61	53
Average number of employees employed during the year	57	52

43 STAFF PROVIDENT FUND

Investment of the Fund has been made in accordance with the provision of section 218 of the Companies Act, 2017 and rules formulated for this purpose.

44 CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison. However, no reclassification is considered material enough to be separately disclosed.

45 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

During the year ended June 30, 2020, the World Health Organization declared Coronavirus Disease (COVID-19) a pandemic, and recommended containment and mitigation measures worldwide.

In order to contain the spread of COVID-19, the Federal and Provincial Governments of Pakistan, among other measures, imposed country wide lockdown from the end of March 2020 that caused downturn in economic activity and disruption to various businesses including the Oil & Gas Sector. Production from major Oil producing fields / blocks had to be temporarily curtailed as a result of reduced oil demand in the country. Further, international Oil prices plunged to record lows, due to oversupply and a drop in global demand.

The pandemic reached its peak in Pakistan in mid - June 2020 with the situation gradually improving thereafter. Currently, with the containment of the disease within the country and revival of economic activity, the Oil volumes have nearly reached the pre-COVID level. International Oil prices are also gradually recovering and are expected to further improve as the global demand picks up with betterment in COVID-19 situation.

The Pakistani currency also depreciated against US Dollar following COVID -19. While the devaluation has a potentially adverse impact on costs, it has a positive effect on the Company's revenues.

The Management has carried out assessment of the financial impact of the COVID-19 on the carrying amount of the Company's assets, liabilities, income and expenses and has concluded that there are no material implications of COVID -19 that require specific disclosure in the Financial Statements.

46 GENERAL

46.1 Capacity and Production

Product	Unit	Production for the year	
		2020	2019
Gas	Mmscf	85,932	94,300
Oil	Bbl	2,832,706	3,301,834
LPG	Metric ton	66,283	72,141

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

46.2 Figures in these financial statements have been rounded off to the nearest rupee.

47 DATE OF AUTHORIZATION OF ISSUE

These financial statements have been authorized for issue by the Board of Directors of the Company in its meeting held on Dec 28, 2020


Chief Executive Officer


Director

**GOVERNMENT HOLDING (PRIVATE)
LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

INDEPENDENT AUDITOR'S REPORT**To the members of Government Holdings (Private) Limited****Opinion**

We have audited the annexed consolidated financial statements of Government Holdings (Private) Limited (the "Holding Company") and its subsidiaries (herein collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at June 30, 2020, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter Paragraphs

We draw attention to the following matters;

- as disclosed in note 10.4 to the consolidated financial statements, the Group assigned 2.5% working interest each in Block 22 and Zarghun South petroleum concessions to Petroleum Exploration (Private) Limited (PEL) and Mari Petroleum Company Limited (MPCL) respectively upon commercial discovery. Such assignments were not in accordance with the governing Petroleum Concession Agreements. The Board of Directors of the Holding Company has referred the matter to Ministry of Energy (MOE) for advice. The matter is also under consideration at the Public Accounts Committee. Pending the ultimate outcome of the matter, no adjustments have been made in the accompanying consolidated financial statements.
- as disclosed in note 15.1 to the consolidated financial statements, trade debts of Rs. 129,185 million include Rs. 92,382 million which are overdue as at June 30, 2020. We have been



informed by management that payment of these balances is slow because of the financial problems being faced by public sector entities due to the circular debt issue. The Group has made aggregate provision of Rs. 4,605 million against said long outstanding trade debts.

- as disclosed in notes 6.6.1 to the consolidated financial statements contains information regarding the status of the Iran Pakistan Gas Pipeline Project.
- as disclosed in note 1.5 to the consolidated financial statements in respect of Pakistan LNG Terminals Limited's merger with Pakistan LNG Limited.
- as disclosed in note 30.1.4.2 to the consolidated financial statements, in respect of dispute resolution and arbitration with Pakistan Gas Port Consortium Limited (PGPCL) and termination of Operations Service Agreement (OSA) with PGPCL.

Our opinion is not modified in respect of the aforementioned matters.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with the audit of consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based in the work we have performed, we conclude that there is a material misstatement of this information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a



guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Syed Asmatullah.



Chartered Accountants

Place: Islamabad
Date: May 03, 2021

GOVERNMENT HOLDINGS (PRIVATE) LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	2020 (Rupees)	2019 (Rupees)
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	6	30,980,369,376	30,881,788,137
Right of use asset	7	151,665,993,228	-
Intangible assets	8	49,015,169	40,357,417
Exploration and evaluation assets	9	5,456,332,060	4,132,725,421
Development and production assets	10	19,718,032,030	19,363,950,890
Long term loan	11	4,768,695	7,698,342
Investment in associate	12	1,084,090,522	645,681,699
		<u>208,958,601,080</u>	<u>55,072,201,906</u>
CURRENT ASSETS			
Stores, spares & loose tools - share in Joint Operation inventory	13	3,552,307,005	3,295,805,619
Stock in trade	14	3,311,051,899	4,663,244,948
Trade debts - net	15	129,185,481,819	113,350,621,774
Loans, advances and other receivables	16	216,001,959	224,340,185
Trade deposits and short term prepayments	17	15,261,075	11,733,595
Interest accrued	18	591,352,025	296,055,603
Short term investments	19	24,000,000,000	18,260,000,000
Cash and bank balances	20	9,434,891,467	10,789,846,261
		<u>170,306,347,249</u>	<u>150,891,647,985</u>
TOTAL ASSETS		<u>379,264,948,329</u>	<u>205,963,849,891</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
4,500,000,000 ordinary shares of Rs. 10 each		<u>45,000,000,000</u>	<u>45,000,000,000</u>
Issued, subscribed and paid up capital	21	20,885,120,920	20,885,120,920
Reserves			
Reserves	22	56,230,873,852	56,230,873,852
Unappropriated profits		80,036,836,193	55,277,317,333
Foreign currency translation reserve		212,012,438	186,170,001
		<u>136,479,722,483</u>	<u>111,694,361,186</u>
Advance against issue of shares to Government of Pakistan	21.3	414,327,500	-
		<u>157,779,170,903</u>	<u>132,579,482,106</u>
NON-CONTROLLING INTEREST		<u>1,454,314</u>	<u>1,614,335</u>
		<u>157,780,625,217</u>	<u>132,581,096,441</u>
NON CURRENT LIABILITIES			
Long term liability	23	4,188,263,503	4,122,651,375
Deferred taxation	24	4,335,440,467	8,260,233,573
Provision for decommissioning cost	25	9,078,006,417	7,148,060,428
Deferred employee benefits	26	147,896,567	142,159,092
Lease liability	7	146,949,150,079	-
		<u>164,698,757,033</u>	<u>19,673,104,468</u>
CURRENT LIABILITIES			
Trade and other payables	27	19,132,949,494	38,354,158,191
Current portion of long-term liability	23	794,851,274	971,546,027
Lease liability - current portion	7	11,090,702,603	-
GOP Payable - ITFC Agreement	28	22,098,287,921	11,401,228,198
Provision for taxation	29	3,668,774,787	2,982,716,566
		<u>56,785,566,079</u>	<u>53,709,648,982</u>
		<u>379,264,948,329</u>	<u>205,963,849,891</u>

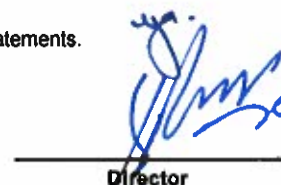
CONTINGENCIES AND COMMITMENTS

30

The annexed notes from 1 to 49 form an integral part of these consolidated financial statements.



Chief Executive Officer



Director

GOVERNMENT HOLDINGS (PRIVATE) LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 (Rupees)	2019 (Rupees)
SALES - NET	31	222,407,082,964	257,087,231,788
Royalty and other levies	32	(8,058,827,908)	(8,408,429,497)
Operating expenses	33	(158,564,256,364)	(182,559,747,325)
GROSS PROFIT		55,783,998,692	66,119,054,966
Other income	34	4,596,985,198	2,664,965,182
Exploration and prospecting expenditure	35	(598,307,034)	(539,400,882)
General and administrative expenses	36	(1,169,584,073)	(837,928,278)
Share of loss from associate - net of taxation	12	(1,803,982)	(40,321,927)
Other expenses	37	(6,204,553,042)	(10,886,392,060)
OPERATING PROFIT		52,406,735,759	56,479,977,001
Finance cost	38	(3,952,235,923)	(382,202,624)
PROFIT BEFORE TAXATION		48,454,499,836	56,097,774,377
Taxation	39	(18,675,984,893)	(21,918,418,233)
PROFIT FOR THE YEAR		29,778,514,943	34,179,356,144
ATTRIBUTABLE TO:			
Owners of the Parent		29,778,686,037	34,180,062,787
Non-controlling interests		(171,094)	(706,643)
		29,778,514,943	34,179,356,144
EARNINGS PER SHARE - BASIC AND DILUTED	40	14.26	16.66

The annexed notes from 1 to 49 form an integral part of these consolidated financial statements.



Chief Executive Officer



Director

GOVERNMENT HOLDINGS (PRIVATE) LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

	2020 (Rupees)	2019 (Rupees)
PROFIT FOR THE YEAR	29,778,514,943	34,179,356,144
Other comprehensive income - net of taxation		
Items not to be reclassified subsequently to <i>statement of profit or loss</i>		
Remeasurement loss on employees' retirement benefits	(21,633,442)	(4,740,972)
Tax effect of remeasurement loss on employee's retirement benefits	2,434,470	3,880,198
Items that will be reclassified subsequently to <i>statement of profit or loss</i>		
Foreign currency translation reserve	25,885,305	173,676,880
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	29,785,201,276	34,352,172,250
ATTRIBUTABLE TO:		
Owners of the Parent	29,785,361,297	34,352,583,059
Non-controlling interests	(160,021)	(410,809)
	29,785,201,276	34,352,172,250

The annexed notes from 1 to 49 form an integral part of these consolidated financial statements.


Chief Executive Officer


Director

GOVERNMENT HOLDINGS (PRIVATE) LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020

	Attributable to Owners of the Parent											Non-controlling interest	Total Equity
	Share Capital	Revenue reserve	Capital reserve					Foreign currency translation reserve	Unappropriated Profits	Total			
	Issued, Subscribed and Paid-up	General Reserve	Committed Outlay Reserve	Assets Insurance Reserve	Assets Acquisition Reserve	LNG Project Reserve	Reserves Total						
	-----Rupees-----												
Balance at July 01, 2018	20,250,000,020	2,284,626,436	20,946,247,416	3,000,000,000	5,000,000,000	25,000,000,000	56,230,873,852	12,758,071	26,094,906,771	102,588,540,714	5,262,577	102,593,803,291	
Profit after taxation	-	-	-	-	-	-	-	-	34,180,062,787	34,180,062,787	(706,643)	34,179,356,144	
Other comprehensive income - net of tax	-	-	-	-	-	-	-	173,389,259	(868,987)	172,520,272	295,834	172,816,106	
Total comprehensive income for the year	-	-	-	-	-	-	-	173,389,259	34,179,193,800	34,352,583,059	(410,809)	34,352,172,250	
Acquisition of additional shares from NCI	-	-	-	-	-	-	-	22,671	3,214,762	3,237,433	(3,237,433)	-	
Transactions with owners, recorded directly in equity													
Issue of shares	635,120,900	-	-	-	-	-	-	-	-	635,120,900	-	635,120,900	
Interim dividend 2019: Rs. 2.4 per share	-	-	-	-	-	-	-	-	(5,000,000,000)	(5,000,000,000)	-	(5,000,000,000)	
Balance at June 30, 2019	20,885,120,920	2,284,626,436	20,946,247,416	3,000,000,000	5,000,000,000	25,000,000,000	56,230,873,852	186,170,001	55,277,317,333	132,579,482,106	1,614,335	132,581,096,441	
Balance at July 01, 2019	20,885,120,920	2,284,626,436	20,946,247,416	3,000,000,000	5,000,000,000	25,000,000,000	56,230,873,852	186,170,001	55,277,317,333	132,579,482,106	1,614,335	132,581,096,441	
Profit after taxation	-	-	-	-	-	-	-	-	29,778,686,037	29,778,686,037	(171,094)	29,778,514,943	
Other comprehensive income - net of tax	-	-	-	-	-	-	-	25,842,437	(19,167,177)	6,675,260	11,073	6,686,333	
Total comprehensive income for the year	-	-	-	-	-	-	-	25,842,437	29,759,518,860	29,785,361,297	(160,021)	29,785,201,276	
Transactions with owners, recorded directly in equity													
Issue of shares	-	-	-	-	-	-	-	-	-	-	-	-	
Interim dividend 2019: Rs. 2.4 per share	-	-	-	-	-	-	-	-	(5,000,000,000)	(5,000,000,000)	-	(5,000,000,000)	
Balance at June 30, 2020	20,885,120,920	2,284,626,436	20,946,247,416	3,000,000,000	5,000,000,000	25,000,000,000	56,230,873,852	212,012,438	80,036,836,193	157,364,843,403	1,454,314	157,366,297,717	

The annexed notes from 1 to 49 form an integral part of these consolidated financial statements.

Mamla Sh.

Chief Executive Officer

[Signature]
Director

GOVERNMENT HOLDINGS (PRIVATE) LIMITED
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 (Rupees)	2019 (Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		48,454,499,836	56,097,774,377
Adjustments for:			
Amortization of development and production assets		3,024,966,936	1,630,172,043
Discount of long term liability		268,567,794	22,582,927
Depreciation on Joint Operations' property, plant and equipment		2,889,072,499	2,168,038,531
Depreciation on right of use assets		12,133,279,458	-
Impairment		383,693,059	(291,526,168)
Depreciation on owned fixed assets		29,024,729	23,995,401
Amortization of intangible assets		22,163,445	9,543,734
Dry hole wells		111,492,335	147,058,772
Provision for employee benefits		72,331,546	58,886,595
Unwinding of discount		259,715,452	315,901,210
Interest on forced loan		8,363,048	34,649,956
Interest expense on lease liability		3,408,763,996	-
Gain on disposal of property, plant and equipment		(10,000)	-
Loss on assets write off		415,405	-
Reversal of payable/accrued expenses		(276,496,425)	-
Unrealised exchange loss		4,276,872,517	3,455,161,030
Share of loss from associate		1,803,982	40,321,927
Provision for windfall levy on oil/condensate		1,328,505,943	3,759,411,028
Interest income		(4,316,700,273)	(2,618,290,281)
		72,080,325,282	64,853,681,082
Changes in			
Trade debts - net		(16,086,477,907)	(45,387,440,863)
Stores, spare & loose tools - share in Joint Operation' inventory		(256,501,386)	(390,095,344)
Stock in trade		1,352,193,049	(1,197,045,138)
Loans, advances and other receivables		8,338,226	1,812,201,637
Trade deposits and short-term prepayments		(3,527,480)	(4,561,023)
Trade and other payables		(19,880,569,091)	7,206,055,341
		(34,866,544,689)	(37,960,885,410)
Cash generated from operations		37,213,780,693	26,892,795,672
Interest received		4,013,040,803	2,649,454,259
Income tax paid		(21,912,285,308)	(21,035,342,381)
Employee benefits paid		(88,227,513)	(32,826,427)
Net cash generated from operating activities		19,226,308,675	8,474,081,123
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(6,870,713,949)	(8,682,898,982)
Proceeds from disposal of property, plant and equipment		15,000	-
Investment in Associate		(414,327,500)	(202,991,291)
Purchase of minority interest		-	(5,100,000)
Short term investment		-	6,718,529,035
Long-term loan		2,929,647	5,803,947
Net cash used in investing activities		(7,282,096,802)	(2,165,657,291)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(5,000,000,000)	(5,000,000,000)
Cash received against issue of shares to owner		414,327,500	202,991,290
Lease rentals paid		(13,670,553,890)	-
ITFC loan proceeds		10,697,059,723	11,366,578,242
Net cash (used in) / generated from financing activities		(7,559,166,667)	6,569,569,532
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,385,045,206	12,877,993,364
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		23,049,846,261	10,171,852,897
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	43	27,434,891,467	23,049,846,261

The annexed notes from 1 to 49 form an integral part of these consolidated financial statements.


Chief Executive Officer


Director

GOVERNMENT HOLDINGS (PRIVATE) LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1. The Group and its operations

Constitution and ownership

These consolidated financial statements comprise of Government Holdings (Private) Limited ("the Holding Company") and its subsidiaries, Inter State Gas Systems (Private) Limited (ISGSL), Pakistan LNG Limited (PLL) and Pakistan LNG Terminals Limited (PLTL), (collectively referred to as "the Group").

1.1 Government Holdings (Private) Limited

Government Holdings (Private) Limited - (GHPL) was incorporated in Pakistan as a private limited company on January 15, 2000, under the Companies Ordinance, 1984 (Currently Companies Act, 2017). The Holding Company's registered office is situated at 7th Floor, Petroleum House, Ataturk Avenue, G-5/2, Islamabad. The main objects of the Holding Company are to acquire shares of the companies or interest of Government of Pakistan (GoP) in the existing and new oil and gas Joint Operation, either by payment or by issuance of shares, credited as fully paid, or other securities, as the Holding Company may think fit and to hold and enjoy all interests, rights, contracts and privileges vested in, or connected with, the title of such shares and take over, acquire, renew, utilize, and hold any exploration, prospecting development and production concessions of whatever nature or otherwise acquire any estate or interest, develop resources of work, dispose off or otherwise turn to account land or sea beds in any part of the world containing or thought to contain petroleum or any other oil in any form, and to search for or participate in the exploration for petroleum or any other oil in any form, asphalt, bitumen or similar substances or natural gas, or any substance used or which may be capable of use, and to organize, equip and employ expeditions, experts and other agents to carry out drilling and other exploratory operations, and to establish and operate oil and gas wells and other undertakings for the extraction of any of the aforesaid substances.

