GOVERNMENT HOLDINGS (PRIVATE) LIMITED
ANNUAL REPORT
FINANCIAL YEAR 2016-17

GOVERNMENT HOLDINGS
(PRIVATE) LIMITED
Ministry of Energy (Petroleum Division)
Petroleum House, Floors (5th A & 7th), Ataturk Avenue, G-5/2, Islamabad. PABX: 9211236-37, 9211239-40,9213976, Fax: 9213972, 9211249

CONTENTS

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.

CORE VALUES

Professional Competence

Creative and Proactive

Ethical Behaviour and Integrity

Authority with Responsibility

Accountability

COMPANY INFORMATION

Board of Directors

Mr. Mobin Saulat
(Incumbent CEO / MD)

Mr. Shahid Islam
(Retired CEO / MD)
Tenure completed on Sep 24, 2017

Mr. Furqan Bahadur
(Non-Executive Director)

Syed Ghazanfar Abbas Jilani
(Non-Executive Director)

Syed Tauqir Hussain
(Non-Executive Director)

Mr. Shahid Yousaf
(Non-Executive Director)

Mr. Muneer Kamal
(Independent, Non-Executive Director)

Company Secretary / Acting CFO

Mr. Muhammad Arif

Auditors

Deloitte Yousuf Adil
Chartered Accountants

Tax Advisors

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

Bankers

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

Legal Advisors

Rahman & Associates
Attorneys at law & Corporate Counsel

COMMITTEES OF THE BOARD

The Board has constituted three Committees namely (i) Board Audit & Risk Management Committee, (ii) Board HR and Procurement Committee and (iii) Board Corporate Social Responsibility Committee for effective governance of the Company.

Board Audit & Risk Management Committee

Composition

Mr. Muneer Kamal	Chairman
Mr. Noor Ahmed	Member
Mr. Shahid Islam	Member
Syed Tauqir Hussain	Member

Terms of Reference

The Terms of Reference of the Board Audit & Risk Management Committee include the following:

Audit

- 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 arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary)
- Review of management letter issued by external auditors and management's response thereto;
- 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.

Compliance

- 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 & Risk Management Committee.
- Review and evaluate, atleast annually, the performance of the Committee, including compliance by the Committee with this Charter.
- Review and assess, at least annually, the adequate of this Charter and submit any proposed changes to the Board for approval.
- Review resources assigned to the Compliance program to assess their adequacy relative to the program's effectiveness.
- Receive such reports of relevant conduct, misconduct, and other issues as appropriate to the Committee.
- Perform any other activities consistent with this Charter, and the Company's Bylaws and Certified of Incorporation, as the Committee may deem necessary or appropriate for the fulfillment of its responsibilities under this charter or as required by applicable law or regulation, or as may be determined by the Board.
- Do every other act incidental to, arising out of or in connection with, or otherwise related to the authority granted to the Committee hereby or the carrying out of the Committee's duties and responsibilities hereunder.

- Notwithstanding any of the foregoing, the legal liability of any of the Committee members shall not be greater than that of other members of the Board.

Finance and Risk Management

- 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.
- Considering of any other issue or matter as may be assigned by the Board of Directors.

Board **HR & Procurement** Committee

Composition

Syed Tauqir Hussain	Chairman
Mr. Muneer Kamal	Member
Mr. Shahid Islam	Member

Terms of Reference

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

- Review organization structure periodically to:
  - 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 the employees' development systems to ensure that it:
  - Foresees the company's senior management requirements.
  - Provides for early identification and development of key personnel.
  - Brings forward specific succession plans for senior management positions.
  - Training and development plans.
- Compensation and Benefits:
  - 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.
- Procurement:
  - Review and recommend Annual Procurement Plan of the Company and required budget.
  - Ensure the compliance of the PPRA Rules by the Management while procuring goods, services and consultancy.
  - Review the Annual Report of the procurements made during the year and compliance with PPRA Rules.

Board **Corporate Social Responsibility** Committee

Composition

Mr. Shahid Islam	Chairman
Mr. Muneer Kamal	Member
Syed Tauqir Hussain	Member

Terms of Reference

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

- Ensure that effective system is in place to monitor and manage compliance with the CSR policy of the Company
- Recommend CSR budget for approval of the Board
- 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 AND COMMITTEE MEETINGS

Name of Director	Remuneration	Board of Directors		Board Audit & Risk Management Committee		Board HR & Procurement Committee		Board Corporate Social Responsibility Committee	
	(Rupees)	Meetings	Attendance	Meetings	Attendance	Meetings	Attendance	Meetings	Attendance
Mr. Furqan Bahadur Khan	437,500	7	7	-	-	-	-	-	-
Mr. Shahid Islam	-	7	6	1	1	1	1	1	1
Mr. Muneer Kamal	62,500	7	0	1	1	1	0	1	0
Syed Tauqir Hussain	625,000	7	7	1	1	1	1	1	1
Mr. Shahid Yousaf	437,500	7	7	-	-	-	-	-	-
Syed Ghazanfar Abbas Jilani	187,500	4	3	-	-	-	-	-	-
Mr. Noor Ahmed	-	3	0	1	0	1	0	-	-
Dr. Omar Jahangir	62,500	3	1	-	-	-	-	-	-
Mr. Sabino Sikandar Jalal	-	2	2	-	-	-	-	-	-

**Meeting held during the period concerned Directors were on the Board.*

EXECUTIVE SUMMARY

- Company's revenue increased by 3% from Rs. 46.58 billion to Rs. 48.01 billion due to moderate recovery in International Oil Prices and increase in Oil, Gas and LPG Production.
- The Gross Profit increased from Rs. 28.2 billion in 2015-16 to Rs. 30.3 billion mainly on account of increase revenue and decrease in Operating expenses.
- The Net Profit after tax increased by 12% from Rs. 18.1 Billion to Rs. 20.3 Billion.
- The Earnings per share (EPS) improved from Rs. 9 to Rs. 10.
- Production during the year under review averaged at 253 MMscfd (2015-16: 240 MMscfd) of gas, 9,001 bpd (2015-16: 8,706 bpd) of oil, and 125 MT (2015-16: 113 MT) of LPG per day.
- Ten new discoveries added 55.6 BCF of Gas and 0.8 MMBBLS of Oil to the Company's reserve base.

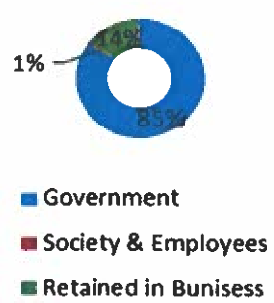
STATEMENT OF VALUE ADDITION

	2016-17 Rs. Billion	2016-17 %	2015-16 Rs. Billion	2015-16 %
Gross Revenue	54.3	107%	53.0	110%
Less: Operating, G&A and Exploration Expenses	(6.8)	-13%	(6.8)	-14%
	47.5	93%	46.3	96%
Add: Income from Financial Assets	2.0	4%	2.4	5%
Income from Non-Financial Assets	1.6	3%	0.0	0%
Less: Other Expenses	(0.2)	0%	(0.5)	-1%
Total Value Added	**50.9**	**100%**	**48.1**	**100%**
DISTRIBUTED AS FOLLOWS:				
Employees Remuneration and Benefits	0.2	0%	0.1	0%
Government as:				
Company Taxation	11.9	23%	11.2	23%
Levies - Sales Tax	5.4	11%	5.7	12%
Excise Duty	0.8	2%	0.8	2%
Windfall Levy	0.0	0%	0.0	0%
Royalty	5.1	10%	5.0	10%
Dividends*	20.0	39%	15.0	31%
	43.3	85%	37.6	78%
To Society	0.0	0%	0.0	0%
Retained in Business:				
Depreciation	2.9	6%	2.8	6%
Amortization	2.1	4%	2.0	4%
Impairment	2.1	4%	2.5	5%
Net Earnings	0.3	1%	3.1	6%
	7.4	14%	10.4	22%
Total Value Added	**50.9**	**100%**	**48.1**	**100%**

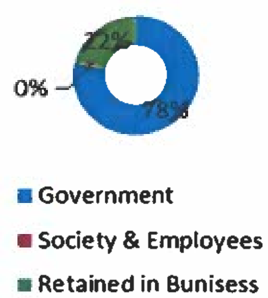
**Includes final cash dividend recommended by the Board of Directors subsequent to the year end.*

Distribution of Value Added

2016-17



2015-16



SIX YEARS PERFORMANCE

		2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
				Rupees in Bilion			
Financial Results							
Sales - Gross	Rs. Billion	49.1	53.7	61.5	58.8	53.0	54.3
Sales - Net	Rs. Billion	44.1	48.8	56.4	53.1	46.6	48.0
Gross Profit	Rs. Billion	33.8	37.7	41.9	35.4	28.2	30.3
Other Income	Rs. Billion	1.0	1.3	2.1	3.2	2.4	3.6
Profit before Taxation	Rs. Billion	33.9	37.6	38.0	37.9	29.2	32.2
Profit after Taxation	Rs. Billion	21.0	24.0	25.8	24.3	18.1	20.3
Financial Position							
Share Capital	Rs. Billion	0.3	0.3	0.3	0.3	0.3	20.3
Unappropriated Profit	Rs. Billion	42.6	49.8	29.8	45.6	3.6	3.9
Appropriated Profit (Reserves)	Rs. Billion	-	-	31.2	31.2	76.2	56.2
Long term liability	Rs. Billion	1.7	2.0	2.1	3.9	3.9	3.9
Deferred taxation	Rs. Billion	3.7	5.6	6.0	5.6	5.9	7.2
Provision for decommissiong cost	Rs. Billion	3.5	3.8	4.4	5.2	5.4	5.1
Non Current Liabilities	Rs. Billion	9.0	11.4	12.5	14.7	15.3	16.2
Current Liabilities	Rs. Billion	3.0	3.7	6.3	13.1	5.4	22.0
Total Equity & Liabilities	Rs. Billion	54.7	65.0	80.1	104.9	100.8	118.6
Fixed Assets	Rs. Billion	23.8	29.7	36.0	42.9	47.0	47.7
Long term investment & Loan	Rs. Billion	1.8	2.2	2.3	2.4	2.8	3.1
Trade Receivables	Rs. Billion	20.5	20.0	17.2	20.3	33.2	28.8
Cash & Cash Equivalent	Rs. Billion	7.3	11.4	21.9	35.6	14.6	35.5
Other Current Assets	Rs. Billion	1.4	1.7	2.7	3.6	3.2	3.5
Total Assets	Rs. Billion	54.7	65.0	80.1	104.9	100.8	118.6
Key Indicators							
Profitability							
Gross Profit Margin	%	77%	77%	74%	67%	60%	63%
Net Profit Margin	%	48%	49%	46%	46%	39%	42%
Return on equity	%	54%	52%	46%	35%	23%	25%
Return on capital employed	%	72%	66%	56%	46%	31%	34%
Operating Performance/ Liquidity							
Total assets turnover	Times	0.89	0.82	0.78	0.57	0.45	0.44
Fixed assets turnover	Times	1.93	1.83	1.72	1.35	1.04	1.01
Debtor turnover	Times	2.45	2.41	3.04	2.84	1.74	1.55
Debtor turnover	Days	149	151	120	129	210	236
Current ratio	Times	9.88	9.04	6.62	4.53	9.37	3.08
Cash to Current Liabilities	Times	2.47	3.12	3.47	2.71	2.68	1.61
Investment							
Cash Dividend	Rs. Billion	13.0	16.8	14.5	8.5	15.0	20.0
Earnings per Share	Rupees	10	12	13	12	9	10
Dividend Payout Ratio	%	62%	70%	56%	35%	83%	98%
Contribution to National Exchequer							
Total Contribution	Rs. Billion	36.1	39.6	37.8	32.7	38.1	41.5

VERTICAL & HORIZONTAL ANALYSIS

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Vertical Analysis						
Profit & Loss Account						
Sales - Net	100%	100%	100%	100%	100%	100%
Cost of Sales	-23%	-23%	-26%	-33%	-40%	-37%
Gross Profit	77%	77%	74%	67%	60%	63%
Other Income	2%	3%	4%	6%	5%	7%
Exploration & Prospecting Expenditure	-1%	-1%	-2%	0%	-1%	-2%
G&A and other expenses	-1%	-1%	-8%	-1%	-1%	-1%
Profit before Taxation	77%	77%	67%	71%	63%	67%
Taxation	-29%	-28%	-22%	-26%	-24%	-25%
Profit after Taxation	48%	49%	46%	46%	39%	42%
Balance Sheet						
Share Capital &Reserves	78%	77%	76%	73%	79%	68%
Non Current Liabilities	16%	17%	16%	14%	15%	14%
Current Liabilities	5%	6%	8%	13%	5%	19%
Total Equity & Liabilities	100%	100%	100%	100%	100%	100%
Non Current Assets	47%	49%	48%	43%	49%	43%
Current Assets	53%	51%	52%	57%	51%	57%
Total Assets	100%	100%	100%	100%	100%	100%
Horizontal Analysis (base year: 2011-12)						
Profit & Loss Account						
Sales - Net	100%	111%	128%	120%	106%	109%
Cost of Sales	100%	108%	140%	172%	178%	172%
Gross Profit	100%	112%	124%	105%	83%	90%
Other Income	100%	124%	202%	316%	232%	353%
Exploration & Prospecting Expenditure	100%	146%	261%	19%	130%	234%
G&A and other expenses	100%	157%	1131%	141%	161%	127%
Profit before Taxation	100%	111%	112%	112%	86%	95%
Taxation	100%	105%	94%	105%	86%	92%
Profit after Taxation	100%	114%	123%	116%	86%	97%
Balance Sheet						
Share Capital &Reserves	100%	117%	143%	180%	187%	188%
Non Current Liabilities	100%	127%	140%	164%	171%	181%
Current Liabilities	100%	124%	214%	445%	185%	746%
Total Equity & Liabilities	100%	119%	146%	192%	184%	217%
Non Current Assets	100%	125%	150%	177%	195%	199%
Current Assets	100%	114%	143%	204%	175%	232%
Total Assets	100%	119%	146%	192%	184%	217%

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

Deloitte.