The Holding Company has interest in certain joint operations / concessions as non-operator. Geographical location of concessions / blocks is as under:

<u>Operator</u>	<u>Concession / Block</u>	<u>Province</u>
Al-Haj	Baska North	Balochistan & KPK
Al-Haj	Potwar South	Punjab
Hycarbex	Yasin	Sindh & Balochistan
KPBV	Paharpur	Punjab & KPK
KPBV	Makhad	KPK
Tallahasse	Karak North	KPK
MOL	Tal	KPK
MPCL	Bolan / Zarghun	Balochistan
OGDCL	Bitrism	Sindh
OGDCL	Guddu	Sindh & Punjab
OGDCL	Gwadar	Balochistan
OGDCL	Hetu	Punjab & KPK
OGDCL	Jhakro	Sindh
OGDCL	Khanpur	Punjab
OGDCL	Khewari	Sindh
OGDCL	Khuzdar North	Balochistan
OGDCL	Kotra	Balochistan
OGDCL	Kulachi	Punjab
OGDCL	Nashpa	KPK
OGDCL	Nim	Sindh
OGDCL	Orakzai	KPK
OGDCL	Palantak	Balochistan
OGDCL	Pasni West	Balochistan
OGDCL	Pezu	Punjab & KPK
OGDCL	Rakhshan	Balochistan
OGDCL	Ranipur	Sindh
OGDCL	Chanda	KPK
OGDCL	Sinjhoro	Sindh
OGDCL	Tirah	KPK
OGDCL	Tando Allah Yar	Sindh
OGDCL	Gurgalot	Punjab & KPK
OGDCL	Zin	Balochistan
OGDCL	Zorgarh	Sindh & Balochistan
OPPL	Zamzama	Sindh
PEL	Block 22	Sindh
PEL	Kandra	Sindh
PEL	Mirpur Mathelo	Sindh
POL	Pariwali	Punjab
POL	Minwal	Punjab
PPL	Bela West	Balochistan

<u>Operator</u>	<u>Concession / Block</u>	<u>Province</u>
PPL	Dhok Sultan	Punjab & KPK
PPL	Gambat South	Sindh
PPL	Hisal	Punjab
PPL	Hub	Balochistan
PPL	Malir	Sindh
PPL	Mazarani	Sindh
PPL	Chachar	Sindh
PPL	Nausherwani	Balochistan
PPL	Sadiqabad	Punjab
PPL	Shah Bandar	Sindh
PPL	Sirani	Sindh
PPL	South Kharan	Balochistan
PPL	Musakhel	Balochistan
UEP	Badin III	Sindh
UEP	Gambat / Tajjal	Sindh
UEP	Khipro	Sindh
UEP	Kuhan	Balochistan
UEP	Mehar	Sindh & Balochistan
UEP	Mehran	Sindh
UEP	Mirpur Khas	Sindh
UEP	Mubarak	Sindh
UEP	Sawan	Sindh

1.2 Inter State Gas Systems (Private) Limited

On November 25, 2010, the Holding Group acquired 51% shares of Interstate Gas Systems (Private) Limited (ISGSL). Through subsequent acquisitions of shares, the Holding Company has total ownership of 99.83% as at June 30, 2020 (June 30, 2019: 99.83%). Subsequent to the year-end, as per the directives of the Economic Coordination Committee of the Cabinet (ECC) dated December 14, 2016, Sui Northern Gas Pipelines Limited (SNGPL) transferred all its shares to GHPL on August 24, 2020 making it a 100% shareholder (except one nominee share).

Inter State Gas Systems (Private) Limited (ISGS), the subsidiary Group, was incorporated on August 04, 1996 in Pakistan under the Companies Ordinance, 1984 (Currently Companies Act, 2017), as a private limited company. The registered office is situated at 8th Floor, Petroleum House, G/5-2, Ataturk avenue, Islamabad. The main objective of ISGSL is to carry on the business of importing, processing, purifying, buying, storing, supplying, transporting, transmitting, selling and exporting natural gas and other natural gas products whether as such or in a liquid state, petroleum products through pipeline or otherwise. ISGS also assures any additional functions and undertakings as may be given by the Federal Government. Significant projects being pursued by ISGS include Turkmenistan - Afghanistan - Pakistan - India (TAPI) Gas Pipeline, Iran Pakistan (IP) Gas Pipeline Project, North South Gas Pipeline Project and Offshore Gas Pipeline Project.

TAPI Pipeline Company Limited (TPCL), the associate of ISGS is registered in the Isle of Man as a limited liability company and its head office is situated in Dubai, United Arab Emirates. TPCL is principally engaged to carry out the business of developing, engineering, funding the construction of, procuring the equipment engineering and other services for construction and operation of, constructing owning, operating and providing maintenance for the proportion of TAPI Pipeline running from the borders of Turkmenistan and Afghanistan to the border of Pakistan and India.

1.3 Pakistan LNG Limited

Pakistan LNG Limited (PLL) was incorporated in Pakistan as a public company on December 11, 2015 under the Companies Ordinance, 1984 (Currently Companies Act, 2017). The principle activity of the PLL is to import, transport, market and distribute Liquefied Natural Gas (LNG). PLL's registered office is located at 3rd floor, Block A, Pak Secretariat, Islamabad, Pakistan. PLL achieved its commercial operation date on January 04, 2018. PLL is wholly owned by the Holding Company.

1.4 Pakistan LNG Terminals Limited

Pakistan LNG Terminals Limited (PLTL) was incorporated in Pakistan as a public company on December 11, 2015 under the Companies Ordinance, 1984 (Currently Companies Act, 2017). The principle activity of PLTL is to manage the handling, re-gasification, storage, treatment, transportation and processing of Liquefied Natural Gas (LNG), Re-gasified Liquefied Natural Gas (RLNG), Liquefied Petroleum Gas (LPG) and Natural Gas (NGL). PLTL's registered office is located at 3rd floor, Block A, Pak Secretariat, Islamabad, Pakistan. PLTL achieved its commercial start date on January 04, 2018. PLTL is wholly owned by the Holding Company.

1.5 Merger of PLTL and PLL

Ministry of Energy (Petroleum Division) vide its letter dated February 06, 2018 had directed to merge PLTL with PLL. In this regard, a presentation to the Joint Boards of the Companies, PLL and GHPL was given about the economics of merger. The Board of directors of GHPL has accorded its principle approval and referred the matter to Economic Coordination Committee of the Cabinet (ECC) for formal approval. Ministry of Energy (Petroleum Division) vide its letter dated January 2, 2020 has conveyed the formal decision of ECC and Cabinet for merger of PLTL with PLL under section 284(2)(a) of Companies Act, 2017. The matter of surviving entity was referred to GHPL who has approved that PLTL should be amalgamated/merged with

and vest in PLL. Existing shares of acquiree (PLTL) shall stand cancelled and acquirer (PLL) shall, with effect from the completion date, be entitled to carry out all the business of PLTL in its own right and shall be entitled to all the rights and obligations thereof. Subsequent to the year end, the agreed scheme of amalgamation/merger was approved in the 87th Board of Directors' meeting of PLTL held on December 10, 2020, and 84th Board of Directors' meeting of PLL held on December 08, 2020, with effective date of merger being approved as January 01, 2021. In their respective resolutions, the Board of Directors of both PLL and PLTL also approved cancellation of PLTL shares without payment or any further consideration and that all of its debts would be paid by PLL (the amalgamated entity). Both PLL and PLTL have afterwards notified the Securities and Exchange Commission of Pakistan (SECP) for acknowledgement of said amalgamation as approved by the Board. SECP's acknowledgement regarding certification of the merger is pending till date.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

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

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

2.2 The Securities and Exchange Commission of Pakistan (SECP) through its S.R.O 888(I)/2019 dated July 29, 2019 notified certain amendments in disclosure requirements of fifth schedule to the Companies Act, 2017. The S.R.O has been notified to be applicable on companies preparing financial statements as on June 30, 2019 and onwards by SECP through S.R.O 961(I)/2019 dated August 23, 2019. Accordingly, the financial statements have been prepared to reflect the amendments of the said S.R.O.

2.3 Basis of measurement

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

- Obligation under certain employee benefits, long term receivables and provision for decommissioning cost have been measured at present value; and
- These consolidated financial statements have been prepared on accrual basis except for cash flow information

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

2.4 Functional and presentation currency

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

3 Adoption of new and revised standards and interpretations

3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2020

The following standards, amendments and interpretations are effective for the year ended June 30, 2020. These standards, amendments and interpretations are either not relevant to the Group's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after:
IFRS 14 – Regulatory Deferral Accounts	July 01, 2019
Amendments to IFRS 9 'Financial Instruments' - prepayment features with negative compensation	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Long-term interests in associates and joint ventures	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Plan amendment, curtailment or settlement	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments'	January 01, 2019

Certain annual improvements have also been made to a number of IFRSs.

3.1.1 Impact of initial application of IFRS 16 - Leases

IFRS 16 - Leases replaced IAS 17 - Leases, the former lease accounting standard and became effective for periods beginning on or after January 01, 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

IFRS 16 introduced a single, on-balance sheet accounting model for leases. As a result, the Group as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets; and lease liabilities representing its obligation to make lease payments.

The Group applied IFRS 16 using the modified retrospective approach, under which it has recognised lease liabilities at the date of initial recognition for leases previously classified as operating lease under IAS 17 at the present value of the remaining lease payments using the Company's incremental borrowing rate and recognising right of use assets at an amount equal to the lease liabilities, adjusted for the amounts of prepaid rent. Accordingly, the comparative figures presented for 2019 have not been restated.

	As at July 01, 2019 Rupees
Total lease liability	<u>163,799,272,686</u>
The recognised right-of-use assets relate to the following type of asset:	
LNG Terminal	<u>163,799,272,686</u>
Impact on Consolidated Statement of Financial Position	
Increase in fixed assets - right of use asset	163,799,272,686
Increase in liabilities - lease liability	<u>(163,799,272,686)</u>
Impact on equity	<u>-</u>

Impact on Consolidated Statement of Profit or Loss

	2020 (Rupees)	2019 (Rupees)
Profit before tax	48,454,499,836	56,097,774,377
IFRS 16 impact:		
Exchange loss on re-translation of liability as at 30 June 2020	4,502,369,890	-
De-recognition of terminal charges booked in cost of sales	(13,670,553,890)	-
Interest expense on lease liability	3,408,763,996	-
Depreciation of right of use asset	12,133,279,458	-
	<u>6,373,859,454</u>	-
Profit before tax without IFRS 16 Implication	54,828,359,290	56,097,774,377
Current tax expense for the year	(18,675,984,893)	(21,918,418,233)
Profit after tax without IFRS 16 Implication	<u>36,152,374,397</u>	<u>34,179,356,144</u>

3.2 New accounting standards / amendments and IFRS interpretations that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Group's operations or are not expected to have significant impact on the Group's financial statements other than certain additional disclosures

International Accounting Standards/International Financial Reporting Standards/Interpretations	Effective date (accounting periods beginning on or after)
Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Definition of a	January 01, 2020

International Accounting Standards/International Financial Reporting Standards/Interpretations	Effective date (accounting periods beginning on or after)
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Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' -	January 01, 2020
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Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform	January 01, 2020
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Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	January 01, 2020
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Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
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Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
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Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
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Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022
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Certain annual improvements have also been made to a number of IFRSs.

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of consolidated financial statements in conformity with approved accounting standards that requires the use of certain critical accounting estimates. They also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

In the process of applying the Group's accounting policies management has made the following estimates and judgments which are significant to the consolidated financial statements:

4.1 Property, plant and equipment

The Group reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation on property, plant and equipment. Further, where applicable, an estimate of the recoverable amount of property, plant and equipment is made for possible impairment on an annual basis. In making these estimates, the Group uses the technical resources available with the Group. Any change in the estimate in the future might affect the carrying amount of the respective items of property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

Capital work in progress

Capital work in progress is stated at cost less accumulated impairment losses, if any.

The carrying amount of the capital work in progress is reviewed at each reporting date to determine whether there is any indication of impairment loss. If any such indication exist, the asset's recoverable amount is estimated in order to determine the extent of impairment loss. Impairment losses are charged to statement of profit or loss.

4.2 Exploration and evaluation expenditure

The Group'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 consolidated statement of profit or loss.

4.3 Development and production expenditure

Where the commercial discovery has been announced, the Group initially provides for the liability related to 5% carried cost of the Joint Operation and the corresponding development and production expenditure, on the basis of best estimates available from the shared cost statement of the relevant Joint Venture and adjustment is made based on the finalized cost with the Operator.

4.4 Provision for income tax

The Group recognizes tax provisions using estimates based upon expert opinions of its tax and legal advisors. Differences, if any, between the recorded income tax provision and the Group's tax liability, are recorded on the final determination of such liability. Deferred income tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted, by the reporting date.

4.5 Provision for Decommissioning Cost

Provision is recognized for the future decommissioning and restoration 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 amounts of provisions and liabilities recognized are based on current legal and constructive requirements, technology and price levels. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions and liabilities are regularly reviewed and adjusted to take account of such changes.

4.6 Measurement of the expected credit loss allowance

The measurement of the expected credit loss ("ECL") allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses).

Elements of the ECL models that are considered accounting judgments and estimates include:

- Development of ECL models, including the various formulas and choice of inputs
- Determining the criteria if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis; and
- Determination of associations between macroeconomic scenarios and, economic inputs, and their effect on probability of default (PDs), exposure at default (EADs) and loss given default (LGDs).

Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

4.7 Estimation of oil and natural gas reserves

Oil and gas reserves are important elements in impairment testing for development and production assets of the Group. 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 by 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, 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 reserves, particularly proved developed reserves, also affect the amount of depreciation, depletion and amortization recorded in the consolidated financial statements for fixed assets related to hydrocarbon production activities.

4.8 Employee benefits

Defined benefits plans are provided for permanent as well as contractual employees of the Group. Provident fund contribution plan is structured as a separate legal entity managed by trustees whereas the gratuity and accumulating compensated absences plans are managed by the Group itself for which liability is recognized in the consolidated financial statements. 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, the expected long term return on plan assets 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. The amount of the expected return on plan assets is calculated using the expected rate of return for the year and the market related value at the beginning of the year. 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 obligation in respect of employee's service in previous years, net of the expected return on plan assets. Calculations are sensitive to changes in the underlying assumptions.

4.9 Investment in associate

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

The carrying amount of investments is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the investments recoverable amount is estimated which is higher of its value in use and its fair value less cost to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount. Impairment losses are recognized in profit or loss. An impairment loss is reversed if there is a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the consolidated statement of profit or loss.

4.10 Stock-in-trade

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on weighted average basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Holding Company and its subsidiaries as at June 30, 2020.

5.1.1 Subsidiary

Subsidiary is that enterprises in which the Holding Company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The financial statements of the subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases. The subsidiaries have a reporting date of 30th of June.

The assets and liabilities of the Holding Company and subsidiaries are consolidated on a line by line basis and the carrying value of investments held by the Holding Company is eliminated against the subsidiary shareholders' equity in the consolidated financial statements. Material intra-Group balances and transactions have been eliminated in consolidation including unrealized gains and losses on transactions within Group.

Non - controlling interests (NCI) are that part of the net results of the operations and of net assets of the subsidiary attributable to interests which are not owned by the Holding Company. NCI are presented as a separate item in the consolidated financial statements.

The Group attributes total consolidated comprehensive income of subsidiaries between the owners of the Holding Company and NCI, based on their respective ownership interests.

5.1.2 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The Group recognizes identifiable assets acquired and liabilities assumed in the business combination regardless of whether they have been previously recognized in the acquirers' financial statements prior to acquisition.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

5.2 Property, plant and equipment

These are initially recognized at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management. These assets are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses, if any.

The cost includes the cost of replacing parts of the plant and equipment when that cost is incurred, if the recognition criteria are met. Depreciation is charged using the straight line method. No depreciation is charged on the assets in the month of sale/disposal, while full depreciation is charged in the month of acquisition. Maintenance and normal repairs are charged to income for the year as and when incurred, while major renewals and improvements are capitalized.

The carrying amounts of the Group's assets are reviewed at each date of the consolidated statement of financial position to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are charged to income for the year. An item of fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the consolidated statement of profit or loss in the year the asset is derecognized. The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

5.3 Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment loss. The cost of intangible is amortized over the estimated useful life using straight-line method as described in note 6 to the consolidated financial statements.

The useful lives of intangible assets are reviewed at each reporting date. The effect of any adjustment to the useful life is recognized prospectively as a change in accounting estimates.

5.4 Exploration and evaluation assets

The exploration cost of all those Joint Operation, where GHPL participates on full sharing basis, is accounted for under the "Successful efforts" method.

All exploratory cost directly relating to wells are initially capitalized as exploration and evaluation (E&E) assets until the drilling of the well is completed and results have been evaluated. Based on the results, the cost of successful wells is transferred to development and production assets, once commerciality is declared and production starts coming in. Whereas the cost of dry hole is immediately written off.

All other exploration costs are charged against the income as exploration and prospecting expenditure as and when incurred.

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 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.

5.5 Development and production assets - Intangibles

During the exploratory phase, 5% working interest of the Group in various Joint Venture concessions is carried by its relevant partners in the respective Joint Operation, in accordance with the related Petroleum Concession Agreements. Consequent to the declaration of commercial discovery by the operator and approval by the Director General, Petroleum Concessions (DGPC), the Group has right to increase its working interest up to 25% and the resulting consideration is payable to relevant Joint Venture partners in these Joint Operation, according to the provisions of the related Petroleum Concession Agreements.

The carried cost payable to JV partners comprise of the cost of the successful wells and expenditure that are attributable to the commercial discovery. The cost is directly recognized as development and production assets to the extent to which the cost relates to wells. The remaining portion of the cost is charged off to Consolidated Profit and loss account as exploration and prospecting expenditure.

Development and production assets also include 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 E&E assets 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 of oil or gas, whichever is dominant in production relevant to a particular field, over the estimated quantities of proved developed reserves at the end of the year plus the production during the year, on a concession by concession basis. Amortization expense for the year is computed on all development and production assets at year end including additions / adjustments made during the year. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

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 with 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 concession by concession basis, except that a number of fields may be grouped as a single cash generating unit where the cash flows of each field are inter dependent.

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

5.6 Joint Operations

The Group has certain contractual arrangements with other participants to engage in joint activities, where all significant operating and financial matters are determined by the participants, such that the operation itself has no significant independence to pursue its own commercial strategy. These contractual arrangements do not create a Joint Venture entity and are accounted for as jointly controlled assets. The Group accounts for its share of the jointly controlled assets, liabilities and operating expenses on proportionate basis. The Group's share of assets, liabilities, revenue and expenses in Joint Operation are accounted for on the basis of latest available audited financial statements of the Joint Operation 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.

5.7 Stores, spares and loose tools - share in Joint Operation inventory

Stores and spares are valued at the lower of cost and net realizable value. Cost is determined on the basis of costing methods adopted by operators of respective Joint Operation. 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.

5.8 Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the Group loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gains or losses on de-recognition of the financial assets and financial liabilities are taken to the consolidated statement of profit

Initial recognition

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

Classification of financial assets

The Group classifies its financial instruments in the following categories:

- fair value through profit or loss (FVTPL);
- fair value through other comprehensive income (FVTOCI); and
- at amortised cost

The Group determines the classification of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Group's business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

Classification of financial liabilities

The Group classifies its financial liabilities in the following categories:

- at fair value through profit or loss ("FVTPL"); and
- at amortised cost.

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Group has opted to measure them at FVTPL.

Subsequent measurement

Financial assets and liabilities at amortised cost

Financial assets and liabilities at amortised cost are initially recognized at fair value, and subsequently carried at amortised cost, and in the case of financial assets, less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of profit or loss in the period in which they arise.

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognized in other comprehensive income / (loss).

Impairment of financial assets

The Group recognizes loss allowance for ECL on financial assets measured at amortised cost except for debts due directly / ultimately from GoP which includes certain trade debts in respect of which exemption is granted by SECP vide S.R.O. 985(I)/2019 as explained in note 3.1.1 (ii) for trade debts other than subject to aforesaid exemption of SECP, the Group applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected allowance. The Group uses General 3-stage approach for loans and advances, deposits, long term investments, other receivables, other financial assets and cash and bank balances i.e. to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instruments has not increased significantly since initial recognition.

Life time ECLs are the ECLs that results from all possible default events over the expected life of a financial instrument. 12 months' ECL are portion of ECL that result from default events that are possible within 12 months after the reporting date

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and cash flows that the Group expects to receive).