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Chartered Accountants
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Pakistan

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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** for the year ended June 30, 2017.

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, 2017.

Deloitte Yousuf Adil

Chartered Accountants

Engagement Partner:
Shahzad Ali

Date:
Islamabad.

STATEMENT OF COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE) GOVERNANCE RULES, 2013

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

Name of company: <u>Government Holdings (Private) Limited (The Company)</u>
Name of the line ministry: <u>Ministry of Petroleum and Natural Resources</u>
For the year ended: <u>June 30, 2017</u>

Schedule I

This statement is being presented to comply 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.

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

<table>
<tr><th rowspan="2">Sr. No</th><th rowspan="2">Provision of the Rules</th><th rowspan="2">Rule no.</th><th>Yes</th><th>No</th></tr>
<tr><th colspan="2">Tick in the Relevant box</th></tr>
<tr><td>1.</td><td>The independent directors meet the criteria of independence, as defined under the Rules.</td><td>2(d)</td><td></td><td>✓</td></tr>
<tr><td>2.</td><td>The Board has the requisite percentage of independent directors. At present the board (as of June 30, 2017) includes:
<table>
<tr><th>Category</th><th>Names</th><th>Date of appointment</th></tr>
<tr><td>Executive Directors</td><td>Mr. Shahid Islam</td><td>23-Sep-14</td></tr>
<tr><td>Non-Executive Directors</td><td>Mr. Muneer Kamal
Mr. Syed Ghazanfar Abbas Jillani
Mr. Syed Tauqeer Hussain
Mr. Furqan Bahadur Khan
Mr. Shahid Yousaf</td><td>7-Feb-13
2-Nov-16
7-Feb-13
21-May-15
6-Aug-15</td></tr>
</table></td><td>3(2)</td><td></td><td>✓</td></tr>
<tr><td>3.</td><td>A casual vacancy occurring on the board was filled in by the directors in the manner specified in Companies Ordinance, 1984.</td><td>3A(2)</td><td></td><td>✓</td></tr>
<tr><td>4.</td><td>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.</td><td>3(5)</td><td></td><td>✓</td></tr>
</table>

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

Sr. No	Provision of the Rules	Rule no.	Yes	No
			Tick in the Relevant box	
5.	The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as board members under the provisions of the Ordinance.	3(7)		✓
6.	The chairman of the board is working separately from the chief executive of the Company.	4(1)	✓	
7.	The chairman of the Board shall be elected by the Board of Directors of the Public Sector Company. However, this provision shall not apply where chairman of the Board is appointed by the Government.	4(4)	✓	
8.	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.	5(2)	NA	
9.	(a) The company has prepared a "Code of Conduct" and 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. (b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	 ✓	✓
10.	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)	✓	
11.	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	✓	
12.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5)(b)vi	✓	
13.	a) The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service. b) A Committee has been formed to investigating deviations from the company's code of conduct.	5(5)(c)ii	✓ ✓	

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

Sr. No	Provision of the Rules	Rule no.	Yes	No
			Tick in the Relevant box	
14.	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	✓	
15.	The board has developed a vision or mission statement, corporate strategy and 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(6)	✓	
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 have submitted its request for appropriate compensation to the Government for consideration.	5(8)	NA	
17.	a) The board has met at least four times during the year. b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. c) The minutes of the meetings were appropriately recorded and circulated.	6(1) 6(2) 6(3)	✓ ✓	 ✓
18.	The performance evaluation of members of the Board including the chairman and the chief executive shall be undertaken annually by the Government for which the Government shall enter into performance contract with each member of the Board at the time of his appointment. The board has also monitored and assessed the performance of senior management on annual basis.	8		✓
19.	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	✓	
20.	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, and has placed the annual financial statements on the company's website.	10		✓
21.	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		✓

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

<table>
<tr><th rowspan="2">Sr. No</th><th rowspan="2">Provision of the Rules</th><th rowspan="2">Rule no.</th><th>Yes</th><th>No</th></tr>
<tr><th colspan="2">Tick in the Relevant box</th></tr>
<tr><td>22.</td><td>(a) The board has formed the requisite committees, as specified in the Rules.

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>Number of members</th><th>Name of chairman</th></tr>
<tr><td>Audit Committee & Risk Management Committee</td><td>3</td><td>Mr. Munner Kamal</td></tr>
<tr><td>Human Resource Committee & Procurement Committee</td><td>3</td><td>Mr. Syed Tauqir Hussain</td></tr>
<tr><td>Nomination Committee</td><td>Not Available</td><td></td></tr>
</table>
</td><td>12</td><td>✓

✓

✓

✓</td><td>✓</td></tr>
<tr><td>23.</td><td>The board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.</td><td>13/14</td><td></td><td>✓</td></tr>
<tr><td>24.</td><td>The Company has adopted International Financial Reporting Standards notified by the Commission under clause (i) of sub-section (3) of section 234 of the Ordinance.</td><td>16</td><td>✓</td><td></td></tr>
<tr><td>25.</td><td>The Directors' report for this year has been prepared in compliance with the requirements of the Ordinance and the Rules and fully describes the salient matters required to be disclosed.</td><td>17</td><td>✓</td><td></td></tr>
<tr><td>26.</td><td>The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.</td><td>18</td><td>✓</td><td></td></tr>
<tr><td>27.</td><td>A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place. The annual report of the company contains criteria and details of remuneration of each director.</td><td>19</td><td>✓</td><td></td></tr>
<tr><td>28.</td><td>The financial statements of the company were duly endorsed by the chief executive and chief financial officer, before approval of the board.</td><td>20</td><td></td><td>✓</td></tr>
</table>

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

<table>
<tr><th rowspan="2">Sr. No</th><th rowspan="2">Provision of the Rules</th><th rowspan="2">Rule no.</th><th>Yes</th><th>No</th></tr>
<tr><th colspan="2">Tick in the Relevant box</th></tr>
<tr><td>29.</td><td>The board has formed an audit committee, with defined and written terms of reference, and having the following members:
<table><tr><th>Name of Member</th><th>Category</th><th>Professional Background</th></tr><tr><td>Mr. Muneer Kamal</td><td>None-executive director</td><td>Chairman KSE</td></tr><tr><td>Mr. Syed Ghazanfar Abbas Jilani</td><td>None-executive director</td><td>Senior Joint Secretary Finance Division</td></tr><tr><td>Mr. Syed Tauqir Hussain</td><td>None-executive director</td><td>Joint secretary- Ministry of Petroleum</td></tr></table>
The Chief Executive and Chairman of the Board are not members of the audit committee.</td><td>21</td><td>✓</td><td></td></tr>
<tr><td>30.</td><td>The board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee, and which worked in accordance with the applicable standards.</td><td>22</td><td></td><td>✓</td></tr>
<tr><td>31.</td><td>The Company has appointed its external auditors in line with the requirements envisaged under the Rules.</td><td>23</td><td>✓</td><td></td></tr>
<tr><td>32.</td><td>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.</td><td>23(4)</td><td>✓</td><td></td></tr>
<tr><td>33.</td><td>The external auditors have not been appointed to provide non-audit services and the auditors have confirmed that they have observed applicable guidelines issued by IFAC in this regard.</td><td>23(5)</td><td>✓</td><td></td></tr>
<tr><td>34.</td><td>The Company has complied with all the corporate and financial reporting requirements of the Rules.</td><td></td><td></td><td>✓</td></tr>
</table>

Chairman

Dated:
Islamabad

Managing Director/ CEO

Dated:
Islamabad

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

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	Future course of Action
1	2(d), 3(2)	Company is 100% owned entity of Government of Pakistan (GoP) and all the nominations on board of directors are to be made by GoP.	The board is constituted by GoP through nominations and any compliance of Rule 2(d), 3(2) is to be considered by GoP.
2	3A(2)	Memorandum and Articles of association of the Company has fixed nine directors on its Board. There are four casual vacancies in the office of directors as of June 30, 2017.	All the Board members are nominated by GOP through Ministry of Energy (Petroleum Division) and the matter has been communicated to the Ministry of Energy (Petroleum Division) for filling the vacancies.
3	3(5)	Declaration of directors regarding their directorship status in other public sector and listed companies has been obtained from only three directors.	Declaration from remaining directors will be arranged/obtained in due course.
4	3(7)	The Company's appointing authorities has not provided to the Company, the documentation relating to fit and proper criteria given in rule 3(7) while making nominations of the persons for election as board members.	The Government of Pakistan (GoP) through Ministry of Energy (Petroleum Division) nominates directors on the Board of Directors of the Company. The Company has approached Ministry of Energy (Petroleum Division) to confirm the compliance of fit and proper criteria for nominating directors.
5	5(4)	Code of conduct is available in service rules of the Company which is applicable to all employees. However it has not been made available on website.	Development of website is under progress and Code of conduct will be duly posted on website.
6	6(2)b	Few instances were noted where some of the notices of the board meetings were circulated with shorter period than stipulated in the rule. However, waiver to the same extent was granted by the Board.	Receipts of notice period would be complied with for future meetings.
7	8	As per the latest amendments in the Rules, the procedure for performance evaluation of members, including Chairman and Chief Executive has to be developed by the Government of Pakistan.	Compliance with the Rule 8 is to be considered by GoP.
8	10	Board of directors approved first, second and third quarter accounts in their 88th meeting however, same has not been approved within one month of each respective quarter.	Quarterly accounts are prepared after the receipt of monthly cost statements from the operator which were received after more than one month of the close of relevant quarter. However, compliance

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

			of approval of quarterly accounts within one month of the closure of each quarter will be made.
9	11	Initial orientation has been given to directors regarding entity profile, aims, objective and procedures and other material aspects as mentioned in rules. However, during the financial year 2016-17, no director underwent the orientation course.	Orientation to the Board members will be given in line with the requirements.
10	12	There is no nomination committee in the Company as of June 30, 2017.	Nomination committee will be formed once appointment process of chief executive officer will be initiated by the board of directors of the Company.
11	13/14	The Company has not appointed Chief Internal Auditor.	The recruitment process for hiring Chief Internal Auditors is in process.
12	20	Financial statements were duly submitted by the Chief Financial Officer and Chief Executive Officer of the Company to the Board. However, same was not endorsed by Chief Financial Officer and Chief Executive Officer before the approval of the Board.	The Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements for the year 2016-17.
13	22	The Company has the internal audit department; however, same is not operating effectively. Approval of audit charter is not obtained from BoD.	The internal audit department will be made fully functional after the appointment of chief internal auditor and other resources.

Chairman
Dated:
Islamabad

Managing Director/ CEO
Dated:
Islamabad

DIRECTORS' REPORT

GOVERNMENT HOLDINGS (PRIVATE) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED JUNE 30, 2017

The Board of Directors is pleased to present the Annual Report and Audited Financial Statements of the Company for the year ended June 30, 2017 together with Auditor's report thereon.

FINANCIAL RESULTS

Petroleum production and international oil prices has a direct impact on the Company's financial performance. During the year 2016-17, moderate recovery in international oil prices and increase in Oil, Gas and LPG production has led the Company to report increase in sales revenues to Rs. 48.01 billion (2015-16: Rs. 46.58 billion).

During the FY 2016-17, the Operating expenses of the Company decreased by 6% to Rs. 12.65 billion (2015-16: Rs 13.42 billion) primarily on account of decrease in impairment charge of Rs. 2.11 billion (2015-16: Rs. 2.50 billion) and field expenditure of Rs. 5.62 billion (2015-16: Rs. 6.10 billion). Impairment charge arose during the year as the estimates of future production profiles of producing / discovered fields for some joint ventures revised based on latest technical information available. The exploration and prospecting expenditure of the Company increased to Rs. 1.1 billion (2015-16: Rs. 0.6 billion) mainly due to increased exploratory G&G and related activities amounting Rs. 0.9 billion (2015-16: Rs. 0.2 billion). The Other income of Rs. 3.6 billion (2015-16: Rs. 2.4 billion) includes receipt of Rs. 1.07 billion (2015-16: Nil) from disposal of Rehmat Gas Plant and allied facilities of Mubarak Joint Venture as nominee of the Ministry of Energy, Government of Pakistan.

The Profit after tax of the Company increased by 12% to Rs 20.3 billion (2015-16: Rs 18.1 billion) and the earnings per share increased from Rs 9 in 2015-16 to Rs. 10 in 2016-17.

LIQUIDITY MANAGEMENT AND CASH FLOWS

An amount of Rs. 35.9 billion (2015-16: Rs 5.6 billion) was generated from Operating activities of the Company which was used mainly to undertake exploration and development activities, payment of Dividends and loan to Subsidiary. At the end of the year, the Company had a liquid fund position comprising of cash and cash equivalents amounting to Rs 35.5 billion (2015-16: Rs 14.6 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. During the year, the Company availed running finance facility of Rs. 13 billion (2015-16: nil) to meet its cash requirements.

DIVIDEND

During the year, the Company paid interim cash dividends of Rs 20 billion (Rs. 800 per share).

ISSUANCE OF BONUS SHARES AND RE-APPROPRIATION OF RESERVES

During the year, the Company transferred Rs. 20 Billion from its LNG Project Reserves to General Reserves. The amount of Rs. 20 Billion out of General Reserves was capitalized and applied towards the issuance of 2,000,000,000/- ordinary shares of Rs.10/- each. The shares are allotted as fully paid bonus shares to the Company's shareholders in the proportion of eighty shares for every ordinary share held.

After issuance of the Bonus shares, the Company's issued, subscribed and paid up capital increased to Rs. 20,250,000,020 divided in 2,025,000,002 shares of Rs. 10 each (June 30, 2016: Rs. 250,000,020 divided in 25,000,002 shares of Rs. 10 each).

CONTRIBUTION TO NATIONAL EXCHEQUER

The Company is a significant contributor to the national economy. During the year, GHPL contributed Rs. 41.5 billion (2015-16: Rs 38.1 billion) to National Exchequer on account of Corporate taxation, dividends, royalty, sales tax, federal excise duty and windfall levy.

PORTFOLIO OF JOINT VENTURE INVESTMENTS

GHPL manages Government of Pakistan's working interest in upstream petroleum Joint Ventures.

GHPL is non-operating partner with local and foreign oil and gas exploration and production companies. GHPL is in JV partnerships with UEPL, BHP, OMV, Hycarbex, OMEL, MOL, OGDCL, MPCL, PPL, POL and PEL.

GHPL has been assigned GOP's working interest in 90 Joint Ventures comprising of upstream petroleum licenses and leases. Current portfolio consists of:

- 18 Onshore Exploration licenses with 5% carried interest
- 03 Onshore Exploration licenses with 25% working interest under Petroleum Policy 2009
- 26 Onshore Exploration licenses with 2.5% working interest under Petroleum Policy 2012
- 08 Offshore Exploration Licenses are under Production Sharing Agreements
- 76 Development & Production leases with 12.5% to 25% working interest

Further, Assignment Agreement with OGDCL is in progress for farming-in 15-20% working interest in six exploration blocks under 2001, 2009 & 2012 Petroleum Policy

SEISMIC ACQUISITION ACTIVITY:

A total of 2,975 L.KMs (2015-16: 4,079 L.KMs) of 2 D seismic and 1,833 Sq. KMs (2015-16: 3,523 Sq. KMs) of 3 D seismic lines were acquired during the year in Blocks where the Company is Joint Venture Partner.

DRILLING ACTIVITIES

Following drilling activities were carried out in different blocks in which the Company is Joint Venture Partner.

Wells Status	2016-17	2015-16
Exploration & Appraisal Wells	25	25
Development Wells	12	07

DISCOVERIES

A total of 10 discoveries were made during the year 2016-17:

- Rawat-1, Makrani-1 & Mohib-1 discoveries were made in Mirpurkhas Block by UEPL.
- Dang-1 discovery was made in Khipro Block by UEPL.
- Gudanwari-1 discovery was made by OGDCL in Bitrism Block.
- Mithri-1 & Chabaro-1 discoveries were made by OGDCL in Khewari Block.
- Khamiso-1 discovery was made by OGDCL in Guddu Block.
- Chutto-1 discovery was made by OGDCL in Nim Block.
- Zafir-1 discovery was made by PPL in Gambat South Block.

These discoveries added 55.6 BCF and 0.8 MMBBLs to the Company's reserve base.

MAJOR DEVELOPMENT ACTIVITIES

- Field development activities in Tando Allah Yar were completed during the year comprising of Gas gathering Network, Sales gas Line, Well Head Compression, Dehydration plant, Amine Gas treatment plant & LPG Plant. TAY gas is being processed at OGDCL's KPD Plant. Production started from January 2017. Average production from the field reached 65 MMSCFD Gas, 2,000 BOPD Oil/Condensate and 115 MT/D of LPG in June 2017 (GHPL's share: 22.5%). Further process and production optimization is in progress.

- 50 MMscfd GPF-II was successfully commissioned at Gambat South. LPG production from Gambat South started during the year. Average production from the field touched 51 MMSCFD Gas, 666 BPD condensate and 13 MT/d of LPG in June 2017 (GHPL's share: 25%). Three D&P Leases namely Shadadpur, Shadadpur West and Shadadpur East were granted during the year. Work on 60 MMscfd GPF-III commenced during the year. The JV acquired an additional 70 MMscfd capacity Rehmat plant for capacity enhancement from Gambat South as GPF-IV.

- In Mehar field, D&P Lease of Sofia field was awarded during the year. Field development activities are in progress in Sofia field including construction of flow lines, laying, installation and tie-in with Mehar Processing Facilities.

- In Mirpur Khas / Khipro Blocks (MKK), major activities concluded during the year are Rajani-Kauser Flow Line project and Wellhead control systems. Two development and production leases were awarded during the year, namely Sutiari Deep and Sumar Deep. Major projects in progress are up-gradation of Naimat LPG Plant, Naimat Flare Upgrade, Naimat Sales Gas Compression, Naimat H_2S Solid Scavenger and Naimat Phase-5A3.

- In Tal Block, water disposal facilities were completed during the year while work on central front end compression and development of Tolanj and Tolanj West discoveries by relocation of Makori EPF is underway.

- In Sawan Block, FEC Revamp project has been finalized which would result in additional recovery of gas and extension of field life up to 2019. Moreover, Sawan JV agreed and commenced to process Latif JV gas resulting in efficient utilization of processing facilities and extension of field life for both fields.

- In Nashpa Block, work on Nashpa EPCC project to install dedicated processing facilities to process gas, oil & LPG remained in progress. On completion, daily incremental production of 1,100 barrels of crude oil/NGL, 10 MMcf of gas and 340 Tons of LPG is expected (GHPL Share: 15%).

BLOCKS / FIELD RELINQUISHED DURING THE YEAR

- Due to low prospectivity of the area, Zindan Exploration block has been relinquished w.e.f. 15 Nov, 2016. GHPL's share was 25%.

- Due to high water, production from Rehmat Development and Production Lease had ceased in prior years and the field became non-commercial. Rehmat D & PL was relinquished and Rehmat gas plant was handed over to GoP for further disposal under Pakistan Petroleum (Exploration and Production) Rules, 1986. The Company was nominated to act on behalf of MoE and take possession of the permanent installation and related equipment at Rehmat D&P lease and take appropriate decision for utilisation and disposal of the same on commercial consideration. The Company disposed the assets during the year. Rehmat Wells have been plugged and abandoned.

E&P ACTIVITES IN OFFSHORE BLOCKS

GHPL being licensee in offshore is managing the following 08 Production Sharing Agreements (PSA) by 04 different Operators:

• Offshore Indus N,G & Eastern Offshore Indus C	Eni Pakistan Limited	(03)
• Offshore Indus U & S	UEPL	(02)
• Offshore Indus R & Eastern Offshore Indus A	OGDCL	(02)
• Offshore Indus J	PEL	(01)

PRODUCTION AND RESERVES

GHPL's share of average daily production from all fields during FY 2015-16 is as follows:

	2016-17	2015-16
Oil/condensate (BPD)	**9,001**	8,706
Gas (MMSCFD)	**253**	240
LPG (MT/D)	**125**	113

The total net remaining recoverable reserves of the Company, as on June 30, 2016, are 31.01 MMSTB (June 30, 2016: 35.17 MMSTB) of Oil / Condensate Reserves and Gas Reserves of 1,515 BCF (June 30, 2016: 1,558 BCF)

INVESTMENT IN SUBSIDIARIES

The Company has three wholly owned subsidiaries Interstate Gas Systems (Private) Limited (ISGSL), Pakistan LNG Terminals Limited (PLTL) and Pakistan LNG Limited (PLL).

Interstate Gas Systems (Private) Limited (ISGSL)

Inter State Gas System (Private) Limited (ISGS) was incorporated on August 04, 1996 in Pakistan under Companies Ordinance 1984 as a private limited company. At June 30, 2017, the Company has a direct shareholding of 99.57% with 231,370,000 (June 30, 2016: 99.57% with 231,370,000) equity shares of Rs.10 each held in Interstate Gas Systems (Private) Limited – ISGSL. Other shareholders of ISGSL are SSGCL and SNGPL.

Major Projects being undertaken by ISGSL include Iran – Pakistan (IP) Pipelines project, Turkmenistan – Afghanistan – Pakistan – India (TAPI) gas pipeline project and Machike Taru Jabba Oil Pipeline Project (MTOPP)

The Economic Coordination Committee (ECC) in its Meeting dated December 15, 2016 against Case No. ECC-145/25/2016, approved the following decisions:

i. GHPL be tasked to fund all project activities of ISGSL as a 100% subsidiary company, therefore all Government investments (e.g. from GIDC) in projects being undertaken by ISGSL shall be routed to GHPL; and

ii. SSGCL and SNGPL shall transfer their shares in ISGSL to GHPL at face value; and

iii. GHPL being the parent company will give a three (3) year term loan to ISGSL to fund all its expenditure on all Government mandated projects being undertaken by ISGSL. This loan and related interest will be repayable after three years through a single bullet repayment on the terms separately agreed between GHPL and ISGSL through a Loan Agreements.

In pursuance of the decision of the ECC, a Loan Agreement - Term Sheet has been signed between ISGSL and GHPL on January 09, 2018. The long term loan to ISGSL stood at Rs. 667 Million on year end. (June 30, 2016: Rs. 396.5 Million). As per the term sheet, the loan is provided for a period of three years at mark-up of annual KIBOR + 0.1% or mark-up as determined by ECC. The loan and the mark-up is repayable after three years through a single bullet repayment or as mutually agreed between the parties.

The confirmation from SSGCL for sale of its share in ISGSL to GHPL has been received and transfer deed in this regard is in progress. Confirmation from SNGPL for sale of its stake in ISGSL to GHPL is awaited.

Pakistan LNG Terminals Limited (PLTL)

PLTL was incorporated as a public company on December 11, 2015 under the Companies Ordinance, 1984 in which the Company holds 100% shares. 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), Liquefied Petroleum Gas (LPG) and Natural Gas (NGL).

The Company held 1,500,000 equity shares of Rs. 10 each (June 30, 2016: 1,500,000 equity shares of Rs. 10 each) in PLTL.

Moreover, the Company has provided advance to PLTL of Rs. 175.75 million (June 30, 2016: 112 million) for meeting their operational requirements. On November 27, 2017, the Company entered in to a loan agreement with the subsidiary company for the conversion of entire advances into interest bearing loan. Under the agreement, Loan along with the interest is receivable in four quarterly instalments, within one year after the start of commercial operations. Rate of interest on loan shall be six months KIBOR plus 2 percent.

Subsequent to the Balance Sheet date, the Company provided lien against its short term investments of Rs. 2,719,529,035 for the Standby Letter of Credit (SBLC) issued by PLTL in favor of Pakistan Gas Port Consortium Limited, the Terminal operator.

Pakistan LNG Limited (PLL)

PLL was incorporated as a public company on December 11, 2015 under the Companies Ordinance, 1984. The Company holds 100% shares in PLL. The principle activity of PLL is to import, transport, market and distribute Liquefied Natural Gas (LNG).

At June 30, 2017, the Company held 1,500,000 equity shares of Rs. 10 each (June 30, 2016: 1,500,000 equity shares of Rs. 10 each) in PLL.

The Company has also advanced an amount of Rs. 131.18 million (June 30, 2016: Rs. 8.0 million) to PLL for meeting 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 entered in to a loan agreement with the subsidiary company for the conversion of entire advances into interest bearing loan whereby Loan amount along with the interest is receivable in four quarterly instalments, within one year after the start of commercial operations. Rate of interest on loan shall be six months KIBOR plus 2 percent.

After the Balance Sheet date, the Company has provided lien against its short term investments of Rs. 5,536,551,787 for the SBLCs issued by PLL in favor of LNG suppliers for two cargoes per month.

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.

The Directors are pleased to state that:

- 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 account of the Company have been maintained.
- Appropriate accounting policies have been applied in preparation of financial statements and any changes in accounting policies have been disclosed in the financial statements. The 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 system of internal control is sound in design and has been effectively implemented 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, Directors and Executives is given in Note 33.2 of the Company's Separate Financial Statements for the year ended June 30, 2017.
- 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 and Annual Report.
- Key operating and financial data of last six years has been given 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, 2016 is as follows.

Employees Provident Fund	Rs. 16,238,540
Employees Gratuity Fund	Rs. 36,246,830

- Detail of the number of Board Meetings held during the year and attendance by each 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 2017 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 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.

- **Trade Debts:** Trade debts of Rs. 28,802 million, as disclosed in Note 13 to the Financial Statements, include Rs. 24,253 million which are overdue as at June 30, 2017. 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. 4.6 Billion has been made against said long outstanding debts.

- **Delay in Completion of I-P Pipeline Project by ISGSL:** Note 9.1 to the Financial Statements contains information regarding delay in completion of the Iran Pakistan Gas Pipeline Project (IP-Project) by the ISGSL under terms of Gas Supply Purchase Agreement with National Iranian Oil Company, resultant contingency and impairment of Gwader-Nawabshah LNG terminal & Pipeline project.

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

AUDITORS

The present auditors, M/s Deloitte Yousuf Adil, Chartered Accountants, retire and being eligible, offer themselves for re-appointment as auditors of the Company for the year 2017-18.

FUTURE OUTLOOK

The operating results of the Company are likely to improve as the International Oil prices stablize. The Company is striving to add production from completion of development activities in Mirpur Khas/Khipro and Sofiya fields. The work on Nashpa / Mela centralized field development and LPG Plant, and Gambat South Field development activities will continue into 2017-18 and would result in production increase / maintenance in the coming years

Exploration activities will continue in the full risk exploration blocks acquired under Petroleum Policy 2009 and Petroleum Policy 2012.

The Company will look into opportunities for enhancing its existing portfolio by acquiring / increasing participatory share in new / existing petroleum blocks and through business diversification.

The Company's investment in PLL and PLTL are likely to bear fruit as the second LNG terminal operated by PLTL became operational and import of LNG cargoes by PLL has started during 2017-18.