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

In respect of financial assets due directly / ultimately from GoP, the 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.

Derecognition

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Financial assets

The Group derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to statement of changes in equity.

Financial liabilities

The Group derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of profit or loss.

5.9 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise of cash in hand and at banks. Cash equivalents are 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.

5.10 Decommissioning cost

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Estimated cost to abandon and dismantle wells and production facilities is recognized as liability and a corresponding equivalent amount is capitalized as cost of development and production assets and property, plant and equipment as the case may be. The amount is based on present value of the estimated future expenditure which are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. 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 over the assets useful life.

Changes in the timing / cost of decommissioning estimates are dealt with prospectively, by recording adjustment to the provision and a corresponding adjustment to the property, plant and equipment.

Any reduction in the decommissioning liability and therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to consolidated profit and loss account.

If the change in estimate results in an increase in the decommissioning liability and, therefore, an addition to the carrying value of the asset, the Group considers whether there is an indication of impairment of the asset as a whole, and if so, test for impairment in accordance with the IAS-36. If, for mature fields, revised oil and gas assets net of decommissioning provisions exceeds the recoverable value, that portion of the increase is charged directly to the consolidated profit and loss account.

The unwinding of the discount is recognized as finance cost in the consolidated statement of profit or loss.

5.11 Staff retirement benefits

Defined benefit plan

The Group operates approved funded gratuity schemes for its permanent and contractual staff. Provision for the scheme is made on the basis of actuarial valuation. The most recent valuation in this regard was carried out at 30 June 2019 by Holding and ISGS subsidiary Group respectively, using the Projected Unit Credit Method. The detail of the valuation is given in note 28.

Effective for annual periods beginning on or after January 1, 2013, the revisions in IAS 19 "Employees Benefits" requires an entity to immediately recognize the actuarial gain and losses on employees' retirement benefit plans in other comprehensive income. The Group is already recognizing the remeasurement gain and losses on employees' retirement benefit plans in the consolidated profit & loss account.

Defined contribution plan

The Group operates approved contributory provident fund schemes for its permanent and contractual staff. Equal monthly contributions are made, both the Group and the employees, to the fund at the rate of 8.33% and 10% of basic salary for the Holding Company and subsidiary companies respectively.

Compensated absences

The Group accounts for all compensated absences when employee render services that increase their entitlement to future compensated absences. The liability is provided on the basis of unavailed earned leaves balance of each employee at the end of the year up to maximum of 90 days in case of the Holding Company and 60 days at the rate of 125% of gross salary in case of the subsidiary companies.

5.12 Leases

5.12.1 Right of use assets

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

Right-of-use assets are subsequently stated at cost less any accumulated depreciation/accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenure.

Right-of-use assets are depreciated over their expected useful lives using the straight-line method. Depreciation on additions (new leases) is charged from the month in which the leases are entered into. No depreciation is charged in the month in which the leases mature or are terminated.

5.12.2 Lease liabilities

The lease liabilities are initially measured as the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or change in lease terms. These remeasurements of lease liabilities are recognised as adjustments to the carrying amount of related right-of-use assets after the date of initial recognition.

Each lease payment is allocated between a reduction of the liability and a finance cost. The finance cost is charged to the profit and loss account as markup expense over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

5.13 Taxation

Current

Provision for taxation is based on taxable income at the rates applicable for the current tax year, after considering the rebates and tax credits available.

Deferred

Deferred income tax is accounted for using the balance sheet liability method in respect of all significant temporary differences between the carrying value of assets and liabilities for financial reporting purposes and the corresponding tax bases of such assets and liabilities. Deferred income tax assets are recognized only to the extent it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance sheet date.

Deferred tax assets and liabilities are only offset if they relate to income taxes levied by the same taxation authority and the entity has a legally enforceable right to set off current tax assets against current tax liabilities.

5.14 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

5.15 Revenue recognition

Revenue from contracts with customers is recognized when or as the Group satisfies a performance obligation by transferring a promised good or service to a customer. Revenue associated with the sale of crude oil, natural gas and liquefied petroleum gas is measured based on the consideration specified in contracts with customers. Revenue from contracts with customers is recognized when or as the Group satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of control of oil, natural gas and liquefied petroleum gas coincides with title passing to the customer and the customer taking physical possession. The Group principally satisfies its performance obligations at a point in time and the amounts of revenue recognized relating to performance.

Revenue is measured at the fair value of the consideration received or receivable which the Group expects to be entitled in exchange for transferring goods, net of government levies. Prices of crude oil and gas are specified in relevant agreements and / or as notified by the Government Authorities based on contracts with customers or petroleum policy. 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.

Billings are generally raised by the end of each month which are payable within 30 to 45 days in accordance with the contractual arrangement with customers. Amounts billed or received prior to being earned, are deferred and recognized as advances from customers.

5.16 Finance Income / Late payment surcharge

Income on bank deposits is recognized on time proportion basis using the effective interest method.

Late Payment Surcharge (LPS) on trade debts are recognized on receipt basis as per the interest rate agreed with customers.

5.17 Foreign currency translations

These consolidated financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency. Foreign currency transactions during the year are recorded at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the date of the consolidated balance sheet. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Exchange differences are taken to the consolidated profit and loss account for the year.

5.18 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief executive officer decision-maker. The chief executive officer, 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 Group has a single reportable segment as the Board of Directors views the Group's operations as one reportable segment.

5.19 Royalty expense

Royalty expense is recognized on sale of Crude Oil, Gas and LPG at the rate specified in the respective concessions agreement with the customers.

5.20 Dividends

Dividend distribution and appropriation of reserves are recognised in the financial statements in the period in which these are approved.

5.21 Earning per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

6. PROPERTY, PLANT AND EQUIPMENT

	Note	2020 Rupees	2019 Rupees
Owned fixed assets	6.1	2,601,895,079	2,608,162,062
Share in Joint Operation fixed assets	6.2	28,378,474,297	28,273,626,075
		<u>30,980,369,376</u>	<u>30,881,788,137</u>

6.1 Owned fixed Assets

2020		COST			Rate		ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
Particulars	Note	As at 01 July 2019	Additions	Disposal / (Write offs)	As at 30 June 2020	%	As at 01 July 2019	Charge for the year	Disposal / (Write offs)	As at 30 June 2020	As at 30 June 2020
		Rupees					Rupees				Rupees
Leasehold Improvements		6,656,601	-	(147,454)	6,509,147	15	2,073,043	992,964	(56,442)	3,009,565	3,499,582
Office equipment		45,606,515	95,999	(303,557)	45,398,957	15-20	23,273,201	7,316,717	(163,672)	30,426,246	14,972,711
Furniture and fixtures		51,104,826	18,000	(240,143)	50,882,683	15	19,095,994	6,209,555	(96,109)	25,209,440	25,673,243
Computer equipment		65,000,969	23,063,080	(190,000)	87,874,049	20-33	41,046,563	10,274,995	(145,600)	51,175,958	36,698,091
Vehicles		36,258,105	-	-	36,258,105	15-20	22,293,758	4,230,500	-	26,524,258	9,733,847
Capital work in progress	6.6	2,511,317,605	-	-	2,511,317,605		-	-	-	-	2,511,317,605
		<u>2,715,944,621</u>	<u>23,177,079</u>	<u>(881,154)</u>	<u>2,738,240,546</u>		<u>107,782,559</u>	<u>29,024,731</u>	<u>(461,823)</u>	<u>136,345,467</u>	<u>2,601,895,079</u>

2019		COST			Rate		ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
Particulars		As at 01 July 2018	Additions	(Disposal)	As at 30 June 2019	%	As at 01 July 2018	Charge for the year	(Disposal)	As at 30 June 2019	As at 30 June 2019
		Rupees					Rupees				Rupees
Leasehold Improvements		6,656,601	-	-	6,656,601	15	1,074,552	998,491	-	2,073,043	4,583,558
Office equipment		38,480,599	7,125,916	-	45,606,515	15-20	13,935,905	9,337,296	-	23,273,201	22,333,314
Furniture and fixtures		49,679,005	1,425,821	-	51,104,826	15	12,881,410	6,214,584	-	19,095,994	32,008,832
Computer equipment		58,545,818	6,455,151	-	65,000,969	20-33	35,038,038	6,008,525	-	41,046,563	23,954,406
Vehicles		31,671,937	4,586,168	-	36,258,105	15-20	17,690,036	4,603,722	-	22,293,758	13,964,347
Capital work in progress	6.6	2,588,824,934	-	(77,507,329)	2,511,317,605		-	-	-	-	2,511,317,605
		<u>2,773,858,894</u>	<u>19,593,056</u>	<u>(77,507,329)</u>	<u>2,715,944,621</u>		<u>80,619,941</u>	<u>27,162,618</u>	<u>-</u>	<u>107,782,559</u>	<u>2,608,162,062</u>

6.2 Share in Joint Operation' fixed assets

2020		COST		Rate	ACCUMULATED DEPRECIATION			ACCUMULATED IMPAIRMENT			WRITTEN DOWN VALUE	
Particulars	As at 01 July 2019	Additions/ adjustments	As at 30 June 2020		As at 01 July 2019	Charge for the year	As at 30 June 2020	As at 01 July 2019	Charge for the year	Disposal	As at 30 June 2020	As at 30 June 2020
	Rupees			%	Rupees			Rupees			Rupees	
Leasehold land	54,214,896	-	54,214,896	4-33	38,998,911	1,461,460	40,460,371	6,457,517	-	-	6,457,517	7,297,008
Plant and equipment	43,667,281,424	1,305,681,641	44,972,923,065	4-33	17,693,699,329	2,394,496,370	20,088,195,699	2,766,078,052	85,469,105	-	2,851,547,157	22,033,180,209
Pipelines	7,032,072,191	411,234,927	7,443,307,118	4-33	3,491,778,607	385,359,652	3,877,138,259	562,519,440	72,209,150	-	634,728,590	2,931,440,269
Office equipment	314,157,987	21,799,039	335,957,026	20	260,300,434	24,387,796	284,688,230	25,338,327	600,379	-	25,938,706	25,330,090
Furniture and fixtures	77,777,750	28,899	77,806,649	15	68,076,234	3,863,250	71,939,484	3,793,939	21,788	-	3,815,727	2,051,438
Vehicles	174,426,295	(1,817,086)	172,609,209	20	147,719,998	11,733,698	159,453,696	3,129,702	-	-	3,129,702	10,025,811
Decommissioning cost	587,518,367	338,174,672	925,693,039	4-33	284,499,351	67,770,273	352,269,624	44,487,983	14,543,743	-	59,031,726	514,391,689
CWIP - Tangible Assets	1,743,197,764	972,260,520	2,715,458,284		-	-	-	69,951,491	(59,418,415)	-	10,533,076	2,704,925,208
CWIP - Decommissioning Cost	89,828,716	60,003,859	149,832,575		-	-	-	-	-	-	-	149,832,575
	53,740,455,390	3,107,346,471	56,847,801,861		21,965,072,664	2,669,072,499	24,634,145,163	3,481,756,451	113,425,750	-	3,595,182,201	28,378,474,297
2019		COST		Rate	ACCUMULATED DEPRECIATION			ACCUMULATED IMPAIRMENT			WRITTEN DOWN VALUE	
Particulars	As at 01 July 2018	Additions/ transfers	As at 30 June 2019		As at 01 July 2018	Charge for the year	As at 30 June 2019	As at 01 July 2018	Charge for the year	Disposal	As at 30 June 2019	As at 30 June 2019
	Rupees			%	Rupees			Rupees			Rupees	
Leasehold land	54,214,896	-	54,214,896	4-33	38,186,645	802,266	38,998,911	9,753,490	(3,295,973)	-	6,457,517	8,758,468
Plant and equipment	41,137,459,553	2,529,801,871	43,667,261,424	4-33	15,418,637,232	2,275,062,097	17,693,699,329	3,130,420,321	(384,342,269)	-	2,766,078,052	23,207,484,043
Pipelines	6,824,661,031	207,411,160	7,032,072,191	4-33	3,089,868,687	421,909,920	3,491,778,607	547,048,313	15,471,127	-	562,519,440	2,977,774,144
Office equipment	300,494,854	13,663,133	314,157,987	20	250,600,690	9,699,744	260,300,434	26,381,821	(1,043,594)	-	25,338,327	28,519,226
Furniture and fixtures	77,474,986	302,764	77,777,750	15	61,938,487	6,137,747	68,076,234	4,729,236	(935,297)	-	3,793,939	5,907,577
Vehicles	172,686,922	1,739,373	174,426,295	20	131,463,693	16,256,105	147,719,998	4,961,680	(1,851,878)	-	3,128,702	23,576,595
Decommissioning cost	1,441,057,395	(853,539,028)	587,518,367	4-33	846,328,699	(581,829,348)	264,499,351	55,505,085	(11,017,102)	-	44,487,983	258,531,033
CWIP - Tangible Assets	2,123,489,089	(380,291,325)	1,743,197,764		-	-	-	107,427,866	(37,476,375)	-	69,951,491	1,673,248,273
CWIP - Decommissioning Cost	1,733,022	88,095,694	89,828,716		-	-	-	-	-	-	-	89,828,716
	52,133,271,748	1,607,183,642	53,740,455,390		19,817,034,333	2,168,038,531	21,985,072,864	3,886,247,912	(404,491,461)	-	3,481,756,451	28,273,626,075

	Note	2020	2019
		Rupees	
6.3 Allocation of depreciation			
Operating expenses	33	2,889,072,499	2,168,038,531
General and administrative expenses	36	29,024,729	23,995,401
		2,918,097,228	2,192,033,932
6.4 Allocation of impairment			
Operating expenses	33.2	113,425,750	(404,491,461)

6.5 As the Holding Company is a non-operator, property, plant and equipment other than owned fixed assets are not in the possession and control of the Holding Company.

	Note	2020 Rupees	2019 Rupees
6.6 Capital Work In progress			
Iran Pakistan Gas Pipeline Project	6.6.1	2,511,317,605	2,511,317,605
Machike Tarujabba Oil Pipeline Project	6.6.2	-	-
		<u>2,511,317,605</u>	<u>2,511,317,605</u>
6.6.1 Iran Pakistan Gas Pipeline Project			
Consultancy services	6.6.1.1	2,546,569,184	2,546,569,184
Travelling and transportation expenses		63,901,225	63,901,225
Field security expenses		25,345,440	25,345,440
Tendering expenses		19,227,149	19,227,149
Rent, rates and utilities		28,288,486	28,288,486
Personnel costs and benefits		246,580,466	246,580,466
Training and capacity building		5,059,501	5,059,501
Insurance		2,918,854	2,918,854
Repairs and maintenance		27,781,884	27,781,884
Legal and professional services		11,175,751	11,175,751
Depreciation		39,409,071	39,409,071
Amortization		8,893,242	8,893,242
Others		11,161,408	11,161,408
Impairment loss	6.6.1.3	(524,994,056)	(524,994,056)
		<u>2,511,317,605</u>	<u>2,511,317,605</u>
6.6.1.1 Consultancy services			
Engineering and Project Management (E&PM) consultancy			
Stage I			
Bankable Feasibility Study		409,863,982	409,863,982
Development of Front End Engineering Design (FEED)		527,429,543	527,429,543
Detailed Route Survey		308,450,498	308,450,498
Social and Environmental Impact Assessment (SEIA)		146,485,311	146,485,311
Project Management		233,472,276	233,472,276
Other costs		130,840,318	130,840,318
		<u>1,756,541,928</u>	<u>1,756,541,928</u>
Stage II			
Project Management		362,351,471	362,351,471
Procurement Services of Long Lead Items (LLI's) and -			
- Engineering, Procurement Construction (EPC) Contract		86,960,169	86,960,169
Engineering Support LLI's/ EPC Tender		216,370,701	216,370,701
Other cost		104,562,875	104,562,875
		<u>770,245,216</u>	<u>770,245,216</u>
Other consultancy services		19,782,040	19,782,040
		<u>2,546,569,184</u>	<u>2,546,569,184</u>

6.6.1.2 The Governments of Pakistan and Iran signed an Inter-Governmental Framework Declaration (IGFD) for the Iran Pakistan Gas Pipeline Project (IP-Project) on May 24, 2009. The Group has entered via ISGS into an Iran Pakistan Gas Sale Purchase Agreement (IP-GSPA) with National Iranian Oil Company (NIOC) on June 5, 2009 which became effective on June 13, 2010 upon completion of all conditions precedent to IP-GSPA. The commitments under IP-GSPA are backed by a sovereign guarantee issued by the GoP on May 28, 2010, whereas, the financial requirements were envisaged to be met through Gas Infrastructure Development Cess (GIDC) and Private Sector Entity (PSE) equity injection as approved by Economic Coordination Committee (ECC) of the Federal Cabinet.

To commence work on the IP-Project, ISGS hired an Engineering and Project Management Consultant (E&PM) which is a joint venture between a German Based firm ILF Beratende Ingenieure GMBH and National Engineering Services Pakistan (Private) Limited (NESPAK). ILF - NESPAK submitted reports on Stage I and Stage II which have been accepted by ISGS. Complete design of the pipeline system (Front End Engineering & Design), feasibility study, installation of concrete markers and tender documents for the supply of equipment and construction of the pipeline system have also been completed in a timely manner.

In accordance with the guidelines issued by the Sub-Committee / Steering Committee of the ECC, the initial capital requirement of the IP-Project is being funded through equity injection by the Holding Company.

Government to Government Co-operation Agreement as initiated on December 1, 2012 was endorsed by the Federal Cabinet on January 30, 2013. The President of Pakistan and the President of Iran inaugurated the construction phase of IP-Project in a Ground Breaking Ceremony held on March 11, 2013.

The IP Project faced constraints, as a consequence of the international sanctions imposed on Iran by United Nations, United States of America and the European Union. Iran's association with the Project and risk of violating sanctions was considered to affect potential financiers, reputable international suppliers of crucial equipment and contractors. ISGS believes that this has created a Force Majeure and Excusing Events situation and accordingly the matter has been taken up with Government of Iran as per the provisions of the signed IP-GSPA. In terms of the letter dated April 14, 2014, NIOC rejected ISGS's force majeure notice on the premise that substantively, the situations alluded by ISGS do not constitute any ground for the occurrence of Force Majeure or Excusing Events under the IP-GSPA. ISGS has not accrued any penalty under the terms of IP-GSPA agreement with NIOC. The discussions are underway with Government of Iran to get an extension in the target date to contract and complete the required segment as per IP-GSPA by both sides which was due by December 31, 2014. Further, it is also apparent that NIOC has also not completed reasonable component of its required segment of the gas pipeline, which further weakens their case to invoke penalty clause of IP-GSPA.

On February 27, 2019 NIOC issued a formal notice of material breach of buyer's warranties under the IP-GSPA. After negotiation with Iran, on September 5, 2019 Pakistan and Iran has signed an addendum to the IP-GSPA for extension of limitation period of any claims for further five years from the date of signing of the addendum. In light of the addendum Iran has withdrawn the aforementioned notice of material breach.