ACKNOWLEDGEMENT

The Directors would like to express their gratitude to Ministry of Energy for continuous assistance and cooperation extended to the Company 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 appreciates their contribution toward achievement of the Company's goals.

Chief Executive Officer

Director

UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants
#18-B/1
Chohan Mansion,
G-8 Markaz, Islamabad
Pakistan

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+92 (51) 8734400
Fax: +92 (51) 8350602

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Government Holdings (Private) Limited (the "Company") as at June 30, 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as "financial statements"), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, we report that:

a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and the statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 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, 2017 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 of 1980).

Emphasis of matter paragraphs

We draw attention to the following matters;

- as disclosed in note 8.4 to the financial statements, 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). 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.

- as disclosed in note 13 to the financial statements, trade debts of Rs. 28,802 million include Rs. 24,253 million which are overdue as at June 30, 2017. 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. An aggregate provision of Rs. 4,605 million has been made against said long outstanding debts.

- note 9.1 to the financial statements contains information regarding delay in completion of the Iran Pakistan Gas Pipeline Project (IP-Project) by the Inter State Gas System (Private) Limited under terms of Gas Sale Purchase Agreement with National Iranian Oil Company, resultant contingency and impairment of Gwader-Nawabshah LNG terminal and Pipeline project.

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

Deloitte Yousuf Adil
Chartered Accountants,

Engagement Partner:
Shahzad Ali

Date: March 16, 2018
Islamabad

GOVERNMENT HOLDINGS (PRIVATE) LIMITED
BALANCE SHEET
AS AT JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	28,194,516,615	27,875,079,014
Intangible assets	6	605,800	768,586
Exploration and evaluation assets	7	2,899,652,251	2,580,911,830
Development and production assets	8	16,648,076,695	16,512,094,826
Long term investment in subsidiary	9	2,343,700,000	2,343,700,000
Long term loan	10	787,552,632	473,168,824
		50,874,103,993	49,785,723,080
CURRENT ASSETS			
Stores, spares & loose tools - share in joint ventures' inventory	11	2,889,140,498	3,019,462,022
Advances to Subsidiary	12	306,929,635	120,047,833
Trade debts - net	13	28,801,942,669	33,201,338,653
Loans, advances and other receivables	14	12,357,029	18,296,236
Trade deposits and short term prepayments	15	3,529,261	5,239,883
Interest accrued	16	293,330,160	85,072,491
Short term investments - restricted	17	32,000,000,000	11,700,000,000
Cash and bank balances	18	3,464,093,104	2,886,394,570
		67,771,322,356	51,035,851,688
TOTAL ASSETS		118,645,426,349	100,821,574,768
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
4,500,000,000 (2016: 1,500,000,000) ordinary shares of Rs. 10 each		45,000,000,000	15,000,000,000
Issued, subscribed and paid up capital	19	20,250,000,020	250,000,020
Reserves			
Reserves	20	56,230,873,852	76,230,873,852
Unappropriated profits		3,916,878,693	3,608,058,442
		80,397,752,565	80,088,932,314
NON CURRENT LIABILITIES			
Long term liability	21	3,900,513,135	3,928,556,153
Deferred taxation	22	7,183,451,535	5,913,277,737
Provision for decommissioning cost	23	5,111,694,282	5,411,180,671
Deferred employee benefit	24	39,131,272	32,610,195
		16,234,790,224	15,285,624,756
CURRENT LIABILITIES			
Trade and other payables	25	7,511,873,761	4,771,453,360
Running finance	26	13,000,000,000	-
Current portion of long term liability	21	644,504,311	361,805,198
Provision for taxation	27	856,505,488	313,759,140
		22,012,883,560	5,447,017,698
TOTAL EQUITY AND LIABILITIES		118,645,426,349	100,821,574,768
CONTEGENCIES AND COMMITMENTS	28		

The annexed notes from 1 to 46 form an integral part of these financial statements.

Chief Executive Officer

Director

GOVERNMENT HOLDINGS (PRIVATE) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017

		2017 Rupees	2016 Rupees
SALES - NET	29	**48,015,837,827**	46,579,000,938
Royalty		**(5,098,882,833)**	(4,996,682,372)
Operating expenses	30	**(12,654,354,061)**	(13,416,421,949)
GROSS PROFIT		**30,262,600,933**	28,165,896,617
Other income	31	**3,582,178,427**	2,358,785,616
Exploration and prospecting expenditure	32	**(1,089,044,393)**	(607,809,526)
General and administrative expenses	33	**(306,103,960)**	(192,443,696)
Other expenses	34	**(238,154,574)**	(529,474,782)
OPERATING PROFIT		**32,211,476,433**	29,194,954,229
Finance (cost)/income	35	**7,402,462**	39,858,165
PROFIT BEFORE TAXATION		**32,218,878,895**	29,234,812,394
Taxation	36	**(11,905,560,748)**	(11,168,576,092)
NET PROFIT FOR THE YEAR		**20,313,318,147**	18,066,236,302
EARNINGS PER SHARE - BASIC AND DILUTED (Rupees)		**10**	9

The annexed notes from 1 to 46 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, 2017

	2017 (Rupees)	2016 (Rupees)
NET PROFIT FOR THE YEAR	**20,313,318,147**	18,066,236,302
Items not to be reclassified subsequently to profit and loss account		
Remeasurement loss on employees' retirement benefits	**(7,496,493)**	(15,275,437)
Tax effect of remeasurement loss on employee's retirement benefits	**2,998,597**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**20,308,820,251**	18,050,960,865

The annexed notes from 1 to 46 form an integral part of these financial statements.

Chief Executive Officer

Director

GOVERNMENT HOLDINGS (PRIVATE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017

	2017 Rupees	2016 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	32,218,878,895	29,234,812,394
Adjustments for:		
Amortization of development and production assets	2,075,009,478	1,988,157,386
Amortization of long term liability	(77,022,458)	(78,172,965)
Depreciation on joint ventures' fixed assets	2,854,100,758	2,790,657,884
Impairment	2,110,043,271	2,532,724,122
Depreciation on owned fixed assets	4,507,554	6,831,094
Amortization of intangible assets	328,365	364,941
Provision for employee benefits	16,676,534	8,622,539
Unwinding of discount on provision for decommissioning cost	68,235,303	40,490,360
Discounting of long term loan	(21,010,904)	(2,284,278)
Gain on disposal of property, plant and equipment	(7,088,798)	-
Unrealised exchange loss	245,079,406	577,254,212
Interest income	(2,025,160,580)	(2,357,127,206)
Profit before working capital changes	37,462,576,824	34,742,330,483
Changes in working capital		
(Increase)/Decrease in current assets		
Trade debts - net	4,405,354,318	(12,878,167,741)
Stores, spare & loose tools - share in joint ventures' inventory	(26,844,346)	86,456,777
Loans, advances and other receivables	5,939,207	(7,707,169)
Advances to Subsidiaries	(186,881,802)	(27,185,833)
Trade deposits and short-term prepayments	1,710,622	(105,851)
Increase/(decrease) in current liabilities		
Trade and other payables	2,604,347,933	(7,215,997,556)
	6,803,625,932	(20,042,707,373)
Cash generated from operations	44,266,202,756	14,699,623,110
Interest received	1,816,902,911	2,617,721,966
Income tax paid	(10,089,642,005)	(11,654,571,554)
Employee benefits paid	(17,651,950)	(8,193,436)
Net cash generated from operating activities	35,975,811,712	5,654,580,086
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(7,816,428,302)	(11,178,211,327)
Proceeds from disposal of property, plant and equipment	-	
Proceed from sale of corporate fixed asset	11,688,028	-
Purchase of investment	-	(122,862,000)
Long-term loan given	(293,372,904)	(405,979,278)
Net cash used in investing activities	(8,098,113,178)	(11,707,052,605)

	Note	2017 Rupees	June 2016 Rupees
CASH FLOWS FROM FINANCING ACTIVITIES			
Proccede from running finance		**13,000,000,000**	-
Dividend paid		**(20,000,000,000)**	(15,000,000,000)
Net cash used in financing activities		**(7,000,000,000)**	(15,000,000,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**20,877,698,534**	(21,052,472,519)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**14,586,394,570**	35,638,867,089
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	40	**35,464,093,104**	14,586,394,570

The annexed notes from 1 to 46 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, 2017

	Share capital	Reserves							
	Issued, Subscribed and Paid-up	General Reserve	Committed Outlay Reserve	LNG Project Reserve	Asset Insurance Reserve	Assets Acquisition Reserve	Reserves Total	Unappropriated Profits	Total
	(Rupees)								
Balance as at July 01, 2015	250,000,020	2,284,626,436	20,946,247,416		3,000,000,000	5,000,000,000	31,230,873,852	45,557,097,577	77,037,971,449
Profit after taxation	-	-	-	-	-	-	-	18,066,236,302	18,066,236,302
Other comprehensive income - net of tax	-	-	-	-	-	-	-	(15,275,437)	(15,275,437)
Total comprehensive income for the year								18,050,960,865	18,050,960,865
Allocation to LNG Project Reserve	-	-	-	45,000,000,000	-	-	45,000,000,000	(45,000,000,000)	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-
Interim dividend 2016: Rs. 600 per share	-	-	-	-	-	-	-	(15,000,000,000)	(15,000,000,000)
Balance as at June 30, 2016	250,000,020	2,284,626,436	20,946,247,416	45,000,000,000	3,000,000,000	5,000,000,000	76,230,873,852	3,608,058,442	80,088,932,314
Profit after taxation	-	-	-	-	-	-	-	20,313,318,147	20,313,318,147
Other comprehensive income - net of tax	-	-	-	-	-	-	-	(4,497,896)	(4,497,896)
Total comprehensive income for the year	-	-	-	-	-	-	-	20,308,820,251	20,308,820,251
Transactions with owners, recorded directly in equity									
Transfer of amount from LNG Project Reserve to General Reserve	-	20,000,000,000	-	(20,000,000,000)	-	-	-	-	-
Issue of bonus shares	20,000,000,000	-	-	-	-	-	-	(20,000,000,000)	-
Interim dividend 2017: Rs. 800 per share	-	(20,000,000,000)	-	-	-	-	(20,000,000,000)	-	(20,000,000,000)
	20,000,000,000	-	-	(20,000,000,000)	-	-	(20,000,000,000)	(20,000,000,000)	(20,000,000,000)
Balance as at June 30, 2017	20,250,000,020	2,284,626,436	20,946,247,416	25,000,000,000	3,000,000,000	5,000,000,000	56,230,873,852	3,916,878,693	80,397,752,565

The annexed notes from 1 to 46 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, 2017

1 THE COMPANY AND ITS OPERATIONS

Government Holdings (Private) Limited (the "Company") was incorporated in Pakistan as a private limited company on January 15, 2000, under the Companies Ordinance, 1984. The Company's registered office is situated at 7th Floor, Petroleum House, Ataturk Avenue, G-5/2, Islamabad. The main objects of the Company are to:

1.1 Acquire shares of the Companies or interest of Government of Pakistan (GoP) in the existing and new oil and gas Joint Ventures, 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

1.2 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.

1.3 The Company has 99.57% shareholding in the Inter State Gas System (the Subsidiary) under share subscription agreement. The main objective of the Subsidiary 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. Current Projects undertaken by the Subsidiary are Iran Pakistan (IP) gas pipeline project, Gawadar-Nawabshah LNG Terminal and Pipeline project and Turkmenistan - Afghanistan - Pakistan - India (TAPI) gas pipeline.

1.4 The Company has 100% shareholding in Pakistan LNG Limited (PLL), a public company incoporatated on December 11, 2015 under the Companies Ordinance, 1984. The principle activity of PLL is to import, ransport, market and distribute Liquified Natural Gas (LNG). PLL has achieved its commercial operation date on January 04, 2018.

1.5 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. The principle activity of PTL is to operate and maintain terminals for the handling, re-gasification, storage, treatment, transportation and processing of Liquefied Natural Gas (LNG), Re-gasified Liqufied Natural Gas (RLNG), Liquefied Petroleum Gas (LPG) and Natural Gas (NGL). PLTL has achieved its commercial start date on January 04, 2018.

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

The Companies Act, 2017 (the new Companies Act) was enacted and promulgated by the SECP on May 30, 2017. However, SECP has notified through Circular No. 23 of Oct 04, 2017 that companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, the Branch shall prepare the financial statements for periods closing after December 31, 2017 in accordance with the provisions of the new Companies Act, which is not expected to have significant impact on the Branch's financial statements other than certain additional disclosures.

2.2 Basis of measurement

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

- Obligation under certain employee benefits, long term receivables and provision for decommissioning cost have been measured at present value using actuarial assumptions;

- long term interest free loan has been measured through amortized cost; and

- long term liabilty has been measured through amortized cost

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

2.3 Functional and presentation currency

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

3 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:

3.1 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.

3.2 Exploration and evaluation expenditure

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

3.3 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 Ventures and the corresponding development and production expenditure; on the basis of best estimates available from the shared cost statement of the relevent Joint Venture an adjustment is made based on the finalized cost with the operator.

3.4 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.

3.5 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.

3.6 Estimation of oil and natural gas reserves

Oil and gas reserves are important elements in impairment testing for development and production assets of the Company. Estimates of oil and natural gas reserves are inherently imprecise, require the application of judgment and are subject to future revision. Proved reserves are estimated 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.

3.7 Employee benefits

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

3.8 Provision against trade debts, advances and other receivables

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

3.9 New accounting standards / amendments and IFRS interpretations that are not yet effective

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)
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions.	January 01, 2018
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Date to be determined. Earlier adoption is permitted
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative.	January 01, 2017
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property.	January 01, 2018
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 01, 2017

In addition to above 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 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases
- IFRS 17 – Insurance Contracts

The following interpretations issued by the IASB have been waived off by SECP.