Subsequent to the year-end, a meeting was held on August 17, 2020 at Ministry of Energy (Petroleum Division) to discuss the way forward on Iran Pakistan Gas Pipeline Project under the chairmanship of the Special Assistant to Prime Minister on Petroleum. It was decided in the meeting that Pakistan will engage with Iran at appropriate time as there is no urgency of the matter at the moment. Given the geo-political scenario, the situation is to be re-assessed after the US presidential elections in first quarter of 2021, after which, appropriate time to engage with Iran will be decided. Further, ISGSL's management has reiterated that the NIOC has extended the limitation period for further five years until 2024.

6.6.1.3 ECC in its meeting held on October 02, 2014 approved the Gwadar-Nawabshah LNG terminal & Pipeline project (GNP). It was envisaged that GNP shall not only serve to meet ever growing energy needs of Pakistan but can also be utilized to link up to Iranian border in future and therefore Pakistan would substantially be complying with its contractual obligations under the GSPA. As essential technical work of pipeline route has already been done for IP project, it has been envisaged that the same shall be utilized for the Gwadar Nawabshah LNG terminal & Pipeline.

During the visit of President of China to Pakistan on April 20, 2015, National Energy Administration of China and Ministry of Energy (MoE) of Pakistan signed Framework Agreement at Islamabad in relation to GNP. In this respect, Chinese nominated entity i.e. China Petroleum Pipeline Bureau (CPP) submitted the technical and financial bid to ISGS for Engineering, Procurement, Construction and Financing (EPCF) under G to G framework agreement, which was being negotiated. However, the Cabinet Committee on Energy (CCE) through its decision taken in its meeting dated June 6, 2017 directed MoE to drop the GNP forthwith. As per the said direction, ISGS has discontinued the GNP, however, it has requested certain clarifications and guidelines from MoE regarding the strategic outcome of the decision, for which the response is pending. ISGS recognized an impairment loss against aggregate cost incurred on GNP.

	Note	2020 Rupees	2019 Rupees
6.6.2 Machike Tarujabba Oil Pipeline Project			
Consultancy services	6.6.2.1	19,250,000	19,250,000
Travelling and transportation expenses		3,900,825	3,900,825
Tendering expenses		1,198,766	1,198,766
Rent, rates and utilities		12,705,078	12,705,078
Personnel costs and benefits		139,074,007	139,074,007
Legal and professional services		5,204,838	5,204,838
Depreciation		4,807,093	4,807,093
Amortization		1,760,150	1,760,150
Markup on loan		(29,809,417)	(29,809,417)
Others		5,017,599	5,017,599
Impairment loss		<u>(163,108,939)</u>	<u>(163,108,939)</u>
		<u>-</u>	<u>-</u>

6.6.2.1 The ECC of the Cabinet in its meeting held on November 01, 2017 vide case no.EE-117/21/2017 assigned the Machike-Tarujabba Oil Pipeline Project ("MTOPP" or "the Project") to ISGSL. The ECC directed ISGSL to implement the Project on Build, Own, Operate and Transfer ("BOOT") basis for a fifteen (15) year term, through open tendering process, divided into three (3) separate sections originating from Machike via Chakpirana, Rawat and terminate at Taru Jabba completing the pipeline 'backbone' from Karachi to Peshawar. The ownership of MTOPP was to be transferred to ISGSL after 15 years or earlier as per the BOOT Agreement to be signed between ISGSL and the successful bidder of each section.

In the above said decision, the ECC also directed ISGSL to conduct a techno-economic feasibility study for undertaking the Project before initiating the tender process. ISGSL appointed an independent technical Consultant to provide consultancy services in respect of the Project, including undertaking a detailed techno-economic feasibility study. The Consultant in the detailed techno-economic feasibility report opined that the Project is financially viable and will result in significant savings to the Government exchequer over the life of the Project when compared with the prevailing road freight besides ensuring safe and steady oil supply from Karachi to Peshawar.

The bidding process was conducted by ISGSL and the transportation tariff quoted by the successful bidder was approved by ECC of the Cabinet in its meeting dated April 17, 2018. ISGSL also obtained in principle approval from National Highway Authority for usage of 340 km out of 427 km Right of Way (RoW) along the Highway.

ECC of the Cabinet in its meeting held on February 12, 2019 assigned the project to the private sector. Accordingly, ISGSL recognized an impairment loss for the aggregate cost incurred on the project.

7. LEASES

The Group has agreed an Operations and Services Agreement (OSA) with PGPCL for terminal use and regasification of liquified natural gas. The management has assessed the impact of IFRS 16 - Leases on the Group's financial statements, and has concluded that the agreement contains a lease component with respect to its fixed capacity charges payable to PGPCL. Accordingly, the Group being the "customer" under the agreement, acts as a lessee.

Group as a lessee	Rupees
<i>Right of use asset</i>	
<u>Cost</u>	
At July 01, 2019	-
Additions during the year	163,799,272,686
At June 30, 2020	<u>163,799,272,686</u>
<u>Accumulated depreciation</u>	
At July 01, 2019	-
Depreciation charge	12,133,279,458
At June 30, 2020	<u>12,133,279,458</u>
Net carrying amount - June 30, 2020	<u>151,665,993,228</u>
<i>Lease liability</i>	
At July 01, 2019	-
Recognized during the year	163,799,272,686
Interest charge during the year	3,408,763,996
Lease payments during the year	(13,670,553,890)
Exchange loss during the year	4,502,369,890
At June 30, 2020	<u>158,039,852,682</u>
less: current portion	(11,090,702,603)
Non-current portion	<u>146,949,150,079</u>
Amounts recognized in profit and loss	
Depreciation charged on right of use asset	12,133,279,458
Exchange loss on lease liability	4,502,369,890
Interest expense on lease liability	<u>3,408,763,996</u>

8. INTANGIBLE ASSETS

Particulars	COST			Rate %	ACCUMULATED AMORTIZATION				WRITTEN DOWN VALUE As at 30 June 2020
	As at 01 July 2019	Additions	Disposal / (Write offs)	As at 30 June 2020	As at 01 July 2019	Charge for the year	Disposal / (Write offs)	As at 30 June 2020	
	Rupees				Rupees				Rupees
2020									
Software	97,698,007	30,822,269	(16,500)	128,503,776	20-33	67,340,590	22,163,445	(15,428)	79,488,607
									49,015,169
2019									
Software	54,190,394	43,507,613	-	97,698,007	20-33	46,810,868	10,529,722	-	57,340,590
									40,357,417

	Note	2020 (Rupees)	2019 (Rupees)
8.1 Allocation of depreciation			
General and administrative expenses	36	22,163,445	9,543,734
Capital work in progress	6.6.2	-	985,988
		<u>22,163,445</u>	<u>10,529,722</u>

9. EXPLORATION AND EVALUATION ASSETS

Opening balance		4,132,725,421	2,881,818,774
Expenditure incurred during the year		1,435,098,974	1,397,965,419
Transfer to development & production assets		-	-
Dry hole wells	35	(111,492,335)	(147,058,772)
		<u>5,456,332,060</u>	<u>4,132,725,421</u>

9.1 Total capitalized cost includes asset decommissioning cost amounting to Rs.31,170,766 at June 30, 2020 (2019: Rs. 18,354,821)

10. DEVELOPMENT AND PRODUCTION ASSETS

June 2020		COST			ACCUMULATED AMORTIZATION			ACCUMULATED IMPAIRMENT			WRITTEN DOWN VALUE	
Particulars	Working Interest	As at	Additions	Transfers	As at	As at	Charge	As at	As at	Charge /	As at	As at
		01 July 2019			30 June 2020	01 July 2019	for the year*	30 June 2020	01 July 2019	(Reversal) for the year	30 June 2020	30 June 2020
		Rupees			Rupees			Rupees			Rupees	
Intangibles												
Producing fields-Joint operations												
Badin III	25.00%	306,791,706	-	-	306,791,706	269,210,342	37,581,364	306,791,706	-	-	-	-
Block-22 (all fields)	22.50%	275,417,663	-	-	275,417,663	193,253,787	26,976,728	220,230,515	1,476,363	53,710,785	55,187,148	-
Ahmadai/Parwall	17.50%	837,361,762	17,944,721	-	855,306,483	488,488,775	31,575,441	520,064,216	-	-	-	335,242,267
Mirwal	17.50%	7,896,448	202,228	-	8,098,674	1,184,388	316,134	1,500,521	-	-	-	6,598,153
Mazarani	12.50%	136,694,963	-	-	136,694,963	115,366,566	-	115,366,566	21,328,397	-	21,328,397	-
Sawan	22.50%	3,349,942,471	21,364,916	-	3,371,307,387	2,198,062,465	127,107,560	2,325,170,025	604,063,167	-	604,063,167	442,074,195
Zamzama	25.00%	4,775,430,444	(31,736,382)	-	4,743,694,062	3,379,438,404	317,789,608	3,697,228,012	783,786,703	77,856,350	861,643,053	184,822,997
Mubarak	25.00%	1,234,126,958	-	-	1,234,126,958	128,859,759	79,790,392	208,650,151	1,025,476,807	-	1,025,476,807	-
Nim	22.50%	107,582,064	4,856,579	-	112,438,643	61,285,470	51,163,173	112,438,643	-	-	-	-
Mehran	25.00%	69,203,189	-	-	69,203,189	1,933,209	-	1,933,209	67,269,980	-	67,269,980	-
Chanda	17.50%	1,050,001,137	1,341,259	-	1,051,342,396	578,154,518	108,369,237	686,523,755	-	-	-	364,818,641
Gambat	22.50%	380,517,667	6,823,727	-	387,341,394	182,657,675	5,001,248	187,658,923	197,232,511	2,449,960	199,682,471	-
Tal (all fields)	15.00%	5,651,880,171	291,480,293	-	5,943,360,464	2,827,301,301	468,718,378	3,296,019,679	-	-	-	2,647,340,785
Khipro (all fields)**	25.00%	3,014,516,250	(309,396,648)	-	2,705,119,602	1,766,046,860	(27,004,033)	1,739,042,827	-	-	-	966,076,775
Mirpurkhas (all fields)	25.00%	5,174,865,029	200,684,582	132,843,762	5,508,593,373	2,194,222,462	855,252,813	3,049,475,275	-	-	-	2,459,118,098
Chachar	25.00%	257,891,437	-	-	257,891,437	143,904,696	2,641,204	146,545,900	91,854,609	-	91,854,609	19,490,928
Nashpa	15.00%	3,724,377,521	29,043,246	-	3,753,420,767	1,068,479,229	133,734,664	1,202,213,783	-	-	-	2,551,206,984
Sinjhoro	22.50%	414,696,783	-	-	414,696,783	132,193,095	99,641,412	231,834,507	-	-	-	182,862,276
Mehar	25.00%	2,230,972,491	90,496,308	-	2,321,468,799	522,318,308	266,283,793	788,602,101	-	-	-	1,532,866,696
Jhakro	22.50%	10,107,129	-	-	10,107,129	9,092,310	281,516	9,373,826	-	-	-	733,303
Guddu	22.50%	148,747,553	13,662,163	-	162,409,716	70,561,196	13,353,806	83,915,002	-	-	-	78,494,714
Bolan - Zarghun	17.50%	386,109,812	11,111,362	-	397,221,174	84,398,619	40,583,732	124,982,351	-	-	-	272,238,823
Gambat South	25.00%	1,177,466,319	-	-	1,177,466,319	195,942,088	87,657,346	283,599,434	-	-	-	893,866,885
Bitrisim	22.50%	-	261,234,863	-	261,234,863	-	15,334,956	15,334,956	-	-	-	245,899,907
Tando Allah Yar (all fields)	22.50%	235,927,475	31,334,293	-	267,261,768	87,259,171	19,136,660	106,397,831	-	-	-	160,863,937
Decommissioning cost		1,703,330,067	1,129,594,878	-	2,832,924,945	882,966,650	263,687,914	1,146,654,564	107,370,321	87,961,359	195,351,680	1,490,918,701
		36,661,854,507	1,770,242,388	132,843,762	38,564,940,657	17,582,581,343	3,024,966,936	20,607,548,278	2,699,858,858	221,998,454	3,121,857,312	14,835,535,067

* Amortization on unit of production basis with amortization rates ranging between 2% and 80%.

** Additions include reversal amounting Rs. 325,417,525 in respect of two capitalized development wells whose classification, during the year, was revised to exploratory wells (with Company's share being carried). Accordingly, related accumulated depreciation amounting Rs. 177,223,787 has also been reversed.

Developing fields

June 2020		COST				ACCUMULATED AMORTIZATION			ACCUMULATED IMPAIRMENT			WRITTEN DOWN VALUE
Particulars	Working Interest	As at 01 July 2019	Additions / (adjustments)		As at 30 June 2020	As at 01 July 2019	Charge for the year	As at 30 June 2020	As at 01 July 2019	Charge for the year	As at 30 June 2020	As at 30 June 2020
		Rupees				Rupees			Rupees			Rupees
Developing fields-Joint operations												
Mehar	25.00%	337,219,554	200,675,179	-	537,894,733	-	-	-	-	-	-	537,894,733
Ahmadal/Pariwall	17.50%	-	-	-	-	-	-	-	-	-	-	-
Tando Allah Yar (all fields)	22.50%	487,949	-	-	487,949	-	-	-	-	-	-	487,949
Kandra	25.00%	3,577,000	-	-	3,577,000	-	-	-	3,577,000	-	3,577,000	-
Nim	22.50%	85,346,830	-	-	85,346,830	-	-	-	-	-	-	85,346,830
Kotra	20.00%	85,372,382	2,348,511	-	87,720,893	-	-	-	-	-	-	87,720,893
Mubarak	25.00%	-	-	-	-	-	-	-	-	-	-	-
Tal	15.00%	152,517,166	132,660,465	-	285,177,631	-	-	-	-	-	-	285,177,631
Mirpurkhas (all fields)	25.00%	132,843,764	40,353	(132,843,762)	40,355	-	-	-	-	-	-	40,355
Khipro (all fields)	25.00%	6,857,713	61,782,179	-	68,639,892	-	-	-	-	-	-	68,639,892
Sawan	22.50%	-	-	-	-	-	-	-	-	-	-	-
Nashpa	15.00%	452,794,841	739,680,439	-	1,192,475,280	-	-	-	-	-	-	1,192,475,280
Mazharani	12.50%	-	-	-	-	-	-	-	-	-	-	-
Badin III	25.00%	-	-	-	-	-	-	-	-	-	-	-
Gambet South	25.00%	1,190,740,108	13,116,312	-	1,203,856,420	-	-	-	-	-	-	1,203,856,420
Block-22	22.50%	15,533,960	-	-	15,533,960	-	-	-	279,122	15,254,838	15,533,960	-
Zamzama	25.00%	222,741,208	(3,476,639)	-	219,264,569	-	-	-	107,878,659	33,014,017	140,892,676	78,371,893
Sinjhoro	22.50%	86,441,019	-	-	86,441,019	-	-	-	-	-	-	86,441,019
Chanda	17.50%	319,261,789	270,615,420	-	590,077,209	-	-	-	-	-	-	590,077,209
Bolan - Zarghun	17.50%	-	307,924,212	-	307,924,212	-	-	-	-	-	-	307,924,212
Khwari	22.50%	-	100,524,320	-	100,524,320	-	-	-	-	-	-	100,524,320
Decommissioning cost		204,536,082	52,982,245	-	257,518,327	-	-	-	-	-	-	257,518,327
		3,296,271,365	1,879,072,996	(132,843,762)	5,042,500,599	-	-	-	111,734,781	48,268,855	160,003,636	4,882,496,963
		39,958,125,872	3,649,315,384	-	43,607,441,256	17,582,581,343	3,024,966,936	20,607,548,278	3,011,593,639	270,267,309	3,281,860,948	19,718,032,030

10.1 Developing fields comprise of cost of wells and related expenditure which are under development and, hence, no amortization thereon has been charged.

June 2019		COST			ACCUMULATED AMORTIZATION			ACCUMULATED IMPAIRMENT			WRITTEN DOWN VALUE	
Particulars	Working Interest	As at 01 July 2018	Additions	Transfers	As at 30 June 2018	As at 01 July 2018	Charge for the year*	As at 30 June 2019	As at 01 July 2018	Charge / (Reversal) for the year	As at 30 June 2019	As at 30 June 2019
		Rupees			Rupees			Rupees			Rupees	
Intangibles												
Producing fields-Joint operations												
Badin III	25.00%	306,791,706	-	-	306,791,706	289,149,610	60,732	289,210,342	-	-	-	37,581,364
Block-22 (all fields)	22.50%	275,417,863	-	-	275,417,863	178,212,371	15,041,418	193,253,787	3,174,181	(1,607,818)	1,476,363	60,667,513
Ahmedal-Parwal	17.50%	773,484,001	62,034,854	1,842,907	837,361,762	434,306,315	54,180,460	488,488,775	-	-	-	348,872,967
Minwal	17.50%	7,699,607	198,839	-	7,898,446	755,594	428,795	1,184,388	-	-	-	6,712,058
Mazzerani	12.50%	136,518,904	176,059	-	136,694,963	102,580,083	12,786,483	115,366,566	14,022,629	7,305,767	21,328,397	-
Sawan	22.50%	3,351,746,021	(2,378,349)	574,799	3,349,942,471	2,124,059,881	74,002,584	2,196,062,465	883,314,561	(279,251,394)	604,063,167	547,816,838
Zamzama	25.00%	4,009,389,468	741,181,680	24,859,298	4,775,430,444	3,229,630,343	149,806,081	3,379,438,404	492,820,804	290,988,099	783,786,703	612,205,337
Mubarak	25.00%	1,234,126,958	-	-	1,234,126,958	125,195,578	3,664,181	128,859,759	1,090,065,302	(64,588,495)	1,025,476,807	79,790,392
Nim	22.50%	106,532,892	1,049,172	-	107,582,064	54,833,110	6,452,360	61,285,470	-	-	-	46,296,594
Mehran	25.00%	69,203,189	-	-	69,203,189	1,933,209	-	1,933,209	67,269,980	-	67,269,980	-
Chanda	17.50%	1,038,849,026	11,162,111	-	1,050,001,137	469,244,659	88,909,859	578,154,518	-	-	-	471,846,819
Gambat	22.50%	378,489,513	2,028,154	-	380,517,667	179,130,790	3,526,885	182,657,675	163,812,122	33,420,389	197,232,511	627,481
Tal (all fields)	15.00%	4,978,472,904	306,062,106	367,355,161	5,651,890,171	2,455,092,133	372,209,168	2,827,301,301	-	-	-	2,824,578,870
Khipro (all fields)	25.00%	2,772,941,493	234,542,861	7,032,096	3,014,516,250	1,536,726,559	227,320,301	1,786,046,860	-	-	-	1,248,469,390
Mirpurkhas (all fields)	25.00%	4,114,320,304	986,540,926	94,003,799	5,174,865,029	1,714,025,207	480,197,255	2,194,222,462	-	-	-	2,960,642,567
Chechar	25.00%	257,691,437	-	-	257,691,437	136,136,157	5,788,539	143,904,698	101,845,101	(9,990,492)	91,654,609	22,132,132
Nashpe	15.00%	3,157,677,592	240,135,718	326,564,211	3,724,377,521	920,980,596	147,498,633	1,068,479,229	-	-	-	2,655,698,292
Sirjithoro	22.50%	376,632,776	37,864,007	-	414,606,783	93,219,502	38,973,593	132,193,095	-	-	-	282,503,688
Mehar	25.00%	2,231,139,539	(167,048)	-	2,230,972,491	376,064,891	146,253,417	522,318,308	-	-	-	1,708,654,183
Jhakro	22.50%	10,107,129	-	-	10,107,129	9,092,310	-	9,092,310	-	-	-	1,014,819
Guddu	22.50%	137,522,930	11,224,823	-	148,747,553	52,831,497	17,729,999	70,561,196	-	-	-	78,186,357
Bolan	17.50%	298,303,195	87,806,617	-	386,109,812	62,007,417	22,391,202	84,398,619	-	-	-	301,711,193
Gambat South	25.00%	1,158,965,954	19,800,385	-	1,177,466,319	124,414,112	71,527,976	195,942,068	-	-	-	961,524,231
Tando Allah Yar (all fields)	22.50%	243,843,344	(7,915,969)	-	235,927,475	59,917,886	27,341,285	87,259,171	-	-	-	148,688,304
Decommissioning cost		2,430,639,626	(727,309,669)	-	1,703,330,067	1,218,867,491	(335,900,841)	882,986,650	103,829,797	3,440,524	107,370,321	712,993,066
		33,656,607,171	1,963,015,067	822,232,269	36,661,854,507	15,952,409,301	1,630,172,043	17,582,581,343	2,920,254,277	(20,395,420)	2,899,858,858	16,179,414,306

* Amortization on unit of production basis with amortization rates ranging between 3% and 86%.