IFRIC 4 Determine Whether an Arrangement Contain Lease
IFRIC12 Service Concession Agreements

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

Owned 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 at the rates specified in note 5.1 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 and 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.

Share in Joint Ventures' property, plant and equipment

The Company's share of property, plant and equipment related to joint ventures, in which the Company has a working interest, are recorded at cost less accumulated depreciation. Depreciation is charged using the straight line method at the rates specified in note 5.2. The Company's share of the cost of fixed assets is recorded on the basis of information provided in the cost statements/ audited Joint Ventures' financial statements received from the operators of the respective joint ventures at the rates specified in respective note.

4.2 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 as described in note 6 to the 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.

4.3 Exploration and evaluation assets

The exploration cost of all those Joint Ventures, 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 and joint venture assets accordingly, 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.

4.4 Development and production assets - Intangibles

During the exploratory phase, relevant working interest of the Company in various joint venture concessions is carried by its relevant partners in the respective joint ventures, 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 venture partners in these joint ventures, 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 and 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 4.3 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 field by field 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. Amortization is charged to profit and loss account.

4.5 Joint Venture Policy

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 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 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 ventures are accounted for on the basis of latest available audited financial statements of the joint ventures 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.

4.6 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 and loss of 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.

Held-to-maturity Investment (HTM)

Investments held-to-maturity are non-derivative financial assets which carry fixed or determinable payments and fixed maturities other than loan and receivables. Investments are classified as HTM if the Company has the positive intention and ability to hold to maturity. The Company currently holds Term Deposits Receipts designated into this category. HTM investments are measured subsequently at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

4.7 Stores, spares & loose tools - share in joint ventures' 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 ventures.

4.8 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and are measured initially at fair value adjusted by transaction cost.

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 expires. Any gains or losses on derecognition of financial assets and financial liabilities are taken to statement of comprehensive income currently.

Financial assets

Financial assets of the Company include held-to-maturity investment, loan and receivables.

Offsetting

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

Loan and receivables

Loan and receivables include long term loan, trade debts, deposits and other receivables. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment (if any). Any change in their value is recognized in profit and loss.

Trade and other receivables are assessed on regular basis for impairment.

Financial liabilities

The Company financial liabilities include trade & other payables.

Trade and other payables

Trade and other payables include due to the joint venture operators, trade creditors and other payables. Subsequent to initial recognition trade and other payables are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

4.9 Cash and cash equivalents

Cash and cash equivalents in the 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.

4.10 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 over the asset's 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 take 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. 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 profit and loss account.

The unwinding of the discount is recognized as finance cost in the profit and loss account.

4.11 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, 2017, using the Projected Unit Credit Method. The detail of the valuation is given in note 24.2.

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 on the basis of Provision for the scheme is made on the basis of actuarial valuation. The most recent valuation in this regard was carried out at June 30, 2017, using the Projected Unit Credit Method.

4.12 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.

4.13 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.

4.14 Revenue recognition

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

Revenue is measured at the fair value of the consideration received, excluding sales taxes, excise duties and similar levies. Effect of adjustments, if any, arising from revision in sale prices is reflected as and when the prices are finalized with the customers and/or approved by the GoP. Sale of reserviour produce during the phase of Extended Well Testing (EWT), are recognized as revenue.

4.15 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. The Company has estimated Rs. 8,685 million as LPS as of June 30, 2017 (2016: Rs. 7,045 million) which is not recognized based on the premise that it has not received yet.

4.16 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 profit and loss for the year.

4.17 Impairment of development and production assets

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

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

The carrying value is compared against expected recoverable amount of the oil and gas assets, generally 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 field by field basis, except that a number of fields may be grouped as a single cash generating unit where the cash flows of each field are inter dependent.

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

4.18 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.

4.19 Dividends

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

4.20 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.

5 PROPERTY, PLANT AND EQUIPMENT

	Note	2017 Rupees	2016 Rupees
Owned fixed assets	5.1	17,006,533	15,538,559
Share in joint ventures' fixed assets	5.2	28,177,510,082	27,859,540,455
		28,194,516,615	27,875,079,014

5.1 Owned fixed Assets

2017	COST				Rate	ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
Particulars	As at 01 July 2016	Additions	Disposal	As at 30 June 2017	%	As at 01 July 2016	Charge for the year	Disposal	As at 30 June 2017	As at 30 June 2017
	Rupees					Rupees				Rupees
Office equipment	10,565,472	18,900	(1,831,182)	8,753,190	20	6,200,672	1,058,634	(1,699,904)	5,559,402	3,193,788
Furniture and fixtures	6,956,319	10,354,714	(347,554)	16,963,479	15	6,015,465	430,945	(277,877)	6,168,533	10,794,946
Computer equipment	17,827,399	201,142	(4,115,559)	13,912,982	20-33	13,595,260	2,037,664	(4,074,221)	11,558,703	2,354,279
Vehicles	22,035,365	-	(15,458,858)	6,576,507	20	16,034,599	980,312	(11,101,924)	5,912,987	663,520
	57,384,555	10,574,756	(21,753,153)	46,206,158		41,845,996	4,507,555	(17,153,926)	29,199,625	17,006,533

2016	COST				Rate	ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
Particulars	As at 01 July 2015	Additions	Disposal	As at 30 June 2016	%	As at 01 July 2015	Charge for the year	Disposal	As at 30 June 2016	As at 30 June 2016
	Rupees					Rupees				Rupees
Office equipment	6,343,511	4,221,961	-	10,565,472	20	5,427,529	773,143	-	6,200,672	4,364,800
Furniture and fixtures	6,868,319	88,000	-	6,956,319	15	5,113,330	902,135	-	6,015,465	940,854
Computer equipment	14,714,988	3,112,411	-	17,827,399	20-33	12,066,901	1,528,359	-	13,595,260	4,232,139
Vehicles	21,981,092	54,273	-	22,035,365	20	12,407,142	3,627,457	-	16,034,599	6,000,766
	49,907,910	7,476,645	-	57,384,555		35,014,902	6,831,094	-	41,845,996	15,538,559

5.2 Share in joint ventures' fixed assets

2017		COST				Rate	ACCUMULATED DEPRECIATION				ACCUMULATED IMPAIRMENT				WRITTEN DOWN VALUE
Particulars	Note	As at 01 July 2016	Additions/ (transfers)	Disposal	As at 30 June 2017	%	As at 01 July 2016	Charge for the year	Disposal	As at 30 June 2017	As at 01 July 2016	Charge for the year	Disposal	As at 30 June 2017	As at 30 June 2017
		Rupees					Rupees				Rupees				Rupees
Leasehold land		54,214,896	-	-	54,214,896	4-33	35,741,212	1,518,923	-	37,260,135	6,172,297	2,454,602	-	8,626,899	8,327,862
Plant and equipment		31,268,618,837	5,294,471,738	(592,893,163)	35,970,197,412	4-33	11,511,695,120	2,177,708,025	(514,239,141)	13,175,164,004	1,680,183,751	1,171,881,844	(78,654,022)	2,773,411,573	20,021,621,835
Pipelines		5,763,592,860	652,202,467		6,415,795,327	4-33	2,007,879,415	549,875,698		2,557,755,113	282,519,957	220,112,646	-	502,632,603	3,355,407,611
Office equipment		272,704,743	13,436,000	-	286,140,743	20	204,447,321	16,932,663	-	221,379,984	5,106,782	14,837,423	-	19,944,205	44,816,554
Furniture and fixtures		73,905,145	2,827,013	-	76,732,158	15	50,899,718	5,617,491	-	56,517,209	4,142,262	431,383	-	4,573,645	15,641,304
Vehicles		146,841,025	16,504,560	-	163,345,585	20	90,748,965	22,264,911	-	113,013,876	3,033,929	1,522,435	-	4,556,364	45,775,345
Decommissioning cost		1,403,104,671	(81,805,752)	-	1,321,298,919	4-33	820,791,310	80,183,047	-	900,974,357	36,414,924	-	-	36,414,924	383,909,638
CWIP - Tangible assets	5.2.1	5,564,550,783	(1,250,198,519)	-	4,314,352,264		-	-	-	-	47,275,273	(32,836,846)	-	14,438,427	4,299,913,837
CWIP - Decommissioning cos	5.2.1	99,059,731	(96,963,635)	-	2,096,096		-	-	-	-	-	-	-	-	2,096,096
		44,646,592,691	4,550,473,872	(592,893,163)	48,604,173,400		14,722,203,061	2,854,100,758	(514,239,141)	17,062,064,678	2,064,849,175	1,378,403,487	(78,654,022)	3,364,598,640	28,177,510,082

2016		COST				Rate	ACCUMULATED DEPRECIATION				ACCUMULATED IMPAIRMENT				WRITTEN DOWN VALUE
Particulars		As at 01 July 2015	Additions/ (transfers)	Disposal	As at 30 June 2016	%	As at 01 July 2015	Charge for the year	Disposal	As at 30 June 2016	As at 01 July 2015	Charge for the year	Disposal	As at 30 June 2016	As at 30 June 2016
		Rupees					Rupees				Rupees				Rupees
Leasehold land		54,214,896	-	-	54,214,896	4-33	33,373,501	2,367,711	-	35,741,212	-	6,172,297	-	6,172,297	12,301,387
Plant and equipment		26,461,768,115	4,806,850,722	-	31,268,618,837	4-33	9,542,553,916	1,969,141,204	-	11,511,695,120	184,910,027	1,495,273,724	-	1,680,183,751	18,076,739,966
Pipelines		4,762,829,420	1,000,763,440	-	5,763,592,860	4-33	1,286,306,770	721,572,645	-	2,007,879,415	174,716,460	107,803,497	-	282,519,957	3,473,193,488
Office equipment		223,861,511	48,843,232	-	272,704,743	20	176,856,979	27,590,342	-	204,447,321	5,106,782	-	-	5,106,782	63,150,640
Furniture and fixtures		68,336,134	5,569,011	-	73,905,145	15	44,962,231	5,937,487	-	50,899,718	2,749,406	1,392,856	-	4,142,262	18,863,165
Vehicles		128,083,438	18,757,587	-	146,841,025	20	72,793,221	17,955,744	-	90,748,965	-	3,033,929	-	3,033,929	53,058,131
Decommissioning cost		1,688,534,744	(285,430,073)	-	1,403,104,671	4-33	774,698,559	46,092,751	-	820,791,310	36,414,924	-	-	36,414,924	545,898,437
CWIP - Tangible assets	5.2.1	4,672,185,541	892,365,242	-	5,564,550,783		-	-	-	-	11,395,493	35,879,780	-	47,275,273	5,517,275,510
CWIP - Decommissioning Co	5.2.1	11,163,413	87,896,318	-	99,059,731		-	-	-	-	-	-	-	-	99,059,731
		38,070,977,212	6,575,615,479	-	44,646,592,691		11,931,545,177	2,790,657,884	-	14,722,203,061	415,293,092	1,649,556,083	-	2,064,849,175	27,859,540,455

5.2.1 It includes various oil and gas assets under process at year end. Further these are reclassified for the purpose of better presentation and comparison. Refer note 41 to these financial statements

	Note	2017 Rupees	2016 Rupees
5.3 Allocation of depreciation			
Operating expenses	30	2,854,100,758	2,790,657,884
General and administrative expenses	33	4,507,554	6,831,094
		2,858,608,312	2,797,488,978
5.4 Allocation of impairment			
Operating expenses	30.1	1,378,403,487	1,649,556,083

6 INTANGIBLE ASSETS

2017	COST			Rate	ACCUMULATED AMORTIZATION			WRITTEN DOWN VALUE
Particulars	**As at 01 July 2016**	**Additions**	**As at 30 June 2017**	**%**	**As at 01 July 2016**	**Charge for the year**	**As at 30 June 2017**	**As at 30 June 2017**
		Rupees				**Rupees**		**Rupees**
Software	**35,081,128**	**165,579**	**35,246,707**	**33**	**34,312,542**	**328,365**	**34,640,907**	**605,800**

2016	COST			Rate	ACCUMULATED AMORTIZATION			WRITTEN DOWN VALUE
Particulars	As at 01 July 2015	Additions	As at 30 June 2016	%	As at 01 July 2015	Charge for the year	As at 30 June 2016	As at 30 June 2016
		Rupees				Rupees		Rupees
Software	34.262.528	818.600	35.081.128	33	33,947.601	364,941	34,312,542	768,586

7 EXPLORATION AND EVALUATION ASSETS

	Note	2017 Rupees	2016 Rupees
Opening balance		**2,580,911,830**	837,562,775
Expenditure incurred during the year		**800,232,919**	2,139,859,455
Transfer to development & production assets		**(340,068,926)**	-
Dry hole wells	32	**(141,423,572)**	(396.510.400)
		2,899,652,251	2.580.911.830