June 2019		COST				ACCUMULATED AMORTIZATION			ACCUMULATED IMPAIRMENT			WRITTEN DOWN VALUE	
Particulars	Working Interest	As at 01 July 2018	Additions / (adjustments)	As at 30 June 2019	As at 01 July 2018	Charge for the year	As at 30 June 2019	As at 01 July 2018	Charge for the year	As at 30 June 2019	As at 30 June 2019	As at 30 June 2019	
		Rupees				Rupees			Rupees			Rupees	
Developing fields-Joint operations													
Mehar	25.00%	-	337,219,554	-	337,219,554	-	-	-	-	-	-	337,219,554	
Ahmadal/Partwall	17.50%	1,842,907	-	(1,842,907)	-	-	-	-	-	-	-	-	
Tando Allah Yar (all fields)	22.50%	-	487,949	-	487,949	-	-	-	-	-	-	487,949	
Kandra	25.00%	3,577,000	-	-	3,577,000	-	-	-	3,577,000	-	3,577,000	-	
Nim	22.50%	85,346,830	-	-	85,346,830	-	-	-	-	-	-	85,346,830	
Kotra	20.00%	83,604,634	1,767,748	-	85,372,382	-	-	20,534,478	(20,534,478)	-	-	85,372,382	
Tal	15.00%	367,355,162	152,517,165	(367,355,161)	152,517,166	-	-	-	-	-	-	152,517,166	
Mirpurkhas (all fields)	25.00%	94,003,800	132,843,783	(94,003,799)	132,843,784	-	-	-	-	-	-	132,843,784	
Khipro (all fields)	25.00%	7,032,068	6,857,713	(7,032,066)	6,857,713	-	-	-	-	-	-	6,857,713	
Sewen	22.50%	574,799	-	(574,799)	-	-	-	-	154,222	(154,222)	-	-	
Nashpa	15.00%	363,318,600	416,040,252	(326,564,211)	452,794,641	-	-	-	-	-	-	452,794,641	
Gambat South	25.00%	1,175,365,399	15,374,709	-	1,190,740,106	-	-	-	-	-	-	1,190,740,106	
Block-22	22.50%	15,533,960	-	-	15,533,960	-	-	507,262	(228,130)	279,122	-	15,254,838	
Zamzama	25.00%	285,330,012	(17,729,506)	(24,659,296)	222,741,206	-	-	57,516,813	50,359,846	107,878,659	-	114,962,549	
Sinjoro	22.50%	43,227,488	43,213,531	-	86,441,019	-	-	-	-	-	-	86,441,019	
Chanda	17.50%	-	319,261,789	-	319,261,789	-	-	-	-	-	-	319,261,789	
Decommissioning cost		78,650,192	125,885,890	-	204,536,062	-	-	-	-	-	-	204,536,062	
		2,584,763,079	1,533,740,555	(822,232,269)	3,296,271,365	-	-	-	82,291,763	29,443,018	111,734,781	3,184,536,584	
		36,441,370,250	3,516,755,622	-	39,958,125,872	15,852,409,301	1,630,172,043	17,582,691,343	3,002,546,040	9,047,898	3,011,893,639	19,363,950,890	

	Note	2020 Rupees	2019 Rupees
Allocation of Amortization Operating expenses	33.	3,024,966,936	1,630,172,043
Allocation of Impairment Operating expenses	33.	270,267,309	9,047,598

- 10.4 During the year 2003-4, the Holding Company assigned 2.5% working interest in Block 22 to Petroleum Exploration (Private) Limited (PEL) and 2.5% working interest in Zarghun South Petroleum Concession to Mari Petroleum Company Limited (MPCL), upon commercial discovery. These assignments are not in accordance with the governing Petroleum Concession Agreements. Subsequently, Development and Production lease has been signed between the Holding Company and PEL. On June 21, 2016, the Holding Company entered into an interim agreement with MPCL. As per agreement, the parties were to continue the consultative process to achieve amicable settlement of dispute and open a joint account where MPCL was to deposit its working interest share of sale proceeds to the extent of 2.5% of working interest in joint account; and the Holding Company was required to deposit the amount of 2.5% proportionate share of total amount of cash calls raised by operator in joint account since date of grant of Zarghun South Development and Production lease. However, the joint account could not be opened due to legal requirements of Banks. The interim agreement between the Holding Company and MPCL expired on December 20, 2016.

The Board of Directors of the Holding Company referred the matter to Ministry of Energy (Petroleum Division) for advice. The matter is also under consideration at Public Accounts Committee which directed the Ministry to conduct an inquiry into the matter. An inquiry report has been prepared by the Ministry which is to be presented before the PAC for advice on further action. The Holding Company's Board in its 89th meeting dated September 25, 2017 has advised the management to follow the recommendations of the inquiry report and take further actions based on PAC advice. Pending the ultimate outcome of this matter, no adjustment has been made in the financial statements (i.e. assets, liabilities, revenue and expenses pertaining to working interests assigned to PEL and MPCL).

		2020 (Rupees)	2019 (Rupees)	
11.	LONG TERM LOAN			
	Long term vehicle loans to staff			
	Considered good - unsecured	9,104,601	14,292,389	
	Current portion of long term loan	(4,335,906)	(6,594,047)	
		<u>4,768,695</u>	<u>7,698,342</u>	
12.	INVESTMENT IN ASSOCIATE			
	TAPI Pipeline Company Limited (TPCL)	12.1	669,763,022	645,681,699
	Advance for shares in associate	12.2	414,327,500	-
			<u>1,084,090,522</u>	<u>645,681,699</u>
12.1	TAPI Pipeline Company Limited (TPCL)			
	Opening cost of investment (265,000 shares of USD 10 each)	635,120,901	279,575,000	
	Shares subscribed during the period (295,000 shares of USD 10 each)	-	355,545,901	
	Closing cost of investment (560,000 class A shares (2019: 265,000) fully paid ordinary shares of USD 10 each)	635,120,901	635,120,901	
	Post acquisition losses brought forward	10,560,798	(122,794,155)	
	Share of loss for the period - net of taxation	(1,803,982)	(40,321,927)	
	Foreign exchange translation gain	25,885,305	173,676,880	
		<u>24,081,323</u>	<u>133,354,953</u>	
	Balance at the end of the year	<u>669,763,022</u>	<u>645,681,699</u>	

TPCL, the associate is registered in the Isle of Man as a limited liability company and its head office is situated in Dubai, United Arab Emirates. TPCL is principally engaged to carry out the business of developing, engineering, funding the construction of, procuring the equipment engineering and other services for construction and operation of, constructing owning, operating and providing maintenance for the proportion of TAPI Pipeline running from the borders of Turkmenistan and Afghanistan to the border of Pakistan and India. The capacity of the TAPI Pipeline is expected to be 35 billion cubic meters per annum. The Group holds 5% equity interest in TPCL, however it has significant influence due to its representation in decision making of TPCL under the provisions of Shareholders Agreement signed by the all founding shareholders of the TPCL.

The investment in associated company has been made in accordance with the requirements of the Companies Act, 2017.

The tables below provides summarized financial statements of TPCL that is material to the Group. The information disclosed reflects the amounts presented in the latest available unaudited management accounts of TPCL for the period ended May 31, 2019 and annual audited financial statements for the year ended December 31, 2018 (2017: year ended December 31, 2017), not the Company's share of those amounts.

	Un-audited June 30, 2020 Rupees	Un-audited May 31, 2019 Rupees	Audited Dec 31, 2018 Rupees
Summarized statement of financial position			
Current assets	1,391,667,360	2,261,934,116	3,588,728,051
Non-current assets	13,104,194,216	10,655,809,242	8,173,712,359
Current liabilities	(1,100,601,123)	(4,109,368)	(657,897,728)
Net assets	<u>13,395,260,453</u>	<u>12,913,633,990</u>	<u>11,104,542,682</u>
Reconciliation to carrying amounts:			
Opening net assets	12,913,633,990	11,104,542,682	3,017,179,362
Total comprehensive loss for the period/year	(36,079,635)	(20,710,769)	(805,411,184)
Shareholder account	(64,687,878)	-	8,178,513,601
Foreign exchange translation gain	582,393,978	1,829,802,077	714,260,903
Closing net assets	<u>13,395,260,455</u>	<u>12,913,633,990</u>	<u>11,104,542,682</u>
ISGS's percentage shareholding in the associate	5%	5%	5%
ISGS's share in carrying value of net assets	<u>669,763,022</u>	<u>645,681,700</u>	<u>555,227,134</u>
Summarized statement of comprehensive income			
Revenue for the period / year	Nil	Nil	Nil
Loss for the period / year	<u>(36,079,635)</u>	<u>(20,710,769)</u>	<u>(805,411,184)</u>

12.2 ADVANCE FOR SHARES IN ASSOCIATE

During the year the GoP provided funds of US\$ 2.481 million to ISGS for subscription of 248,100 Class 'A' shares in TAPI Pipeline Company Limited (TPCL) under Investment Agreement. Subsequent to the year end, ISGS also made a payment of USD 168,997 as balance related to the third closing. The shares issuance against such amount is pending allotment and is currently in process.

	Note	2020 (Rupees)	2019 (Rupees)
13. STORES, SPARES & LOOSE TOOLS - SHARE IN JOINT OPERATION INVENTORY			
Store, spares and loose tools		4,048,014,411	3,791,513,025
Impairment for slow moving and obsolete stores, spares	13.1	(495,707,406)	(495,707,406)
		<u>3,552,307,005</u>	<u>3,295,805,619</u>
13.1			
Opening balance		495,707,406	554,898,650
Impairment for the year		-	(59,191,244)
Closing balance		<u>495,707,406</u>	<u>495,707,406</u>
14. STOCK-IN-TRADE			
LNG held with third party	14.1	3,280,442,572	940,389,035
LNG in transit	14.2	-	3,700,448,933
RLNG held in pipeline	14.3	20,609,327	22,406,980
		<u>3,311,051,899</u>	<u>4,663,244,948</u>

14.1 Amount relates to closing stock of LNG 132,446.92 m³ (2019: 35,753.18 m³) inventory held with Pakistan Gas Port Consortium Limited (PGPCL) at the (FSRU) as at June 30, 2020.

14.2 This includes inventory (140,737.02 m³) value for a cargo which commenced discharge operations on June 30, 2019 and duly completed discharge on July 01, 2019. The LNG was subsequently accepted by PLL and accordingly, amount has been recognized as part of inventory as at June 30, 2019.

14.3 Amount relates to RLNG held in 14 km pipeline between Floating Storage and Regasification Unit (FSRU) and Custody Transfer System (CTS).

	Note	2020 (Rupees)	2019 (Rupees)
15. TRADE DEBTS - NET			
Unsecured - considered good		129,185,481,819	113,350,621,774
Unsecured - considered doubtful			
Unsecured - considered doubtful	15.1	4,604,647,534	4,604,647,534
Less: Provision for doubtful debts	15.3	(4,604,647,534)	(4,604,647,534)
		-	-
		129,185,481,819	113,350,621,774

15.1 The trade debts include Rs. 92,382,539,608 (2019: Rs. 102,431,490,258) from oil and gas customers which is overdue for period longer than as provided in the agreement. The amount is overdue on account of inter-corporate circular debt. Out of the total overdue amount Rs. 60,835,327,379 (2019: Rs. 49,348,165,599) and Rs. 28,608,840,163 (2019: Rs. 17,623,450,236) is mainly overdue from related parties, Sui Southern Gas Company Limited and Sui Northern Gas Pipeline Limited respectively. The management of Company considers this amount to be fully recoverable because Government of Pakistan has been assuming the responsibility to settle the Inter-Corporate circular debt in the energy sector. As referred in Note. 3.1.1, SECP has exempted the applicability of expected credit loss ECL model on financial assets due directly / ultimately from GoP. Management believes that payment of these balances is slow because of financial problem being faced by public sector entities due to circular debt issue. Based on difficulty of recoverability of principal amount, the management had estimated the amount of Rs. 4,604,647,534 (2019: Rs. 4,604,647,534) as provision for doubtful debts.

15.2 Late Payment Surcharge (LPS) on trade debts is recognized on receipt basis as per the interest rate agreed with customers. Aggregate amount of LPS stand at Rs. 26,147 million as of June 30, 2020 (2019: Rs. 16,447 million) which is not recognized, based on the premise that it has not been received yet.

	Note	2020 (Rupees)	2019 (Rupees)
15.3 Opening Balance		4,604,647,534	4,604,647,534
Provision for the year		-	-
		4,604,647,534	4,604,647,534

**16. LOANS, ADVANCES AND OTHER RECEIVABLES
(CONSIDERED GOOD UNSECURED)**

Advances against salary to staff	16.1	7,745,957	6,594,568
Current portion of loan to staff	11	4,335,906	6,594,047
Advances to suppliers		788,053	790,241
General sales tax- refundable			
Other receivable	16.2	203,132,043	210,361,329
		216,001,959	224,340,185

16.1 The advances are granted to the employees in accordance with the applicable service rules. These advances are for short term period against salaries which carry no interest.

16.2 It includes Rs. 200,450,000 (2019: 200,450,000) related to cost incurred and paid by PLL on commissioning cargo due to associated costs such as extended laytime, additional crew and activities related to commissioning of Floating Storage and Regasification Unit (FSRU). It will be recovered from SNGPL after the actualization of provisional price by OGRA.

	Note	2020 (Rupees)	2019 (Rupees)
17. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Security deposits		785,250	785,250
Short term prepayments			
Software maintenance fee		2,488,414	2,464,563
Insurance		3,450,013	3,067,653
Others		8,537,398	5,416,129
		14,475,825	10,948,345
		15,261,075	11,733,595
18. INTEREST ACCRUED			
Interest accrued on:			
Bank deposits		109,486,272	186,551,497
Term Deposit Receipts		481,865,753	109,504,106
		591,352,025	296,055,603
19. SHORT TERM INVESTMENTS			
Investment in TDRs	19.1	24,000,000,000	18,260,000,000
19.1	These represent investment in term deposit receipts placed with the commercial banks. The breakup is as under:		
		2020	2019
		(Rupees)	(Rupees)
Credit rating	Rating agency	Rate p.a. 2020 / 2019	
A1+	PACRA	12.60% / 12.75%	6,000,000,000
A1+	PACRA	7.14% / 11.95%	6,000,000,000
A-1+	JCR - VIS	7.40% / 12.75%	12,000,000,000
A1+	PACRA	11.25%	130,000,000
A-1+	JCR - VIS	11.25%	130,000,000
		24,000,000,000	18,260,000,000
19.1.1	Includes cash equivalents of Rs. 18,000 million (2019: 12,260 million) being TDRs with maturity of upto three months and not held under lien.		
19.2	Please refer to Note 30.1.1.3 which explains that a lien has been created on the term deposit receipt of Rs. 6 billion (2019: Rs. 6 billion) for issuing guarantee on behalf of subsidiaries.		
20. CASH AND BANK BALANCES	Note	2020 (Rupees)	2019 (Rupees)
Cash:			
- In hand		403,509	382,720
- At banks			
Deposits accounts			
Local currency accounts	20.1	9,434,412,076	10,787,964,968
Foreign currency accounts Nil (2019: US\$ 385.97)		-	62,087
Current accounts		75,882	1,436,486
		9,434,891,467	10,789,846,261

20.1 These carry mark-up at the rate ranging between 4% and 13.35% p.a (2019: 4% and 12.60% p.a).

21. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2020	2019		2020	2019
(Number of shares)			(Rupees)	(Rupees)
2,088,512,092	2,088,512,092	Ordinary shares of Rs. 10 each, fully paid in cash	20,885,120,920	20,885,120,920

21.1 The movement in issued, subscribed and paid up capital is as follows:

	2019	2018
	No. of shares	
At July 1	2,088,512,092	2,025,000,002
Ordinary shares of Rs. 10 each paid in cash issued during the year		63,512,090
At June	2,088,512,092	2,088,512,092
	Rupees	
At July 1	20,885,120,920	20,250,000,020
Ordinary shares of Rs. 10 each paid in cash issued during the year		635,120,900
At June	20,885,120,920	20,885,120,920

21.2 Government of Pakistan hold 100% shares. Of these shares, two nominee directors hold one qualification share, each.

21.3 The Economic Coordination Committee (ECC) of the Federal Cabinet in its meeting held on December 18, 2015 approved 5% (estimated at US\$ 200 million) equity injection as equity share of Government of Pakistan (GoP) through the ISGS in Turkmenistan-Afghanistan-Pakistan-Indian (TAPI) Gas Pipeline Project. Accordingly, GoP provided funds to the ISGS for subscription of Class 'A' shares in TAPI Pipeline Company Limited (TPCL).

Accordingly, during the year the GoP provided funds of US\$ 2.481 million to ISGS for subscription of 248,100 Class 'A' shares in TAPI Pipeline Company Limited (TPCL) under Investment Agreement. Ministry of Finance (MoF) directed ISGS to issue shares to the Company for the related amount received from GoP and directed the Company to issue shares to the President of Pakistan through Secretary Petroleum Ministry of Energy (Petroleum Division). The shares issuance against such amount is pending allotment and is currently in process.

22. RESERVES	Note	2020 (Rupees)	2019 (Rupees)
General reserve	22.2	2,284,626,436	2,284,626,436
Other reserves			
Committed outlay reserve	22.3	20,946,247,416	20,946,247,416
Asset insurance reserve	22.4	3,000,000,000	3,000,000,000
Assets acquisition reserve	22.5	5,000,000,000	5,000,000,000
LNG project reserve	22.6	25,000,000,000	25,000,000,000
		53,946,247,416	53,946,247,416
		56,230,873,852	56,230,873,852

22.1 The Group has appropriated and created these reserves in accordance with the principles of prudence. The above reserves are funded and proceeds are maintained in short term investments as disclosed in Note 19 to these financial statements. Further necessary accumulation of funds for these reserves will be made over the next few years.