8 DEVELOPMENT AND PRODUCTION ASSETS

2017		COST			ACCUMULATED AMORTIZATION			ACCUMULATED IMPAIRMENT			WRITTEN DOWN VALUE
Particulars	Working Interest	As at 01 July 2016	Additions / (adjustments)	As at 30 June 2017	As at 01 July 2016	Charge for the year	As at 30 June 2017	As at 01 July 2017	Charge for the year	As at 30 June 2017	As at 30 June 2017
		Rupees			Rupees			Rupees			Rupees
Intangibles											
Producing fields-Joint Ventures											
Badin III	25.00%	305,540,546	(152,923)	305,387,623	269,127,762	21,848	269,149,610	-	-	-	36,238,013
Block-22 (all fields)	22.50%	275,406,398	-	275,406,398	140,798,609	14,924,065	155,722,674	-	-	-	119,683,724
Ahmadal/Pariwali	17.50%	755,697,030	1,727,507	757,424,537	418,247,610	5,162,916	423,410,526	-	-	-	334,014,011
Minwal	17.50%	7,409,226	169,191	7,578,417	347,600	324,981	672,580	-	-	-	6,905,837
Mazarani	12.50%	79,924,931	56,435,674	136,360,605	79,924,931	4,257,236	84,182,167	-	14,022,629	14,022,629	38,155,809
Sawan	22.50%	2,709,851,894	632,426,385	3,342,278,279	2,015,221,538	58,922,008	2,074,143,546	239,877,171	517,159,405	757,036,576	511,098,157
Zamzama	25.00%	3,922,779,434	83,201,653	4,005,981,087	2,637,926,276	423,178,605	3,061,104,881	167,495,246	277,318,821	444,814,067	500,062,139
Mubarak	25.00%	1,215,260,880	-	1,215,260,880	125,195,578	-	125,195,578	1,090,065,302	-	1,090,065,302	-
Nim	22.50%	103,829,654	1,720,125	105,549,779	51,394,629	2,228,924	53,623,553	-	-	-	51,926,226
Mehran	25.00%	69,203,189	-	69,203,189	1,933,209	-	1,933,209	67,269,980	-	67,269,980	-
Chanda	17.50%	650,101,265	281,645,990	931,747,255	418,800,350	21,114,847	439,915,197	-	-	-	491,832,058
Gambat	22.50%	406,922,113	(29,450,327)	377,471,786	176,519,430	228,004	176,747,434	163,812,122	-	163,812,122	36,912,230
Tal (all fields)	15.00%	3,883,152,244	777,478,656	4,660,630,900	1,487,177,776	441,396,723	1,928,574,499	-	-	-	2,732,056,401
Khipro (all fields)	25.00%	2,237,508,340	124,797,233	2,362,305,573	1,014,863,276	161,975,230	1,176,838,506	-	-	-	1,185,467,067
MirpurKhas (all fields)	25.00%	2,638,843,200	691,560,353	3,330,403,553	824,474,770	415,976,675	1,240,451,445	-	-	-	2,089,952,108
Chachar	25.00%	257,891,437	-	257,891,437	129,734,386	2,507,281	132,241,667	97,559,182	4,285,919	101,845,101	23,804,669
Nashpa	15.00%	1,672,470,626	963,955,071	2,636,425,697	511,132,461	243,546,510	754,678,971	-	-	-	1,881,746,726
Sinjhoro	22.50%	363,083,445	(28,292,265)	334,791,180	72,503,721	(9,480,237)	63,023,484	-	-	-	271,767,696
Mehar	25.00%	1,319,799,062	34,288,742	1,354,087,804	238,900,788	64,461,677	303,362,465	-	-	-	1,050,725,339
Jhakro	22.50%	10,122,387	668,003	10,790,390	8,548,855	380,638	8,929,493	-	-	-	1,860,897
Guddu	22.50%	139,339,827	-	139,339,827	32,053,672	15,212,297	47,265,969	-	-	-	92,073,858
Bolan	17.50%	173,689,324	145,144,498	318,833,822	18,055,443	19,202,322	37,257,765	-	-	-	281,576,057
Gambat South	25.00%	535,698,988	283,987,327	819,686,315	42,780,758	32,555,991	75,336,749	-	-	-	744,349,566
Tando Allah Yar (all fields)	22.50%	-	243,843,344	243,843,344	-	13,798,836	13,798,836	-	-	-	230,044,508
Decommissioning cost		2,172,052,766	141,764,358	2,313,817,124	1,044,539,628	143,112,101	1,187,651,729	87,461,183	-	87,461,183	1,038,704,212
		25,905,578,206	4,406,918,595	30,312,496,801	11,760,203,056	2,075,009,478	13,835,212,533	1,913,540,186	812,786,774	2,726,326,960	13,750,957,308

2017		COST			ACCUMULATED AMORTIZATION			ACCUMULATED IMPAIRMENT			WRITTEN DOWN VALUE
Particulars	Working Interest	As at 01 July 2016	Additions / (adjustments)	As at 30 June 2017	As at 01 July 2016	Charge for the year	As at 30 June 2017	As at 01 July 2016	Charge for the year	As at 30 June 2017	As at 30 June 2017
		Rupees			Rupees			Rupees			Rupees
Developing fields-Joint Ventures											
Mehar	25.00%	155,738,066	164,973,024	320,711,090	-	-	-	-	-	-	320,711,090
Zarghun South	17.50%	-	-	-	-	-	-	-	-	-	-
Tando Allah Yar (all fields)	22.50%	259,011,892	(259,011,892)	-	-	-	-	-	-	-	-
Kandra	25.00%	3,577,000	-	3,577,000	-	-	-	-	-	-	3,577,000
Nim	22.50%	88,153,044	-	88,153,044	-	-	-	-	-	-	88,153,044
Kotra	20.00%	77,662,839	1,528,301	79,191,140	-	-	-	-	-	-	79,191,140
Mubarak	25.00%	-	-	-	-	-	-	-	-	-	-
Tal	15.00%	502,263,495	(37,044)	502,226,451	-	-	-	-	-	-	502,226,451
MirpurKhas (all fields)	25.00%	335,753,922	(96,025,313)	239,728,609	-	-	-	-	-	-	239,728,609
Khipro (all fields)	25.00%	4,641,414	(4,641,414)	-	-	-	-	-	-	-	-
Sawan	22.50%	616,511,022	(616,511,022)	-	-	-	-	261,063,611	(261,063,611)	-	-
Nashpa	15.00%	822,239,568	(554,771,256)	267,468,312	-	-	-	-	-	-	267,468,312
Mazarani	12.50%	339,758	(339,758)	-	-	-	-	-	-	-	-
Badin III	25.00%	-	-	-	-	-	-	-	-	-	-
Gambat South	25.00%	1,081,679,589	54,383,468	1,136,063,057	-	-	-	-	-	-	1,136,063,057
Block-22	22.50%	15,533,960	-	15,533,960	-	-	-	-	-	-	15,533,960
Zamzama	25.00%	-	63,774,976	63,774,976	-	-	-	-	22,750,751	22,750,751	41,024,225
Sinjhoro	22.50%	-	12,142,929	12,142,929	-	-	-	-	-	-	12,142,929
Decommissioning cost		578,217,904	(386,918,334)	191,299,570	-	-	-	-	-	-	191,299,570
		4,541,323,473	(1,621,453,335)	2,919,870,138	-	-	-	261,063,611	(238,312,860)	22,750,751	2,897,119,387
		30,446,901,679	2,785,465,260	33,232,366,939	11,760,203,056	2,075,009,478	13,835,212,533	2,174,603,797	574,473,914	2,749,077,711	16,648,076,695

DEVELOPMENT AND PRODUCTION ASSETS

2016		COST			ACCUMULATED AMORTIZATION			ACCUMULATED IMPAIRMENT			WRITTEN DOWN VALUE
Particulars	Working Interest	As at 01 July 2015	Additions / (adjustments)	As at 30 June 2016	As at 01 July 2015	Charge for the year	As at 30 June 2016	As at 01 July 2015	Charge for the year	As at 30 June 2016	As at 30 June 2016
		Rupees			Rupees			Rupees			Rupees
Intangibles											
Producing fields-Joint Ventures											
Badin III	25.00%	305,318,953	221,593	305,540,546	155,207,299	113,920,463	269,127,762	-	-	-	36,412,784
Block-22 (all fields)	22.50%	275,406,398	-	275,406,398	116,899,583	23,899,026	140,798,609	-	-	-	134,607,789
Ahmadal/Pariwali	17.50%	752,846,454	2,850,576	755,697,030	379,252,141	38,995,469	418,247,610	-	-	-	337,449,420
Minwal	17.50%	7,298,212	111,014	7,409,226	346,756	845	347,600	-	-	-	7,061,626
Mazarani	12.50%	79,924,931	-	79,924,931	79,924,931	-	79,924,931	-	-	-	-
Sawan	22.50%	2,688,855,293	20,996,601	2,709,851,894	1,919,359,447	95,862,091	2,015,221,538	-	239,877,171	239,877,171	454,753,185
Zamzama	25.00%	3,922,907,263	(127,829)	3,922,779,434	2,114,464,145	523,462,131	2,637,926,276	-	167,495,246	167,495,246	1,117,357,912
Mubarak	25.00%	1,180,782,700	34,478,180	1,215,260,880	125,195,578	-	125,195,578	1,055,587,122	34,478,180	1,090,065,302	-
Nim	22.50%	101,627,951	2,201,703	103,829,654	31,808,615	19,586,014	51,394,629	-	-	-	52,435,025
Mehran	25.00%	69,203,189	-	69,203,189	1,933,209	-	1,933,209	67,269,980	-	67,269,980	-
Chanda	17.50%	646,521,699	3,579,566	650,101,265	402,192,936	16,607,414	418,800,350	-	-	-	231,300,915
Gambat	22.50%	362,699,647	44,222,466	406,922,113	168,764,743	7,754,687	176,519,430	163,812,122	-	163,812,122	66,590,561
Tal (all fields)	15.00%	3,295,023,625	588,128,619	3,883,152,244	1,104,026,515	383,151,261	1,487,177,776	-	-	-	2,395,974,468
Khipro (all fields)	25.00%	1,926,185,545	311,322,795	2,237,508,340	910,247,705	104,615,571	1,014,863,276	-	-	-	1,222,645,064
MirpurKhas (all fields)	25.00%	1,476,452,715	1,162,390,485	2,638,843,200	609,381,953	215,092,817	824,474,770	-	-	-	1,814,368,430
Chachar	25.00%	257,891,437	-	257,891,437	119,134,844	10,599,542	129,734,386	93,806,934	3,752,248	97,559,182	30,597,869
Nashpa	15.00%	1,194,767,852	477,702,774	1,672,470,626	390,995,036	120,137,425	511,132,461	-	-	-	1,161,338,165
Sinjhoro	22.50%	212,891,511	150,191,934	363,083,445	44,088,805	28,414,916	72,503,721	-	-	-	290,579,724
Mehar	25.00%	1,236,873,466	82,925,596	1,319,799,062	165,216,087	73,684,701	238,900,788	-	-	-	1,080,898,274
Jhakro	22.50%	8,533,520	1,588,867	10,122,387	7,677,969	870,886	8,548,855	-	-	-	1,573,532
Guddu	22.50%	143,199,350	(3,859,523)	139,339,827	8,252,986	23,800,686	32,053,672	-	-	-	107,286,155
Bolan	17.50%	172,983,567	705,757	173,689,324	8,271,996	9,783,447	18,055,443	-	-	-	155,633,881
Gambat South	25.00%	217,597,423	318,101,565	535,698,988	87,677	42,693,081	42,780,758	-	-	-	492,918,230
Decommissioning cost		2,150,762,250	21,290,516	2,172,052,766	909,314,715	135,224,913	1,044,539,628	87,461,183	-	87,461,183	1,040,051,955
		22,686,554,951	3,219,023,255	25,905,578,206	9,772,045,671	1,988,157,386	11,760,203,056	1,467,937,341	445,602,845	1,913,540,186	12,231,834,964

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2016		COST			ACCUMULATED AMORTIZATION			ACCUMULATED IMPAIRMENT			WRITTEN DOWN VALUE
Particulars	Working Interest	As at 01 July 2015	Additions / (adjustments)	As at 30 June 2016	As at 01 July 2015	Charge for the year	As at 30 June 2016	As at 01 July 2015	Charge for the year	As at 30 June 2016	As at 30 June 2016
		Rupees			Rupees			Rupees			Rupees
Developing fields-Joint Ventures											
Mehar	25.00%	150,258,046	5,480,020	155,738,066	-	-	-	-	-	-	155,738,066
Zarghun South	17.50%	-	-	-	-	-	-	-	-	-	-
Tando Allah Yar (all fields)	22.50%	259,011,892	-	259,011,892	-	-	-	-	-	-	259,011,892
Kandra	25.00%	3,577,000	-	3,577,000	-	-	-	-	-	-	3,577,000
Nim	22.50%	39,855,964	48,297,080	88,153,044	-	-	-	-	-	-	88,153,044
Kotra	20.00%	75,952,708	1,710,131	77,662,839	-	-	-	-	-	-	77,662,839
Mubarak	25.00%	-	-	-	-	-	-	-	-	-	-
Tal	15.00%	601,305,492	(99,041,997)	502,263,495	-	-	-	-	-	-	502,263,495
MirpurKhas (all fields)	25.00%	487,920,945	(152,167,023)	335,753,922	-	-	-	-	-	-	335,753,922
Khipro (all fields)	25.00%	220,921,365	(216,279,951)	4,641,414	-	-	-	-	-	-	4,641,414
Sawan	22.50%	595,941,466	20,569,556	616,511,022	-	-	-	-	261,063,611	261,063,611	355,447,411
Nashpa	15.00%	688,238,262	134,001,306	822,239,568	-	-	-	-	-	-	822,239,568
Mazarani	12.50%	-	339,758	339,758	-	-	-	-	-	-	339,758
Badin III	25.00%	221,593	(221,593)	-	-	-	-	-	-	-	-
Gambat South	25.00%	1,368,605,769	(286,926,180)	1,081,679,589	-	-	-	-	-	-	1,081,679,589
Block-22	22.50%	15,533,960	-	15,533,960	-	-	-	-	-	-	15,533,960
Decommissioning cost		364,699,715	213,518,189	578,217,904	-	-	-	-	-	-	578,217,904
		4,872,044,177	(330,720,704)	4,541,323,473	-	-	-	-	261,063,611	261,063,611	4,280,259,862
		27,558,599,128	2,888,302,551	30,446,901,679	9,772,045,671	1,988,157,386	11,760,203,056	1,467,937,341	706,666,456	2,174,603,797	16,512,094,826

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

	Note	2017 Rupees	2016 Rupees
8.2 Allocation of Amortization			
Operating expenses	30	2,075,009,478	1,988,157,386
8.3 Allocation of Impairment			
Operating expenses	30.1	574,473,914	706,666,456

8.4 During the year 2003-4, 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 settelement 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 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 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	2017 Rupees	2016 Rupees
9 LONG TERM INVESTMENT IN SUBSIDIARY			
Investment in subsidiary - at cost			
Inter State Gas Systems (Private) Limited (ISGS)	9.1	**2,313,700,000**	2,313,700,000
Pakistan LNG Terminals Limited (PLTL)	9.2	**15,000,000**	15,000,000
Pakistan LNG Limited (PLL)	9.2	**15,000,000**	15,000,000
		2,343,700,000	2,343,700,000

9.1 Inter State Gas System (Private) Limited (ISGS) was incorporated on August 04, 1996 in Pakistan under Companies Ordinance 1984 as a private limited company. At June 30, 2017, the Company has a direct shareholding of 99.57% with 231,370,000 (June 30, 2016: 99.57% with 231,370,000) equity shares of Rs.10 each held in Interstate Gas Systems (Private) Limited - ISGSL. Break-up value of each ordinary share of Rs.10 is equal to Rs. 7.31, based on the latest audited financial statements available for the year ended 30 June 2017.

As disclosed in financial statement of ISGS for the year ended June 30, 2017, 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. ISGS 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 from 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 (ILF) and National Engineering Services

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.

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. Thus, 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 GSPA. In terms of the letter dated April 14, 2014, NIOC rejected the 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 GSPA. ISGS has not accrued any penalty under the terms of 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 GSPA by both sides which at present was due by December 31, 2014. NIOC has neither levied nor contended to levy penalty on ISGS.

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.

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 the 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 meeting dated June 6, 2017 directed MoE to drop the GNP forthwith. As per said direction, the 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. Accordingly, provision for impairment of Rs.487.78 million has been recorded against aggregate cost incurred on GNP.

The Note 9.1 to the financial statements also contains that Economic Coordination Committee of the Federal Cabinet, in its meeting dated October 28, 2017 has approved the Machike – Tarujbba Oil Pipeline Project (Oil Pipeline Project), under which ISGSL has been assigned to initiate a pipeline project from Lahore to Peshawar by connecting Machike, Chakpirana (Kharian), Sihala (Rawalpindi) and Tarujabba (Peshawar) depots with initial capacity of 4 million tons extendable up to 7 million tons. The techno-economic feasibility of Oil Pipeline Project has been approved by ISGS's Board on January 29, 2018 and bidding process has been initiated for its implementation under Build, Own, Operate and Transfer (BOOT) basis, having 15 years term. Oil Pipeline Project is expected to provide significant revenues to ISGS over the project life and transfer of project assets at token value on completion of BOOT term. The project assets would have useful life of another 25 years after the BOOT term.

Based on positive financial projections and current progression of IP-Project as well as initiation of Oil Pipeline Project, management believes that Company's investment in ISGS entails no impairment in the standalone financial statement of the Company. We understand that Board concurs with this view.

9.2 Pakistan LNG Terminals Limited and Pakistan LNG Limited (Collectively referred to as the subsidiaries) were incorporated in Pakistan as a public companies on December 11, 2015 under the Companies Ordinance, 1984. The Company has subscribe 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. Based on the latest audited financial statements available for the year ended 30 June 2017, break-up value of each ordinary share of Rs.10 is equal to Rs. (49.96) and Rs. (102) in case of PLL and PLTL respectively.

10 LONG TERM LOAN

	Note	2017 Rupees	2016 Rupees
Loan to NHA against Khushal Garh Bridge			
Considered good - unsecured	10.1	95,804,022	74,793,118
Current portion of long term loan	10.2	-	(7,603,572)
Loan to Inter State Gas Systems (Private) Limited	10.3	667,000,000	396,500,000
Long Term Loans to staff			
Considered good - unsecured	10.4	30,733,058	12,395,978
Current portion of long term loan		(5,984,448)	(2,916,700)
		787,552,632	473,168,824

10.1 This represents the Company's share of interest free loan to National Highway Authority (NHA), under an agreement dated 20 October 2010, for construction of Khushal Garh Bridge being contracted for transportation of crude and condensate production from Nashpa, Chanda and Tal concessions. The total outlay required for construction of the bridge is approximately Rs 1,400 million. The Joint Venture partners of these concessions have agreed to provide Rs. 700 million (50% of the total cost of construction) in proportion to their working interest. The Company's share of total financing will be Rs. 106.45 Million. However, the Company has disbursed Rs.95.8 million as full and final loan to NHA. The loan shall be repaid by NHA in eighty four (84) equal monthly installments, with grace period of one year, starting from one year after date of commissioning of the new bridge. The estimated time of commissioning was 27 months from the commencement of project. Each installment shall be due within 10 days of the following month. A late payment surcharge of 1.5% p.m. shall be charged to NHA in case of delay in payment. The bridge has been inaugurated on 28 July 2014 and is currently operational. NHA has not paid any installement as of the balance sheet however, joint venture partners are in process of negotiating the final settelment with NHA. In accordance with IAS 39 - Financial Instruments: Recognition and Measurement, the amount is stated at present value using the market discount rate and the difference between carrying amount and present value of expected cash flows is included in profit and loss account.

		2017 Rupees	2016 Rupees
10.2	Opening Balance	74,793,118	72,508,840
	Unwinding/discounting of loan	21,010,904	2,284,278
		95,804,022	74,793,118

10.3 This represents amount paid to Inter State Gas Systems Limited (ISGSL) as advance for meeting their operational requirements. Subsequent to decision of ECC in its Meeting dated December 15, 2016 against Case No. ECC-145/25/2016, the amount of advance of Rs. 667,000,000 (June 2016: Rs. 396,500,000) will be made a part of a three (3) year term loan to ISGSL. The terms of the loan agreement have been signed between the Company and ISGSL subsequent to Balance Sheet date on January 09, 2018. As per the term sheet, the loan is provided for a period of three years at markup of annual KIBOR + 0.1% or mark-up as determined by ECC. The loan and the markup is repayable after three years through a single bullet repayment or as mutually agreed between the parties.

10.4 The long term loan to staff includes Rs. 6,141,960 (2016: Nil) paid to MD & CEO.

		Note	2017 Rupees	2016 Rupees
11	**STORES, SPARES & LOOSE TOOLS - SHARE IN JOINT VENTURES' INVENTORY**			
	Store, Spares & Loose Tools		**3,391,584,593**	3,364,740,247
	Impairment for slow moving and obsolete stores, spares and loose tools	11.1	**(502,444,095)**	(345,278,225)
			2,889,140,498	3,019,462,022

		Note	2017 Rupees	2016 Rupees
11.1	Opening balance		**345,278,225**	168,776,642
	Net impairment for the year	30.1	**157,165,870**	176,501,583
	Closing balance		**502,444,095**	345,278,225

11.2 Management has made an impairment assessment and a provision of impairment was recognized on inventory stock relating to joint ventures assets as explained in note 29.1 to these financial statements.

		Note	2017 Rupees	2016 Rupees
12	**ADVANCES TO SUBSIDIARIES**			
	Pakistan LNG Terminals Limited (PLTL)	12.1	**175,745,160**	112,000,358
	Pakistan LNG Limited (PLL)	12.2	**131,184,475**	8,047,475
			306,929,635	120,047,833

12.1 The Company has provided advance to PLTL for meeting their operational requirements. On November 27, 2017, the Company entered in to a loan agreement with the subsidiary company for the conversion of entire advances into interest bearing loan. Loan along with the interest is receivable in four quarterly installments, within one year after the start of commercial operations. Rate of interest on loan shall be six months KIBOR plus 2 percent.

12.2 The Company has provided the advance to PLL for meeting 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 entered in to a loan agreement with the subsidiary company for the conversion of entire advances into interest bearing loan. Loan along with the interest is receivable in four quarterly installments, within one year after the start of commercial operations. Rate of interest on loan shall be six months KIBOR plus 2 percent.

		Note	2017 Rupees	2016 Rupees
13	**TRADE DEBTS - NET**			
	Unsecured - considered good		**28,801,942,669**	33,201,338,653
	Unsecured - considered doubtful			
	Unsecured - considered doubtful	13.1	**4,604,647,534**	4,604,647,534
	Less: Provision for Doubtful debts	13.3	**(4,604,647,534)**	(4,604,647,534)
			-	-
			28,801,942,669	33,201,338,653

13.1 The trade debts include Rs. 24,253,345,383 (2016: Rs. 29,513,265,689) from oil and gas Customers which is overdue for period longer than as provided in the agreement. Late payment surcharge in respect of such delay has not been paid by respective buyers. 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 and LPS, the management has estimated the amount of Rs. 4,604,647,534 (2016: Rs. 4,604,647,534) as provision for doubtful debts.

13.2 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. 8,685 million as of June 30, 2017 (2016: Rs. 7,045 million) which is not recognized, based on the premise that it has not been received yet.

	2017 Rupees	2016 Rupees
13.3 Opening Balance	**4,604,647,534**	4,604,647,534
Provision for the year	**-**	-
	4,604,647,534	4,604,647,534

14 LOANS, ADVANCES AND OTHER RECEIVABLES (CONSIDERED GOOD UNSECURED)

	Note	2017 Rupees	2016 Rupees
Advances against salary to staff	14.1	**1,628,529**	7,593,108
Current portion of long term loan	10	**-**	7,603,572
Current portion of vehicle loan to staff	10	**5,984,448**	2,916,700
Advances to suppliers		**4,744,052**	182,856
		12,357,029	18,296,236

14.1 **Movement of carrying amount of advances against salary:**	**Executives**	**Other employees**	**Total**
		------------Rupees-----------	
Balance as at July 01, 2016	**5,708,561**	**1,884,547**	**7,593,108**
Disbursement during the year	**500,000**	**2,295,896**	**2,795,896**
Repayments during the year	**(5,833,561)**	**(2,926,914)**	**(8,760,475)**
	375,000	**1,253,529**	**1,628,529**

14.2 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.

14.3 The advance against salary includes Nil (2016: Rs 2,362,728) paid to MD and CEO.

15 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	Note	2017 Rupees	2016 Rupees
Security deposits		**55,250**	55,250
Short term prepayments			
Software maintenance fee		**1,391,554**	1,245,039
Insurance		**2,082,457**	3,939,594
		3,474,011	5,184,633
		3,529,261	5,239,883

16 INTEREST ACCRUED

Interest accrued on:		
Bank deposits	**24,184,954**	21,956,053
Term deposit receipts	**269,145,206**	63,116,438
	293,330,160	85,072,491

17 SHORT TERM INVESTMENTS - RESTRICTED

Investment in TDRs - held to maturity	**32,000,000,000**	11,700,000,000

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

Credit rating	Rating agency	Maturity	Rate p.a	2017 Rupees	2016 Rupees
A1+	PACRA	36 months	5.95%	**12,000,000,000**	-
A1+	PACRA	12 months	5.90% & 6.10%	**20,000,000,000**	-
A1+	PACRA	3 months	7% & 6.25%	-	11,700,000,000
				32,000,000,000	11,700,000,000

17.2 Amounts of these investments are restricted and proceeds of such investments are only utilized for the purpose of reserves maintained as explained in Note 20 to these financial statements.

17.3 Please refer to Note 28.1.3 which explains the lien will be created on these term deposit receipts for issuing guarantee on behalf of subsidiaries.

18 CASH AND BANK BALANCES

	Note	2017 Rupees	2016 Rupees
Cash:			
- In hand		**40,446**	67,600
- At banks - deposit accounts	18.1	**3,464,052,658**	2,886,326,970
		3,464,093,104	2,886,394,570

18.1 These carry mark-up at the rate ranging between 3.75% and 6.25% p.a (2016: 4% and 6% p.a).

19 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2017 (Number of shares)	2016 (Number of shares)		2017 Rupees	2016 Rupees
2,025,000,002	25,000,002	Ordinary shares of Rs. 10 each, fully paid in cash	**20,250,000,020**	250,000,020

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

20 RESERVES

	Note	2017 Rupees	2016 Rupees
General Reserve	20.2	**2,284,626,436**	2,284,626,436
Other Reserves			
Committed Outlay Reserve	20.3	**20,946,247,416**	20,946,247,416
Asset Insurance Reserve	20.4	**3,000,000,000**	3,000,000,000
Assets Acquisition Reserve	20.5	**5,000,000,000**	5,000,000,000
LNG Project Reserve	20.6	**25,000,000,000**	45,000,000,000
		53,946,247,416	73,946,247,416
		56,230,873,852	76,230,873,852

20.1 The Company 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 18 to these financial statements. Further necessary accumulation of funds for these reserves will be made over the next few years.

20.2 The General and Contingency Reserve is appropriated to cater for contingencies related to relevant interest carried cost based on current exploration commitments and other unforeseen events.

20.3 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.

20.4 The Asset Insurance Reserve has been created for self insurance of investments in assets like wells, plants, pipelines, vehicles and furniture & fixture of those Joint Ventures where the Insurance policy has not been taken out by the Operator.

20.5 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 and the Company plans to continue to build-up this reserve in future years.

20.6 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).

21 LONG TERM LIABILITY

	Note	2017 Rupees	2016 Rupees
Due to the Joint Venture Operators	21.2	**4,545,017,446**	4,290,361,351
Current portion shown under current liabilities		**(644,504,311)**	(361,805,198)
		3,900,513,135	3,928,556,153

21.1 This represents long term liability on account of the Company's carried interest of 5% in the exploration expenditure of various Joint Venture concessions. This expenditure is incurred by the Joint Venture 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 Venture.