- 22.2 The General reserve is appropriated to cater for contingencies related to 5% carried cost based on current exploration commitments and other unforeseen events.
- 22.3 The committed outlay reserve is appropriated for future requirements based on expected cash outlay for capital commitments, decommissioning obligations and liability against relevant interest carried cost.
- 22.4 The Asset Insurance Reserve has been created for self insurance of investments in assets like wells, plants, pipelines, vehicles, furniture & fixture of those Joint Operation where the Insurance policy has not been taken out by the Operator.
- 22.5 In view of the declining hydrocarbon reserves profile of the Holding Company, it is intended to acquire sizeable producing reserves for which a separate assets acquisition reserve has been established and the Holding Company plans to continue to build-up this reserve in future years.
- 22.6 The Reserve is created to cater for funding / financial support for LNG Projects being undertaken by newly incorporated subsidiaries, Pakistan LNG Limited (PLL) and Pakistan LNG Terminals Limited (PLTL).

23.	LONG TERM LIABILITY	Note	2020 (Rupees)	2019 (Rupees)
	Due to the Joint operators	23.2	4,983,114,777	5,094,197,402
	Current portion shown under current liabilities		(794,851,274)	(971,546,027)
			<u>4,188,263,503</u>	<u>4,122,651,375</u>

- 23.1 This represents long term liability on account of the Group's carried interest of 5% in the exploration expenditure of various Joint Operation concessions. This expenditure is incurred by the Joint Operation partners up to the date of commercial discovery, and the amount will be adjusted in five equal annual installments, against the Group's share of commercial production in each respective Joint Operation.

	Note	2020 (Rupees)	2019 (Rupees)
23.2	Opening balance	5,094,197,402	4,942,651,795
	Unwinding of long term liability	94,999,285	116,569,297
	Payments	(812,953,855)	(816,661,855)
	Additions / adjustments during the year	594,428,483	157,490,810
	Discounting of long term liability	268,567,794	22,582,927
	Exchange (gain)/ loss on revaluation	(256,124,332)	671,564,428
		<u>4,983,114,777</u>	<u>5,094,197,402</u>

- 23.3 Long term liability in US dollars have been discounted using 0.60% (2019: 2.28%) rate of interest.

24.	DEFERRED TAXATION	Note	2020 (Rupees)	2019 (Rupees)
	Deferred taxation	24.1	<u>4,335,440,467</u>	<u>8,260,233,573</u>
24.1	Movement in the deferred tax liability:			
	Opening balance		8,260,233,573	7,418,962,398
	(Credited)/ debited to the consolidated statement of profit or loss	39	(3,922,358,636)	845,151,373
	Credited to the consolidated statement of comprehensive income		(2,434,470)	(3,880,198)
			<u>4,335,440,467</u>	<u>8,260,233,573</u>

	Note	2020 (Rupees)	2019 (Rupees)
24.2 Deferred tax in respect of taxable/ (deductible) temporary differences:			
Accelerated depreciation on property, plant and equipment		4,213,696,863	6,124,919,106
Impairment of stores, spares and loose tools		(198,282,962)	(198,282,962)
Long term liability		181,330,686	(358,312,340)
Development and production expenditure		5,337,846,546	5,836,898,444
Provision for doubtful debts		(1,841,859,014)	(1,841,859,014)
Expenditure of exploration and evaluation, development and production assets		(1,319,690,394)	(1,299,249,463)
Provision for windfall levy on oil/condensate		(2,035,166,788)	-
Remeasurement of employees' retirement benefits		(2,434,470)	(3,880,198)
		4,335,440,467	8,260,233,573
24.3	Deferred tax has been calculated at the current effective tax rate of 40% (2019: 40%) in case of the Holding Company and 29% (2019: 29%) in case of the subsidiaries.		
24.4	In view of the uncertainty of taxable profits in the foreseeable future against which the tax losses could be utilized, ISGS has not recognized net deferred tax asset of Rs. 212.1 million (2019: 178.2 million)		
	Unrecognized deferred tax asset representing tax benefit relating to business losses aggregating to Rs. 204.8 million, and deductible temporary differences on account of remeasurement aggregating Rs. 8.4 million as at June 30, 2020. The aggregate tax losses available to ISGS for set off against future taxable profits at June 30, 2020 amounted to Rs. 735.6 million. Tax losses expire as follows:		
		Tax Year	Rs in million
		2024	161.72
		2025	196.2
		2026	246.6
24.5	Until the previous year, PLTL had incurred tax losses, however, due to uncertainty in the foreseeable future, PLTL had not recognized net deferred tax asset amounting to Rs. 57.76 million.		
25. PROVISION FOR DECOMMISSIONING COST	Note	2020 (Rupees)	2019 (Rupees)
Provision for decommissioning cost	25.1	9,078,006,417	7,148,060,428
25.1 Provision for decommissioning cost			
Opening balance		7,148,060,428	6,142,566,167
Provision/ (reversal) made during the year		1,593,571,599	(1,384,932,202)
Revaluation exchange loss		171,658,223	2,191,094,550
Unwinding of decommissioning cost	38	164,716,167	199,331,913
		9,078,006,417	7,148,060,428
26. DEFERRED EMPLOYEE BENEFITS			
Accumulating compensated absences	26.1	84,059,636	78,029,390
Employees' gratuity fund	26.3	63,836,931	64,129,702
		147,896,567	142,159,092
26.1 Accumulating compensated absences			
Present value of defined benefit obligation	26.1.1	84,059,636	78,029,390
Fair value of plan assets		-	-
Net liability at end of the year		84,059,636	78,029,390

		2020 (Rupees)	2019 (Rupees)
26.1.1	Movement in the present value of obligation:		
	Balance at beginning of the year	78,029,390	65,309,435
	Expense for the year	27,075,752	32,311,407
	Payment made during the year	(21,045,506)	(19,591,452)
		<u>84,059,636</u>	<u>78,029,390</u>
26.2	The rates of discount and salary increase were assumed at 9.25% p.a. (2019: 14.5% p.a.) and 8.25% p.a. (2019: 13.5% p.a.) for the Holding Company; and 9.25% and 9.25% p.a (2019: 14.5% p.a. and 13% p.a.) respectively for the subsidiaries.		
		2020 (Rupees)	2019 (Rupees)
26.3	Amounts recognized in consolidated statement of financial position:		
	Present value of defined benefit obligation	248,125,443	182,101,354
	Fair value of plan assets	(184,288,512)	(117,971,652)
	Net liability at end of the year	<u>63,836,931</u>	<u>64,129,702</u>
26.3.1	Movement in the present value of obligation:		
	Balance as at beginning of the year	182,101,354	128,989,300
	Current service cost	41,267,665	50,995,074
	Interest cost	24,572,253	12,248,155
	Benefits paid	(18,794,342)	(6,330,511)
	Remeasurement of defined benefit obligation	18,978,513	(3,800,664)
		<u>248,125,443</u>	<u>182,101,354</u>
26.3.2	Movement in the fair value of plan assets:		
	Balance as at beginning of the year	117,971,652	103,677,307
	Contributions	53,633,799	13,234,975
	Expected return on plan assets	20,584,124	10,792,305
	Benefits paid	(5,246,134)	(4,743,549)
	Remeasurement of plan assets	(2,654,929)	(4,989,386)
		<u>184,288,512</u>	<u>117,971,652</u>
26.3.3	Amounts recognized in consolidated statement of profit or loss account:		
	Current service cost	41,267,665	43,048,198
	Interest cost	24,572,253	12,248,155
	Expected return on plan asset	(20,584,124)	(10,792,305)
		<u>45,255,794</u>	<u>44,504,048</u>
26.3.4	Amounts recognized in consolidated statement of other comprehensive income:		
	Remeasurement loss recognized	<u>21,633,442</u>	<u>4,740,972</u>
26.3.5	Principle actuarial assumptions:	2020	2019
	Valuation discount rate (%)	9.25%	14.5%
	Salary increase rate (%)	<u>8.25%-19.25%</u>	<u>13%-13.50%</u>
26.3.6	These results and balances related to employees' benefits are based on actuarial calculations carried out for the year ended June 30, 2020 for Holding and subsidiaries respectively. The management believes that any change in market assumptions as of today would not have any material impact on the consolidated financial statements.		

26.3.7 Comparison of present value of defined benefit obligation on of employees' gratuity is as follows:

	2020 (Rupees)	2019 (Rupees)	2018 (Rupees)
Present value of obligation	<u>248,125,443</u>	<u>182,101,354</u>	<u>124,853,311</u>
Actuarial (gain) or loss on obligation	<u>21,633,442</u>	<u>(3,800,664)</u>	<u>(1,175,973)</u>

27. TRADE AND OTHER PAYABLES	Note	2020 (Rupees)	2019 (Rupees)
Trade creditors			
Due to Joint operators		5,019,615,635	5,339,617,913
Due to vendors for services acquired		22,641,764	228,411,808
Trade payables	27.1	7,295,129,574	21,774,725,307
Other payables			
Accrued liabilities		155,637,337	3,714,080,393
Payable to provident fund		8,539,893	3,805,501
Employees' gratuity fund	24.3	-	-
Sales tax payable		741,839,510	2,213,087,678
Royalty payable		757,905,610	1,069,670,886
Interest payable		-	-
Withholding tax payable		5,181,757	12,205,283
FED / PDL / Windfall levy payable		24,555,724	213,654,698
Provision for windfall levy on oil/condensate	30.1.1.4	5,087,916,971	3,759,411,028
Other payable		13,985,719	25,487,696
		<u>6,795,562,521</u>	<u>11,011,403,163</u>
		<u>19,132,949,494</u>	<u>38,354,158,191</u>

27.1 This includes regasification charges payable to Pakistan Gas Port Consortium Limited (PGPCL).

28. GOP PAYABLE - ITFC AGREEMENT	2020 (Rupees)	2019 (Rupees)
Balance at the beginning of the year	11,401,228,198	-
Payments made during the year	33,754,065,114	18,547,575,610
Amount repaid	(23,057,005,391)	(7,146,347,412)
Balance at the end of the year	<u>22,098,287,921</u>	<u>11,401,228,198</u>

28.1 During the financial year ended June 30, 2019, the Government of Pakistan (GoP) and International Islamic Trade Finance Corporation (ITFC) entered into a deferred financing facility dated April 22, 2019, PLL designated as an executing agency by the GoP. As per the agreement, payments to LNG suppliers are processed by ITFC, with PLL processing the payment to the State Bank of Pakistan (SBP) in the designated bank account in USD equivalent PKR. Accordingly, during the year PLL executed ten (10) transactions (2019: 5 transactions) with LNG suppliers under the agreement, amounting to USD 216.90 million (2019: USD 122.77 million). As at the year end, the payable to the GoP under the agreement stood at PKR 22.11 billion (2019: Rs. 11.40 billion).

	2020 (Rupees)	2019 (Rupees)
29. PROVISION FOR TAXATION		
Provision for taxation at beginning of the year	2,982,716,566	2,944,792,087
Income tax paid during the year	(21,912,285,308)	(21,035,342,381)
Provision for current taxation for the year	20,504,873,209	21,109,804,609
Provision for taxation - prior years	2,093,470,320	(36,537,749)
	3,668,774,787	2,982,716,566

29.1 The Group has various tax litigations pending with the tax authorities in respect of tax years 2003 and 2019. These litigations are pending at different forums of taxation authorities. However, the Group has paid, under protest to avoid penalties under the Income Tax Ordinance 2001, full amount against the demand raised by tax authorities in respect of said years. The Group based on his tax advisor believes that there will be no future liability expected to arise in respect of said litigations. Accordingly, no further provisions are provided in these financial statements.

	Note	2020 (Rupees)	2019 (Rupees)
30. CONTINGENCIES AND COMMITMENTS			
30.1 Contingencies			
30.1.1 The Holding Company			
Relating to carried cost liability	30.1.1.1	1,692,661,540	1,526,651,826
Tax contingency	30.1.1.2	18,177,836,600	18,177,836,600
		19,870,498,140	19,704,488,426

30.1.1.1 This represents contingencies in respect of 5% carried cost of the discovered fields where Declaration of Commercialities (DOCs) have not yet been submitted at the year end and for those Development and Production leases where the Company's estimates varies with those of the operator.

30.1.1.2 This represents tax contingencies in respect of show cause notice issued by FBR regarding non - applicability of Zero percent sales tax on crude/condensate supplies by the Company from 2009-10 to 2013-14 as per SRO No. 549(1)/2008 dated 11.06.2008 with the condition of "Import and supplies thereof" and the Holding Company is not importing crude/condensate. The Holding Company does not charge sales tax on its crude /condensate supplies in line with industry practice and compliance of law. The Holding Company has filed writ petition with Islamabad High Court, decision on which is pending. The expected tax contingency has been calculated based on sales tax amount involved, penalty and default surcharge.

30.1.1.3 The Holding Company has also provided lien against its investments for the guarantee issued by PLL in favor of the LNG suppliers of amounting to USD 43.7 million (i.e. for the value of two cargoes per month).

30.1.1.4 Contingency with respect to Imposition of Windfall Levy on oil / condensate

GHPL is a working interest owner in Tal, Mirpur Khas, Khipro, Mehar, Tando Allah Yar, Gurgalot, Sinjhor, Bitrism, Khewari and Nim Blocks whose Petroleum Concession Agreements (PCAs) were executed under the framework of Petroleum Policies 1994 and 1997. Subsequently, in pursuance to the option available under Petroleum Policy 2012, GHPL alongwith other working interest owners signed Supplemental Agreements (SAs) with the GoP for conversion of eligible existing and future discoveries under aforesaid PCAs to the Petroleum Policy (PP), 2012. Under the said arrangement, price regimes prevailing in PP 2007, PP 2009 and PP 2012 in terms of PP 2012 shall be applicable, correlated with the spud dates of the wells in the respective policies starting from November 27, 2007. The conversion package as defined in the SAs included windfall levy on natural gas only.

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

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

The Holding Company along with other Joint Venture Partners has challenged the applicability of WLO against the backdrop of supplemental agreements already executed pursuant to PP 2012 in the Honorable Islamabad High Court which has granted stay order against the CCI decision dated November 24, 2017 on imposition of WLO. It is pertinent to note that all writ petitions on subject matter have been consolidated by the Honourable High Court.

The Honourable High Court fixed March 19, 2020 as next date of hearing but the hearing was cancelled due to preventive measures taken in the courts amid Coronavirus. The Petitions are pending with date in office.

The cumulative impact of Windfall Levy on Oil (WLO) since application of incremental gas prices up till June 30, 2020 amount to approximately Rs 15,404 million (2019: Rs 14,076 million). As mentioned above, the Company based on the advice of legal counsels, is confident that it has valid grounds to defend the aforesaid issue in the Court and that the issue will be decided in its favour. However, without prejudice to the Company's legal contention and as a matter of prudence, the Company has booked provision of Rs. 5,028 million to prospectively account for the impact of WLO from the date of the SRO i.e. December 27, 2017 till June 30, 2020.

30.1.1.5 Utilization of Salamat / Adam West Field Reserves

A reservoir communication study by an independent third party, is currently in progress to determine reserve volume estimates and level of communication between Salamat field (operated by UEPL; GHPL Working Interest (WI): 25%) and Adam West field (operated by PPL; GHPL WI: Nil). If reservoir communication between the fields is proved then subject to final results of the study, agreement of concerned parties and DGPC's approval, financial exposure may arise equivalent to revenue from additional production from the reservoir to be offset by royalty / OPEX / tax and other related expenses incurred.

30.1.2 Inter State Gas Systems (Private) Limited (ISGS)

The status of Iran Pakistan Gas Pipeline Project (IP Project) is given at note 6.6.1.2. ISGS has not accrued any penalty under the terms of Gas Sale Purchase Agreement (GSPA) with National Iranian Oil Company (NIOC) - an Iran state owned enterprise on the basis of management's assessment of related matters. In making its assessment, the management has considered that discussions are underway with Government of Iran to get an extension in the target date to contract and complete the required segment under GSPA as both the entities need additional time to fulfil their respective obligations under the GSPA and there also exist certain other related factors which do not indicate any likelihood of the Company's exposure to the penalty clause of GSPA under prevailing circumstances.

30.1.3 Pakistan LNG Limited (PLL)

PLL has awarded contracts to M/s. Gunvor and M/s ENI SPA (the Sellers) for purchase and import of LNG for the period of five years and fifteen years. PLL has provided the sellers with the credit support in the form of irrevocable Standby Letter of Credit (SBLC) for an amount of US\$ 21,482,496 and US\$ 22,229,424 to M/s Gunvor and M/s ENI respectively. Aforementioned SBLCs expired on November 02, 2020 and November 15, 2020 respectively. The SBLCs were subsequently renewed for one year for an amount of US\$ 9,026,976 and US\$ 9,153,145 to M/s Gunvor and M/s ENI respectively. The Holding Company on behalf of PLL has provided the security for issuance of SBLC in favor of the sellers.

30.1.4 Pakistan LNG Terminals Limited (PLTL)

30.1.4.1 In terms of the Operation and Services Agreement (OSA) between PLTL and PGPCL (the Operator), the SBLC equivalent to 3 months of capacity charges is required to be provided. PLL had provided standby letter of credit (SBLC) to PGPCL (the Operator) equivalent to three (03) months capacity charge (i.e. Rs. 2,266 million), including any replacement thereof. However, PGPCL had disputed the amount and had referred the matter to Dispute Resolution Mechanism in terms of OSA. The Dispute Resolution Mechanism has been completed and no amicable resolution is achieved. In terms of the clause 37 and 37.1 of the OSA, the matter has been referred to International Arbitration at London Court of International Arbitration (LCIA) on March 5, 2020 under the case number 204638. Accordingly, PLTL has not renewed the SBLC.

30.1.4.2 PLTL has entered into an Operation and Service Agreement (OSA) with Pakistan Gas Port Consortium Limited (the Operator). As per the terms of the above OSA, the Operator was required to achieve the commercial start date on or before July 1, 2017; failing which, PLTL is entitled to receive liquidated damages from the Operator @ USD 200,000 per day until new scheduled commercial start date (i.e. November 28, 2017) and thereafter @ USD 300,000/- per day until the commercial start date is achieved. The Commercial start date was delayed and actually achieved on January 4, 2018. Accordingly, PLTL has lodged a claim of liquidity damages to the Operator amounting to USD 30 million vide letter dated September 25, 2017 for the period of delay up to the new scheduled commercial start date. Another claim amounting USD 20.58 million (USD 9.8 million being provisional amount to be finalized upon delivery of deferred cargoes) was lodged on February 26, 2018 for the period of delay from the new commercial start date of November 28, 2017 till actual commercial start date for further delay in achieving commercial start date and claim for other damages. The Operator has disputed demand of PLTL and has opted for dispute resolution mechanism stipulated in OSA. The revised cargo was delivered on August 4, 2019 and payment thereof was made on September 3, 2019. The Dispute resolution mechanism has been completed and parties have not reached any amicable settlement. In terms of the clause 37 and 37.1 of the OSA, the matter has been referred to International Arbitration at London Court of International Arbitration (LCIA) on March 5, 2020, under the case number 204638.

During the financial year ended June 30, 2020, PLTL terminated the OSA with Pakistan Gas Port Consortium Limited (PGPCL) on October 14, 2019 with immediate effect due to persistent breach of PGPCL of its obligations under the OSA. PGPCL disputed the termination and invoked dispute resolution clause of OSA for amicable settlement of dispute. The dispute resolution mechanism could not achieve desired objective of amicable settlement, hence, matter was referred to International Arbitration at London Court of International Arbitration (LCIA) on February 28, 2020, under case number 204593. The London Court on International Arbitration (LCIA) has appointed Arbitration Tribunal and has merged the two arbitrations into one under Arbitration Case Number 204593. The relief sought by PGPCL against termination of OSA is to declare termination null and void and to ask PLTL to reimburse the legal cost. As per the Arbitral Tribunal timetable, the Arbitration Award is not expected before December 2022. In terms of the OSA, parties are required to continue to perform their respective obligations to the extent not affected by the relevant dispute. PLTL's management is confident of a favorable outcome in the Arbitration Award.

30.1.4.3 PLTL has agreed the terms of 'LNG Terminal Use and Regasification Agreement' (TURA) with Pakistan LNG Limited (PLL), an associated company, for providing the use of LNG Terminal (being acquired under OSA) to PLL for regasification of LNG. The terms of achieving commercial start date and liquidated damages as given in OSA are mutatis mutandis applicable to TURA. Accordingly, PLL has a right to claim liquidated damages from PLTL @ USD 200,000 per day until new scheduled commercial start date (i.e. November 28, 2017) and thereafter @ USD 300,000/- per day until the commercial start date (i.e. January 4, 2018). PLL has lodged its claim amounting USD 41.1 million of the same to PLTL vide its letter dated February 19, 2018. Since terms of TURA stipulate that PLTL is not liable to pay any amount of liquidated damages to PLL, until, the Operator makes such payment to PLTL under the OSA. Therefore, management believes that PLTL carries no exposure in respect of liquidated damages under TURA.

30.1.4.4 For tax years 2017-18, Deputy Commissioner Inland Revenue (DCIR) issued amended order under section 221(1) of the Income Tax Ordinance, 2001 (the Ordinance) by making following disallowances:

- Taxes paid / suffered at source amounting to Rs 9,825,811;
- Non consideration of reimbursed regasification charges amounting to Rs 4,892,556,464 as turnover for the purpose of calculating minimum tax under section 113 of the Ordinance; and
- Default surcharge amounting to Rs 4,796,002 under the provisions of section 205 of the Ordinance.

PLTL filed an appeal against the aforesaid order before the CIR (Appeals) who has accepted PLTL's arguments in respect of levy of turnover tax on regasification charges and dismissed the default surcharge. The Honourable CIR (Appeals) has remanded back the issue of non-allowance of tax credit aggregating to Rs 9.825 million to the DCIR for verification. The CIR (Appeals) also accepted the PLTL's contention that the DCIR was not justified to issue order under section 221 of the Ordinance by stating that it is clearly stated under section 210(i) of the Ordinance that written order is required to proceed on behalf of the Commissioner. However, since the demand was dismissed on different grounds of appeal, the said ground becomes academic in nature.

The Assistant Commissioner Inland Revenue (ACIR) has filed an appeal against the aforesaid order of CIR (Appeals) dated March 09, 2020 before the Appellate Tribunal Inland Revenue (ATIR), hearing of which is pending.

30.2	Commitments	Note	2020 (Rupees)	2019 (Rupees)
30.2.1	The Holding Company			
	Minimum work commitment	30.2.1.1	<u>6,083,320,227</u>	<u>8,916,199,843</u>

30.2.1.1 This represents the Holding Company's share in the minimum work commitments relating to non-operated Joint Operation and the Holding Company's own capital budget.

30.2.2 Inter State Gas Systems (Private) Limited (ISGS)

ISGS has entered into an investment agreement in respect of which it shall be subscribing for 940,000 shares in TAPI Pipeline Company Limited at a consideration of US\$ 10 per share. ISGS has already paid an amount of US\$ 2,481,003 in respect of third closings, while the fourth closing for subscription of 265,000 class A shares against an amount of US\$ 2,650,000 has not yet been paid.

30.2.3 Pakistan LNG Limited (PLL)

In accordance with the provisions of Master Sale and Purchase Agreement (MSPA), PLL is obliged to import one cargo of LNG per month from M/s. Gunvor and M/s. ENI SPA (the Sellers) for a period of 5 years and 15 years respectively from the start of commercial operation date.

30.2.4 Pakistan LNG Terminals Limited (PLTL)

In accordance with the provisions of OSA, PLTL shall pay to the Operator a capacity charge of USD 245,220 per day subject to the capped availability factor of each year and a flexibility charge at the rate of 25% of the applicable capacity fee subject to the utilization of more than agreed profile factor, from the date of commencement of commercial start date. Further, the Company had to provide standby letter of credit to the Operator equivalent to three (03) months capacity charge, including any replacement thereof.

There are no other material known contingencies or commitments as at reporting date.

	Note	2020 (Rupees)	2019 (Rupees)
31. SALES - NET			
Natural gas - gross sales		53,602,947,957	52,134,550,917
Sales tax		(7,777,394,678)	(7,570,691,048)
Excise duty		(770,219,266)	(783,260,834)
Natural gas - net sales		45,055,334,013	43,780,599,035
Crude oil		22,228,494,663	29,101,738,138
Liquefied petroleum gas - gross sales		5,157,032,051	5,753,973,064
Sales tax		(774,062,848)	(861,575,976)
Excise duty		(7,863,322)	(6,151,406)
Petroleum development levy		(138,811,160)	(159,018,335)
Liquefied petroleum gas - net sales		4,236,294,721	4,727,227,347
RLNG			
Sales tax	31.1	168,993,394,715	201,014,987,340
		(18,106,435,148)	(21,537,320,072)
		150,886,959,567	179,477,667,268
		<u>222,407,082,964</u>	<u>257,087,231,788</u>

- 31.1 As per the decision of the Economic Coordination Committee (ECC) vide case no. ECC-62/12/2018 dated May 30, 2018, the LNG margin of PLL was increased from 2.5% to 3.75% w.e.f. June 01, 2018. This equates to USD 25.85 million recoverable for the period from June 2018 to June 2020. However, implementation of the same is currently pending with OGRA. Once implemented, the margin will be recovered by PLL prospectively in future fiscal years.

Furthermore, RLNG sales include sales to SNGPL and SSGCL invoiced on provisional prices. There may be adjustment in revenue upon issuance of final RLNG price notification by OGRA for the respective month, impact of which cannot be determined at this stage for all costs. Any possible impact related to such adjustments will be adjusted in prospective periods.

32. Royalty and other levies are paid to the Government of Pakistan.

	Note	2020 (Rupees)	2019 (Rupees)
33. OPERATING EXPENSES			
Operating and other direct expenses	33.1, 33.3 & 33.4	140,133,244,412	179,053,062,919
Depreciation on property, plant & equipment	6.3	2,889,072,499	2,168,038,531
Depreciation on right of use asset	7	12,133,279,458	-
Amortization of development and production assets	10.2	3,024,966,936	1,630,172,043
Impairment	33.2 & 33.5	383,693,059	(291,526,168)
		<u>158,564,256,364</u>	<u>182,559,747,325</u>

	Note	2020 (Rupees)	2019 (Rupees)
33.1 Operating and other direct expenses			
Joint operation's operating expenses		139,827,264,014	167,379,094,745
Capacity, utilization and flexibility charges		<u>305,980,398</u>	<u>11,673,968,174</u>
		<u>140,133,244,412</u>	<u>179,053,062,919</u>
33.2 Impairment			
Impairment on property, plant and equipment	6.4	113,425,750	(404,491,461)
Impairment on development and production assets	10.3	270,267,309	9,047,598
Impairment on Inventory	13.1	-	(59,191,244)
Impairment on CWIP	6.6.2	-	163,108,939
		<u>383,693,059</u>	<u>(291,526,168)</u>

33.3 Under the Master Sales and Purchase Agreement ("MSPA") and the respective Confirmation Notices ("CN") signed with LNG Suppliers "Seller" of the Company, it is agreed that the Group "Buyer" shall make payment of invoices raised by the Seller and the Parties shall adjust port charges retrospectively upon availability of final Port Qasim Authority (PQA) invoices. The Group on the basis of legal opinion, is of the view that definition of "Port Charges", under the MSPA and CN, is restricted to Pilotage Fees (inclusive of towage charges) and any Monsoon Charges, and other charges which do not fall under this definition of "Port Charges" are the responsibility of the Seller, not the buyer (the Group).

During the period from November 24, 2017 to June 30, 2020, the LNG suppliers have claimed Port Charges which include certain components that do not fall under the definition of port charges as per interpretation of the management. The management, based on the above legal opinion, has disputed such charges and issued Debit Notes to respective term and spot suppliers for the recovery of such charges.

Total disputed recoverable amount on account of Port Charges from inception to June 30, 2020 is USD 24.5 million. The Group is pursuing the matter of 'Port Charges' with its LNG Suppliers of both term and spot cargoes.

33.4 As a result of the mandatory application of IFRS 16 - Leases by the Group in the current year, the fixed capacity charges fall under the ambit of the said accounting standard, whereby, these charges amounting to Rs. 13.6 billion have been treated as lease rentals for the purpose of valuation of right of use asset and the corresponding lease liability. Further details of the effects of application of IFRS 16 - Leases have been given in note 7 to the financial statements.

33.5 During the current year, the Group carried out impairment testing of its joint operations assets, as required under IAS 36 - 'Impairment of Assets' to assess whether there is any provision required on these assets. Based on the assessment, management has made a provision of impairment on property plant and equipment, development and production assets and respective Joint operations inventories as specified in above note.

The Group considers the relationship between international oil prices, production profiles, Petroleum Reserves and carrying value of its joint venture investments, amongst other factors, when reviewing for indicators of impairment. As at June 30, 2020, the estimates of future production profiles of producing / discovered fields within the Joint Operation have revised based on latest technical information, indicating a potential impairment of its joint venture investments.

For the purpose of carrying out impairment testing, each joint venture has been considered a separate cash generating unit and the recoverable value of the each joint operation investment has been separately determined and compared with the respective carrying value of the assets of that joint operation. The recoverable amount of the joint venture investment is based on 'value-in-use' computations. In assessing the value in use, estimated future cash flows are discounted to their present value, using LIBOR as an appropriate discount rate.

	Note	2020 (Rupees)	2019 (Rupees)
34. OTHER INCOME			
Income from financial assets			
Return on bank deposits		1,824,343,748	1,453,528,976
Return on term deposit receipts		2,492,356,525	1,164,761,305
Exchange loss		-	(39,220,887)
		<u>4,316,700,273</u>	<u>2,579,069,394</u>
Income from non financial assets			
Reversal of payable/accrued expenses	34.1	276,496,425	-
Adjustment of Sui's current account		-	53,588,609
Signature bonus		3,558,500	4,982,000
Gain on disposal of fixed assets		10,000	-
Others		220,000	27,325,179
		<u>4,596,985,198</u>	<u>2,664,965,182</u>

- 34.1 ILF Pakistan Private Limited (the Contractor) was the contractor for Engineering and Project Management Consultancy Services for Gwadar — Nawabshah Pipeline & Terminal Project as project was closed as per directions from Cabinet Committee on Emergency (CCE) through its decision on June 06, 2017 and was fully impaired by the Group in 2017.

During the year the Group has settled its disputed invoices with the Contractor and send the letter to get the confirmation over the settled amount, in response to that letter the Contractor has confirmed that only USD 54,440 will be payable to the contractor in respect of their USD outstanding balance and only PKR 121,997 will be paid to contractor in respect of their PKR balance. The Group has charged the settled amount as an other income during the year.

	Note	2020 (Rupees)	2019 (Rupees)
35. EXPLORATION AND PROSPECTING EXPENDITURE			
Cost of dry and abandoned wells	9	111,492,335	147,058,772
Prospecting expenditure	35.1	486,814,699	392,342,110
		<u>598,307,034</u>	<u>539,400,882</u>
35.1	These represent write offs of capitalized amounts to the consolidated statement of profit or loss which result from judgments made by the management in respect of probability of recovery of such capitalized expenditures.		

	Note	2020 (Rupees)	2019 (Rupees)
36. GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	36.1	760,316,215	558,540,806
TAPI-Project expenditure	36.5	1,833,722	3,783,948
RLNG/LNG-Project expenditure		-	-
North South Gas (NSG) Pipeline Project expenditure		1,850,301	3,043,506
Iran Pakistan Gas Pipeline Project	36.6	16,452,893	26,007,404
South North Gas Pipeline Project		-	118,293
Hub Nawabshah Gas Pipeline Project		-	33,650
Offshore Gas Pipeline Project		361,364	147,749
Travelling and conveyance		10,896,157	14,401,889
Repairs and maintenance		11,669,451	10,678,419
Rent		40,129,456	35,167,525
Communications		3,318,047	2,548,553
Utilities		19,926,409	16,008,457
Training and seminars		8,004,938	5,375,397
Printing and stationery		4,550,001	3,502,579
Advertisement		10,631,984	4,981,890
Entertainment		2,065,560	1,956,692
Legal and professional charges		73,635,610	27,776,693
Auditors' remuneration	36.7	5,455,130	5,205,050
Fee and subscription		2,709,448	2,792,790
Software maintenance fee		20,412,210	12,654,680
Insurance		14,267,735	10,561,279
Business Development		48,282,243	-
Internship Program of MOE		1,785,456	-
Corporate Social Responsibility		6,000,000	500,000
Amortization of intangible assets	8.1	22,163,445	9,543,734
Depreciation	6.3	29,024,729	23,995,401
Security services		16,478,292	16,650,771
Others		37,363,277	41,951,123
		<u>1,169,584,073</u>	<u>837,928,278</u>

- 36.1 Includes therein Rs. 99.381 million (2019: Rs. 75.425 million) in respect of post employment benefits.
- 36.2 The aggregate amounts charged in these consolidated financial statements for the remuneration of the Chief Executive Officer of the Holding Company, Directors and executives are as follows:

	Chief Executive Officer		Executives		Total	
	2020	2019	2020	2019	2020	2019
	Rupees					
Managerial remuneration	3,654,452	2,276,714	451,029,489	423,196,484	454,683,941	425,473,198
Bonus	-	-	24,000,882	14,420,468	24,000,882	14,420,468
Retirement benefits	197,270	-	82,116,005	71,992,263	82,313,275	71,992,263
	<u>3,851,722</u>	<u>2,276,714</u>	<u>557,146,376</u>	<u>509,609,215</u>	<u>560,998,098</u>	<u>511,885,929</u>
No. of persons	<u>1</u>	<u>-</u>	<u>77</u>	<u>49</u>		

- 36.3 Fee paid to non-executive directors for attending the Board of Directors meetings amounted to Rs 20,300,000 (2019: Rs. 12,500,000).

- 36.4 The amount includes expense amounting Rs. 1,385,300 accrued on account of remuneration of the Chief executive of the Company from the date of his appointment i.e. June 19, 2020. The expense also includes additional charge allowance paid to acting MD & CEO of the Company amounting 2,466,422 for the period July 01, 2019 till June 18, 2020.

36.5	TAPI Project expenditure	Note	2020 (Rupees)	2019 (Rupees)
	Consultancy services			
	- Local		1,312,216	488,745
	Travelling expenses			
	- Foreign		45,948	2,606,300
	- Local		33,394	47,000
	- Foreigner visits to Pakistan		-	423,103
	Advertisement and promotional conferences		395,591	218,800
	Miscellaneous expenses		46,573	-
			<u>1,833,722</u>	<u>3,783,948</u>
36.6	Iran Pakistan Gas Pipeline Project			
	Consultancy services		15,561,335	25,842,878
	Travelling expenses		891,558	164,526
			<u>16,452,893</u>	<u>26,007,404</u>
36.7	Auditors' remuneration			
	Holding Company			
	Statutory audit fee		1,416,360	1,405,800
	Out of pocket expenses		184,520	120,000
			<u>1,600,880</u>	<u>1,525,800</u>
	Subsidiaries			
	Statutory audit fee		3,636,600	3,509,000
	Out of pocket expenses		217,650	170,250
			<u>3,854,250</u>	<u>3,679,250</u>
			<u>5,455,130</u>	<u>5,205,050</u>
37.	OTHER EXPENSES			
	Exchange loss - Net		372,941,321	7,126,981,032
	Exchange loss on translation of lease liability		4,502,369,890	-
	Provision for windfall levy on oil/condensate		1,328,505,943	3,759,411,028
	Loss on assets write off		415,405	-
	Bad debts		320,483	-
			<u>6,204,553,042</u>	<u>10,886,392,060</u>

Interest expense on lease liability	7	3,408,763,996	-
Unwinding of discount on provision for decommissioning	25.1	164,716,167	199,331,913
Unwinding of discount on long term liability	23.2	94,999,285	116,569,297
Discount of long term liability	23.2	268,567,794	22,582,927
Interest on forced loan		8,363,048	34,649,956
Bank charges		6,825,633	9,068,531
		3,952,235,923	382,202,624
39. TAXATION			
Current		20,504,873,209	21,109,804,609
Prior		2,093,470,320	(36,537,749)
Deferred		(3,922,358,636)	845,151,373
		18,675,984,893	21,918,418,233
39.1 Reconciliation of tax charge for the year:			
Accounting profit		48,454,499,836	56,097,774,377
Tax at the applicable rate of 40% (2019: 40%)		19,381,799,934	22,439,109,751
Tax effect of:			
Inadmissible expenditure for tax purposes		3,359,594,112	2,871,719,359
Tax incentives allowable for petroleum business		(3,350,137,678)	(3,531,746,831)
Accelerated tax depreciation for tax purposes		(1,666,299,384)	(2,618,307,819)
Adjustable non-petroleum income chargeable @ 29% (2019: 29%)		(513,339,038)	(355,796,766)
Tax effect of prior years		2,093,470,320	(36,537,749)
Super tax @ 0% (2019: 2%)		-	924,856,604
Tax effect of amounts that are taxable separately		3,293,255,263	1,379,970,311
Tax impact of deferred tax charged at effective tax rate		(3,922,358,636)	845,151,373
		(706,815,041)	(520,691,518)
		18,675,984,893	21,918,418,233
40. EARNINGS PER SHARE - BASIC AND DILUTED			
Profit after taxation for the year		29,778,686,037	34,180,062,787
Average number of shares outstanding during the year		2,088,512,092	2,051,921,782
Earnings per share - basic (Rupees)		14.26	16.66

40.1 There is no dilutive effect on the earnings per share of the Holding company.

41. FINANCIAL INSTRUMENTS

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

- Credit risk
- Liquidity risk
- Market risk

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

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

The Group's financial liabilities comprise of long term liability on account of carried cost and trade and other payables. The Group's financial assets comprise of trade debts, advances, deposits, other receivables, interest accrued, long-term investment and long-term loan, short-term investments and cash and bank balances that are generated directly from its operations.

The Group's management oversees the management of these risks to provide assurance that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group policies and Group risk bearing capacity. The Group does not carry out transactions involving derivatives.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, 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 Group's Audit & Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risk faced by the Group. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit & Risk Management Committee.

41.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. Group's credit risk is primarily attributable to its trade debts, short term investments, long term loan, advances, other receivables, deposits and its balances at banks.

The credit risk related to balances with banks, in term deposits and saving accounts, are managed in accordance with the Group's policy with approved financial institutions and within the limits assigned in accordance with the counter party risk policy. The credit risk on trade debts is minimal as the Group has long established relationship with the counter parties, which are mainly state owned enterprises, and management does not expect non-performance by these counter parties on their obligations to the Group.

Exposure to credit risk

The Group's maximum exposure to credit risk for the components of consolidated statement of financial position at June 30, 2020 and 2019 is equal to the carrying amounts of financial assets as given below;

	2020 (Rupees)	2019 (Rupees)
Long term loan	4,768,695	7,698,342
Trade debts - net	129,185,481,819	113,350,621,774
Loan, advances and other receivables	210,878,000	216,955,897
Security deposits	785,250	785,250
Interest accrued	591,352,025	296,055,603
Short-term investments	24,000,000,000	18,260,000,000
Bank balances	9,434,487,958	10,789,463,541
	163,427,753,747	142,921,580,407

Impairment losses

The aging of trade debts at the reporting date is as follows:

	Neither past due nor impaired	Past due but not impaired			Past due and impaired	Total
		Upto three months	Three to six months	More than six months	More than six months	
2020	41,407,589,744	11,190,402,682	14,596,761,604	61,990,727,788	4,604,647,534	133,790,129,352
2019	15,523,779,050	44,723,934,358	14,657,618,634	38,445,289,732	4,604,647,534	117,955,269,308

Party wise aging of trade debts other than related parties at reporting date is as under:

2020	Neither past due nor impaired	Past due but not impaired			Past due and impaired	Total
		Upto three months	Three to six months	More than six months	More than six months	
Party name						
ARL	1,503,807,095	817,378,915	498,192,650	437,810,221	-	3,257,188,861
NRL	236,816,489	292,842,877	10,658,275	133,967,000	1,735,852	678,020,493
OPI	(18,408,753)	37,916,728	(1,428,918)	(58,213,071)	-	(38,134,014)
PRL	208,624,397	359,063,016	69,787,263	-	-	637,474,676
FON GAS	4,403,668	-	-	-	-	4,403,668
HASCOL	10,554,210	(6,407,867)	(15,689,563)	(3,357,980)	-	(14,801,200)
ENGRO	85,281,960	6,693,591	-	6,310,824	-	98,286,375
UEPL	-	93,302,947	27,993,797	-	-	121,296,744
Burshane	(2,562,226)	19,759,669	(3,667,763)	(19,165,156)	-	(5,635,466)
POL	(1,714,285)	41,933,970	18,909,938	(53,683,583)	-	5,446,040
Bukhari Gas	6,258,181	9,099,470	10,894,497	(28,997,326)	-	(2,745,178)
Hi-Tech Pipe	5,976,445	737,964	1,962,887	-	-	8,677,296
EGAS	-	11,274,176	33,698,704	79,470,861	-	124,443,741
	2,039,037,179	1,683,595,456	651,411,777	496,141,790	1,735,852	4,871,922,064

Party wise aging of trade debts of related parties at reporting date is as under:

2020	Neither past due nor impaired	Past due but not impaired			Past due and impaired	Total
		Upto three months	Three to six months	More than six months	More than six months	
Party name						
SNGPL	32,641,333,190	2,416,284,905	2,971,298,058	22,863,516,562	357,740,638	61,250,173,353
SSGCL	6,072,838,197	7,044,773,389	10,946,000,693	38,599,382,253	4,245,171,044	68,908,165,676
PARCO	373,904,488	15,094,727	-	6,337,381	-	395,336,596
ENAR	10,084,953	-	-	-	-	10,084,953
OGDCL	239,102,047	-	-	8,628,096	-	247,730,143
PPL	31,289,690	30,654,205	28,051,076	16,721,706	-	106,716,677
	39,368,552,565	9,506,807,226	13,945,349,827	61,494,585,998	4,602,911,682	128,918,207,298

Party wise aging of trade debts other than related parties at reporting date is as under:

2019	Neither past due nor impaired	Past due but not impaired			Past due and impaired	Total
		Upto three months	Three to six months	More than six months	More than six months	
Party name						
ARL	3,520,505,495	937,453,844	6,246,454	391,200,438	-	4,855,406,229
NRL	380,051,978	19,804,025	-	50,175,788	1,735,852	451,767,644
OPI	21,045,763	9,526,895	(5,303,205)	(51,517,171)	-	(28,247,718)
PRL	520,789,553	90,358,761	-	-	-	611,148,314
ENGRO	56,742,666	33,887,917	-	6,310,824	-	96,941,407
Burshane	7,657,158	5,153,005	(5,408,935)	(14,828,166)	-	(7,226,936)
Bukhari Gas	6,066,585	12,133,146	(5,529,549)	(17,945,680)	-	(5,255,496)
PARCO PEARL	673,821	-	-	-	-	673,821
PYRAMID GAS	6,619,130	6,042,114	-	7,890,486	-	20,551,730
EGAS	18,852,253	25,963,542	16,478,480	7,320,222	-	68,614,497
	4,786,793,547	1,156,661,736	(2,180,085)	371,253,159	1,735,852	6,324,264,199

Party wise aging of trade debts of related parties at reporting date is as under:

2019	Neither past due nor impaired	Past due but not impaired			Past due and impaired	Total
		Upto three months	Three to six months	More than six months	More than six months	
Party name						
SNGPL	3,064,320,030	36,097,748,523	2,763,702,807	11,932,305,840	357,740,838	54,205,817,838
SSGCL	6,525,687,873	7,186,203,862	11,910,287,874	26,006,502,919	4,245,171,044	55,873,853,272
PARCO	823,878,452	-	-	6,337,381	-	830,215,833
ENAR	20,777,481	-	-	-	-	20,777,481
OGDCL	234,034,391	219,974,317	(4,192,052)	126,880,433	-	578,707,089
PPL	58,287,476	63,346,120	-	-	-	121,633,596
	10,726,985,503	43,587,272,822	14,659,798,729	38,074,036,573	4,602,911,882	111,831,005,109

The Group believes that the recovery of receivable balances of Rs. 4,804,647,534 (2019: 4,804,647,534) is doubtful of recovery due to financial difficulties of oil & gas buyers and the remaining receivable balances do not require provision for impairment.

The Group has investment of TDR having maturity date of upto 3 month in different banks which have credit rating of A1+ and A-1+.

The Group has maintained deposit accounts with different banks having credit rating as mentioned below:

		2020 (Rupees)	2019 (Rupees)
A 1+	PACRA	7,307,768,930	9,402,678,578
A-1+	JCR-VIS	2,126,719,028	1,386,784,963
		9,434,487,958	10,789,463,541

41.2 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulties in raising funds to meet commitments associated with financial instruments. Since Group has sufficient assets against its liabilities, and being a subsidiary of the GoP it does not have any significant liquidity risk.

The maturity profile of the Group's financial assets and liabilities based on at June 30, 2020, is summarized below:

2020	Effective yield/ Interest Rate	Markup/ Interest bearing	Non markup/ Interest bearing	Total
Financial assets	%		Rupees	
Maturity up to one year				
Short term vehicle loans to staff	-	-	4,335,906	4,335,906
Trade debts - net	-	-	129,185,481,819	129,185,481,819
Loans, advances and other receivables	-	-	210,878,000	210,878,000
Deposits	-	-	785,250	785,250
Interest accrued	-	-	591,352,025	591,352,025
Short-term investments	7.14-12.60	24,000,000,000	-	24,000,000,000
Bank balances	4-13.35	9,434,891,467	-	9,434,891,467
Maturity after one year:				
Long-term loan	-	-	4,768,695	4,768,695
		33,434,891,467	129,997,601,695	163,432,493,162

Financial liabilities

Maturity up to one year

Trade and other payables	-	-	12,515,549,922	12,515,549,922
Current portion of long term liability	-	-	794,851,274	794,851,274
Lease liability	2.21	146,949,150,079	-	146,949,150,079
GOP Payable - ITFC Agreement	-	-	22,098,287,921	22,098,287,921

Maturity after one year:

Long term liability	-	-	4,188,263,503	4,188,263,503
Lease liability - current portion	2.21	11,090,702,603	-	11,090,702,603
		<u>158,039,852,682</u>	<u>39,596,952,620</u>	<u>197,636,805,302</u>

Off balance sheet items:

Capital expenditure commitments	-	-	6,083,320,227	6,083,320,227
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2019	Effective yield/ Interest Rate	Markup/ Interest bearing	Non markup/ Interest bearing	Total
Financial assets	%		Rupees	
Maturity up to one year				
Long term vehicle loans to staff	-	-	6,594,047	6,594,047
Trade debts - net	-	-	113,350,621,774	113,350,621,774
Loans, advances and other receivables	-	-	216,955,897	216,955,897
Deposits	-	-	785,250	785,250
Interest accrued	-	-	296,055,603	296,055,603
Short-term investments - Restricted	11.25-12.75	18,260,000,000	-	18,260,000,000
Bank balances	4 - 12.60	10,789,463,541	-	10,789,463,541
Maturity after one year:				
Long-term loan	-	-	7,698,342	7,698,342
		<u>29,049,463,541</u>	<u>113,878,710,913</u>	<u>142,928,174,454</u>
Financial liabilities				
Maturity up to one year				
Trade and other payables	-	-	31,086,128,618	31,086,128,618
Current portion of long term liability	-	-	971,546,027	971,546,027
Lease liability - current portion	-	-	-	-
Maturity after one year:				
Long term liability	-	-	4,122,651,375	4,122,651,375
Lease liability	-	-	-	-
		<u>-</u>	<u>36,180,326,020</u>	<u>36,180,326,020</u>
Off balance sheet items:				
Capital expenditure commitments	-	-	8,916,199,843	8,916,199,843

41.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three type of risks; interest rate risk, foreign exchange risk and other price risk. Financial instruments affected by market risk include trade debts, balances held in banks in saving and term deposits, long term liability in respect of carried interest and payable to Joint Venture partners.

Interest rate risk

Interest / mark-up rate risk management is the risk that the value of a financial instrument will fluctuate due to changes in interest rate. The Group does not have interest bearing financial liability; therefore, it does not have any interest rate/mark-up risk in respect of financial liabilities. The Group has invested in fixed interest bearing securities in the form of term deposit receipts during the year. Further the Group has bank balances in deposit accounts that carry variable interest rates as mentioned in Note 19. Further the Group has bank balances in deposit accounts that carry variable interest rates, as mentioned in Note 20.1.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk in changes in foreign exchange rates relates primarily to the trade debts, long term liability in respect of carried interest and payable to Joint Venture Operators. At the date of statement of financial position, the net foreign currency exposure aggregates to USD 29.95 million (2019: USD 22.44 million).

Foreign currency denominated financial assets and liabilities, translated into Pak Rupees at the closing rate, are as follows:

	2020 (USD)	2019 (USD)
Financial assets		
Short term exposure		
Trade Debts - net	29,533,278	41,086,989
Foreign currency deposit accounts	-	378
	<u>29,533,278</u>	<u>41,087,367</u>
Financial liabilities		
Short term exposure		
Due to Joint operators	(74,430,865)	(32,509,089)
Current portion shown under current liabilities	(4,727,037)	(5,915,044)
Trade and other payables	(43,384,654)	(132,570,826)
Lease liability - current portion	(65,957,197)	-
GOP Payable - ITFC Agreement	(131,420,089)	(89,413,870)
Long term exposure		
Due to the Joint operators	(24,907,901)	(25,099,856)
Lease liability	(873,917,039)	-
	<u>(1,218,744,782)</u>	<u>(265,508,485)</u>
Net exposure to foreign currency risk	<u>(1,189,211,504)</u>	<u>(224,421,118)</u>
	2020 (Rupees)	2019 (Rupees)
Financial assets		
Short term exposure		
Trade Debts - net	4,966,020,646	6,748,538,020
Foreign currency deposit accounts	-	62,087
	<u>4,966,020,646</u>	<u>6,748,600,107</u>
Financial liabilities		
Short term exposure		
Due to Joint Venture operators	(5,019,615,635)	(5,339,617,913)
Current portion shown under current liabilities	(794,851,274)	(871,546,027)
Trade and other payables	(7,295,129,574)	(21,774,725,307)
Lease liability - current portion	(11,090,702,603)	-
GOP Payable - ITFC Agreement	(22,098,287,921)	(11,401,228,198)
Long term exposure		
Due to the Joint Venture operators	(4,188,263,503)	(4,122,651,375)
Lease liability	(146,949,150,079)	-
	<u>(197,436,000,589)</u>	<u>(43,609,768,820)</u>
Net exposure to foreign currency risk	<u>(192,469,979,943)</u>	<u>(36,861,168,713)</u>

The following note illustrates the sensitivity of the net result for the period and equity with regards to the Group's financial assets and liabilities and US Dollar - Pak Rupee exchange rate.

The following significant exchange rates applied during the year:

Average rate		Reporting date spot rate	
June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
(Pak Rupees)			
158.26	136.10	168.15	164.25

Foreign currency sensitivity

A 10% strengthening of the functional currency against USD at June 30, 2020 would have increased profit or loss by Rs. 19.246 million (2019: Rs. 3.687 million). A 10% weakening of the functional currency against USD at June 30, 2020 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

	Note	2020 (Rupees)	2019 (Rupees)
41.4 Financial instruments by category			
Financial assets			
Amortized cost			
Short term investment	19	24,000,000,000	18,260,000,000
Long-term loan	11	4,768,695	7,898,342
Trade debts - net	15	129,185,481,819	113,350,621,774
Loans, advances and other receivables		210,878,000	216,955,897
Deposits	17	785,250	785,250
Cash and bank balances	20	9,434,891,467	10,789,846,261
Interest accrued	18	591,352,025	296,055,603
		163,428,157,256	142,921,983,127
Financial liabilities - at amortized cost			
Long term liability	23	4,983,114,777	5,094,197,402
Trade and other payables	27	12,515,549,922	31,086,128,618
GOP Payable - ITFC Agreement		22,098,287,921	11,401,228,198
Lease liability		158,039,852,682	-
		197,636,805,302	47,581,554,218

41.5 Fair value of financial assets and liabilities

The carrying value of financial assets and liabilities approximates their fair value.

41.6 Capital management

The Group's objective when managing capital is to safeguard the Group's ability to remain as a going concern and continue to provide return for GoP. The Group is solely financed by the shareholders' equity.

The Group 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 Group may adjust the amount of dividend paid to GoP and/or issue new shares.

42. TRANSACTIONS WITH RELATED PARTIES

The Group is controlled by Government of Pakistan. Therefore, all entities owned and controlled by the Government of Pakistan are related parties of the Group. Other related parties comprise associated company, directors, companies with common directorship, key management personnel and employees pension trust. The Group 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 following note. Transactions of the Group with related parties and balances outstanding at the year end are as follows:

	Note	2020 (Rupees)	2019 (Rupees)
Major shareholders			
Government of Pakistan			
Dividend paid		5,000,000,000	5,000,000,000
Others			
Other related parties			
Remuneration to Executive directors	38.2	3,854,452	2,276,714
Post employment benefits		197,270	-

	Note	(Rupees)	(Rupees)
Receivable / (Payable) balance			
Gratuity fund		(63,836,931)	(53,833,799)
Provident fund		(8,539,893)	(3,805,501)
Related parties by virtue of common directorship and GoP holdings			
Pak Arab Refinery Company Limited			
Sale of crude oil - Transaction		3,122,657,636	4,114,192,162
Trade debts as at 30 June - Balance		395,336,596	830,215,833
Sui Northern Gas Pipelines Limited			
Sale of natural Gas / RLNG - Transaction		166,768,906,147	194,013,787,190
Trade debts as at 30 June - Balance		61,250,173,353	53,589,802,036
Sul Southern Gas Company Limited			
Sale of natural Gas / RLNG - Transaction		37,512,102,473	37,011,626,099
Trade debts as at 30 June - Balance		66,908,165,576	55,873,853,272
Enar Petrotech Services Limited			
Sale of crude oil - Transaction		90,826,482	141,249,782
Trade debts as at 30 June - Balance		10,084,953	20,777,481
Oil and Gas Development Company Limited			
Cash calls paid against JO expenses - Transaction		4,423,345,503	4,294,550,499
Pakistan Petroleum Limited			
Cash calls paid against JO expenses - Transaction		2,918,226,144	3,104,478,584

43. CASH AND CASH EQUIVALENTS

Cash and bank balances	20	9,434,891,467	10,789,846,261
Short term investment	19.1.1	18,000,000,000	12,260,000,000
		27,434,891,467	23,049,846,261

44. NUMBER OF EMPLOYEES

	Holding Company	Subsidiaries	Holding Company	Subsidiaries
	2020		2019	
Number of employees at year end	61	66	53	68
Average number of employees	57	68	52	69

45. STAFF PROVIDENT FUND

Investment of the Funds has been made in accordance with the provision of section 218 of the Companies Act, 2017 and rules formulated for this purpose.

46. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison. However, no reclassification is considered material enough to be disclosed separately.

47. DATE OF AUTHORIZATION OF ISSUE

These consolidated financial statements have been authorized for issue by the Board of Directors of the Holding Company in its meeting held on April 30, 2021.

48. IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

During the year ended June 30, 2020, the World Health Organization declared Coronavirus Disease (COVID-19) a pandemic, and recommended containment and mitigation measures worldwide.

In order to contain the spread of COVID-19, the Federal and Provincial Governments of Pakistan, among other measures, imposed country wide lockdown from the end of March 2020 that caused downturn in economic activity and disruption to various businesses including the Oil & Gas Sector. Production from major Oil producing fields / blocks had to be temporarily curtailed as a result of reduced oil demand in the country. Further, international Oil prices plunged to record lows, due to oversupply and a drop in global demand.

The pandemic reached its peak in Pakistan in mid - June 2020 with the situation gradually improving thereafter. Currently, with the containment of the disease within the country and revival of economic activity, the Oil volumes have nearly reached the pre-COVID level. International Oil prices are also gradually recovering and are expected to further improve as the global demand picks up with betterment in COVID-19 situation.

The Pakistani currency also depreciated against US Dollar following COVID -19. While the devaluation has a potentially adverse impact on costs, it has a positive effect on the Groups's revenues.

The Management has carried out assessment of the financial impact of the COVID-19 on the carrying amount of the Groups's assets, liabilities, income and expenses and has concluded that there are no material implications of COVID -19 that require specific disclosure in the Financial Statements.

49. GENERAL

49.1 Capacity and production - the Holding Company

Product	Unit	Production for the year	
		2020	2019
Gas	Mmscf	85,932	94,300
Oil	Bbl	2,832,706	3,301,834
LPG	Metric ton	66,283	72,141

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

49.2 Figures in these consolidated financial statements have been rounded off to the nearest Pak rupee.



Chief Executive Officer



Director