		Note	2017 Rupees	2016 Rupees
21.2	Opening Balance		4,290,361,351	4,181,000,031
	Payments		(308,913,494)	(307,363,415)
	Additions / adjustments during the year		541,244,125	307,439,481
	Discounting of long term liability	21.3	(77,022,458)	(78,172,965)
	Exchange loss on revaluation		99,347,922	187,458,219
			4,545,017,446	4,290,361,351

21.3 Long term liability have been discounted using 5.75% (June 2016: 5.75%) rate of interest as required by IAS39, 'Financial Instrument: Recognition and Measurement'.

	Note	2017 Rupees	2016 Rupees
22 DEFERRED TAXATION			
Deferred taxation	22.1	7,183,451,535	5,913,277,737

22.1 Movement in the deferred tax liability:

	Note	2017 Rupees	2016 Rupees
Opening balance		5,913,277,737	5,594,559,623
Debited to the profit and loss account	36	1,273,172,395	318,718,114
Credited to other comprehensive income		(2,998,597)	-
		7,183,451,535	5,913,277,737

	Note	2017 Rupees	2016 Rupees
22.2 Deferred tax in respect of taxable/(deductible) temporary differences:			
Accelerated depreciation on property, plant and equipment		5,222,904,191	4,609,236,212
Impairment of stores, spares and loose tools		(200,977,850)	(138,111,290)
Long term liability		(385,774,950)	(169,486,406)
Development and production expenditure		5,083,919,922	4,475,241,208
Provision for doubtful debts		(1,841,859,014)	(1,841,859,014)
Expenditure of exploration and evaluation, development and production asse		(691,762,167)	(1,021,742,973)
Remeasurement of employees' retirement benefits		(2,998,597)	
		7,183,451,535	5,913,277,737

22.3 Deferred tax has been calculated at the current effective tax rate of 40% (June 30, 2016: 40%). The effective tax rate is reviewed annually.

	Note	2017 Rupees	2016 Rupees
23 PROVISION FOR DECOMMISSIONING COST			
Provision for decommissioning cost	23.1	5,111,694,282	5,411,180,671

23.1 Provision for decommissioning cost

	Note	2017 Rupees	2016 Rupees
Opening balance		5,411,180,671	5,179,877,164
(Reversal)/provision made during the year		(383,339,042)	37,274,950
Revaluation exchange loss		15,617,350	153,538,197
Unwinding of decommissioning cost	35	68,235,303	40,490,360
		5,111,694,282	5,411,180,671

24 DEFERRED EMPLOYEE BENEFITS

	Note	2017 Rupees	2016 Rupees
Accumulating compensated absences	24.1	19,084,349	16,444,290
Employees' gratuity fund	24.2	20,046,923	16,165,905
		39,131,272	32,610,195

24.1 Accumulating compensated absences

24.1.1 Amounts recognized in balance sheet:

	Note	2017 Rupees	2016 Rupees
Present value of defined benefit obligation	24.1.2	18,710,761	16,444,290
Fair value of plan assets		-	-
Payables		373,588	-
Net liability at end of the year		19,084,349	16,444,290

24.1.2 Movement in the present value of obligation:

		2017 Rupees	2016 Rupees
Balance at beginning of the year		16,444,290	10,081,389
Expense for the year		4,126,090	7,732,057
Payment made during the year		(1,486,031)	(1,369,156)
		19,084,349	16,444,290

24.1.3 Amounts recognized in profit and loss account:

	Note	2017 Rupees	2016 Rupees
Current service cost		1,400,947	743,642
Interest expense		1,550,226	1,080,633
Remeasurement of defined benefit obligation		1,174,917	5,907,782
		4,126,090	7,732,057

24.1.4 Principle actuarial assumptions:

	2017	2016
Valuation discount rate (%)	9.25%	9.00%
Salary increase rate (%)	8.25%	8.00%

24.1.4 Weighted average assumptions to determined defined benefit costs

	2017	2016
Discount rate	9.00%	11.50%
Rate of salary increase	8.00%	10.50%

	Note	2017 Rupees	2016 Rupees

24.1.5 Sensitivity Analysis

Defined Benefit Obligation		18,710,760	16,444,290
1% increase in discount rate		16,295,350	14,392,518
1% decrease in discount rate		21,580,251	18,821,690
1% increase in salary rate		21,563,451	18,842,701
1% decrease in salary rate		16,268,634	14,295,347

24.2 Employees' gratuity fund

24.2.1 Amounts recognized in balance sheet:

Present value of defined benefit obligation	24.2.2	55,081,759	36,246,830
Fair value of plan assets	24.2.3	(35,719,937)	(20,080,911)
Payables		685,115	-
Net liability at end of the year		20,046,937	16,165,919

24.2.2 Movement in the present value of obligation:

Balance at beginning of the year		36,246,830	18,967,132
Current service cost		12,913,899	6,405,868
Interest cost		3,178,819	2,001,234
Benefits paid		(1,859,901)	(3,130,188)
Benefit payable		(685,115)	-
Remeasurement of defined benefit obligation		5,287,227	12,002,784
		55,081,759	36,246,830

24.2.3 Movement in the fair value of plan assets:

	Note	2017 Rupees	2016 Rupees
Balance at beginning of the year		20,080,911	12,142,852
Contributions by employers		14,306,018	6,824,280
Payment by employer on behalf of plan		1,859,901	-
Expected return on plan assets		2,367,357	1,608,838
Benefits paid		(1,859,901)	(3,130,188)
Remeasurement of plan assets		(1,034,349)	2,635,129
		35,719,937	20,080,911

24.2.4 Amounts recognized in profit and loss account:

Current service cost		12,913,899	6,405,868
Net interest cost		811,462	392,396
Remeasurement loss recognized		6,321,576	9,367,655
		20,046,937	16,165,919

	2017	2016
24.2.5 Principle actuarial assumptions:		
Valuation discount rate (%)	**9.25%**	9.0%
Salary increase rate (%)	**8.25%**	8.0%
Expected return on plan assets (%)	**9.00%**	9.0%

24.2.7 Weighted average assumptions to determined defined benefit costs

Discount rate	**9.00%**	11.50%
Rate of salary increase	**8.00%**	10.50%

24.2.8 Sensitivity Analysis	Note	2017 Rupees	2016 Rupees
Defined Benefit Obligation		49,233,379	36,246,830
1% increase in discount rate		43,465,256	31,719,717
1% decrease in discount rate		57,519,371	41,511,333
1% increase in salary rate		57,562,868	41,560,213
1% decrease in salary rate		43,185,018	31,503,062

25 TRADE AND OTHER PAYABLES	Note	2017 Rupees	2016 Rupees
Trade creditors - due to joint venture operators		**6,155,132,351**	4,061,405,500
Other payables			
Accrued liabilities		**139,428,129**	31,720,715
Signature bonus	25.1	**-**	184,777,777
Payable to provident fund		**2,165,135**	1,924,739
Sales tax payable		**288,084,272**	158,434,031
FED payable		**177,760**	183,600
Interest payable		**22,260,274**	
Royalty payable		**904,625,840**	333,006,998
		1,356,741,410	710,047,860
		7,511,873,761	4,771,453,360

25.1 This represent non refundable signature bonus received from different bidders against award of LPG production. Some of non successful bidders challenged the bidding process. The Lahore High Court dismissed the case on November 23, 2016 accordingly the Company has transferred the signature bonus to other income.

26 This represents amounts utilized against running finance facility of Rs. 11.5 billion from National Bank of Pakistan and Rs. 1.5 billion from United Bank Limited (2016: Nil). It carries markup at 3 months KIBOR + 0.1% p.a. and deposit rate + 0.3% p.a. respectively. The facility was secured against lien on TDRs of the Company. The facility from the Banks have been settled and discontinued subsequent to the balance sheet date.

		Note	2017 Rupees	2016 Rupees
27	**PROVISION FOR TAXATION**			
	Provision for taxation at beginning of the year		**313,759,140**	1,118,472,716
	Income tax paid during the year		**(10,089,642,005)**	(11,654,571,554)
	Provision for current taxation for the year - profit and loss acc	36	**10,597,319,167**	9,968,171,362
	Provision for taxation - prior years	36	**35,069,186**	881,686,616
	Income tax - payable at end of the year		**856,505,488**	313,759,140

27.1 The Company has various tax litigations pending with the tax authorities in respect of tax years 2003 to 2014. 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. The Company 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	2017 Rupees	2016 Rupees
28	**CONTINGENCIES AND COMMITMENTS**			
28.1	**Contingencies**			
	Relating to carried cost liability	28.1.1	**750,209,251**	758,208,321
	Tax contingency	28.1.2	**18,177,836,600**	18,177,836,600
			18,928,045,851	18,936,044,921

28.1.1 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.

28.1.2 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 Company is not importing crude/condensate. The Company does not charge sales tax on its crude /condensate supplies in line with industry practice and compliance of law. The 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.

28.1.3 The Company has provided lien against its investments for the guarantee issued by PLTL in favor of the Terminals operator equivalent to 90 days capacity charge of USD 245,200 per day aggregating to USD 22.1 Million. 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).

		Note	2017 Rupees	2016 Rupees
28.2	**Commitments**			
	Minimum work commitment	28.2.1	**7,172,721,803**	8,721,320,783

28.2.1 This represents the Company's share in the minimum work commitments relating to non-operated joint ventures and the Company's own capital budget.

		Note	2017 Rupees	2016 Rupees
29	**SALES - NET**			
	Natural gas - gross sales		34,984,660,316	36,689,072,248
	Sales tax		(5,098,355,088)	(5,356,534,698)
	Excise duty		(806,978,317)	(766,528,244)
	Natural gas - net sales		29,079,326,911	30,566,009,306
	Crude oil		17,000,942,030	14,213,452,060
	windfall levy		(36,341,173)	(3,474,572)
			16,964,600,857	14,209,977,488
	Liquefied petroleum gas - gross sales		2,311,731,126	2,122,537,236
	Sales tax		(335,870,151)	(309,422,313)
	Excise duty		(3,950,916)	(10,100,779)
	Liquefied petroleum gas - net sales		1,971,910,059	1,803,014,144
			48,015,837,827	46,579,000,938

30 OPERATING EXPENSES

	Note	2017	2016
Joint venture operating expenses		5,615,200,554	6,104,882,557
Depreciation	5.3	2,854,100,758	2,790,657,884
Amortization of development and production assets	8.2	2,075,009,478	1,988,157,386
Impairment	30.1	2,110,043,271	2,532,724,122
		12,654,354,061	13,416,421,949

30.1 Impairment	Note	2017 Rupees	2016 Rupees
Impairment on property, plant and equipment	5.4	1,378,403,487	1,649,556,083
Impairment on development and production assets	8.3	574,473,914	706,666,456
Impairment on inventory	11.1	157,165,870	176,501,583
		2,110,043,271	2,532,724,122

30.1.1 During the current year, the Company carried out impairment testing of its joint venture 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 ventures inventories as specified in above note.

30.1.2 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, 2017, the estimates of future production profiles of producing / discovered fields within the joint ventures have revised based on latest technical information, indicating a potential impairment of its joint venture investments.

30.1.3 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 venture investment has been separately determined and compared with the respective carrying value of the assets of that joint venture.

30.1.4 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 7.75% (June 30, 2016: 7.75 %).

31	OTHER INCOME	Note	2017 Rupees	2016 Rupees
	Income from financial assets			
	Return on bank deposits		550,480,285	711,245,756
	Return on term deposit receipts		1,474,680,295	1,645,881,450
			2,025,160,580	2,357,127,206
	Income from non financial assets			
	Disposal of fixed assets		7,404,070	-
	Signature bonus	25.1	184,777,777	-
	Others	31.1	1,364,836,000	1,658,410
			3,582,178,427	2,358,785,616

31.1 It includes receipt on disposal of Rehmat Development & Production (D&P) lease. M/s OMV Maurice Energy Limited rendered its Rehmat Development & Production lease to Ministry of Energy (MoE) (previously Ministry of Petroleum and Natural Resources) under Pakistan Petroleum (Exploration and Production) Rules, 1986. The MoE nominates and authorise the Company to act on behalf of MoE and take possession of the permanent installation and related equipment at Rehmat D&P lease and take appropriate decision for utilisation and disposal of the same on commercial consideration. The Company disposed the assets in November 2016.

		Note	2017 Rupees	2016 Rupees
32	EXPLORATION AND PROSPECTING EXPENDITURE			
	Cost of dry and abandoned wells	7	141,423,572	404,154,977
	Prospecting expenditure		947,620,821	203,654,549
			1,089,044,393	607,809,526
33	GENERAL AND ADMINISTRATIVE EXPENSES			
	Salaries, wages and benefits	33.1	239,417,666	123,260,263
	Travelling and conveyance		6,100,931	9,213,620
	Repairs and maintenance		3,203,303	2,219,622
	Rent		9,953,025	14,860,415
	Communications		1,141,335	1,026,792
	Utilities		4,994,495	1,712,966
	Training and seminars		1,486,970	2,637,331
	Printing and stationery		569,133	1,671,832
	Advertisement		5,213,792	2,801,502
	Entertainment		800,423	1,248,784
	Legal and professional charges		2,819,940	6,669,012
	Auditors' remuneration	33.5	973,050	904,000
	Fee and subscription		2,666,002	2,913,768
	Software maintenance fee		5,447,811	4,821,399
	Insurance		5,308,307	4,735,375
	Donations	33.6	3,000,000	400,000
	Amortization of intangible assets	6	328,365	364,941
	Depreciation	5.3	4,507,554	6,831,094
	Security services		2,555,741	827,677
	Others		5,616,117	3,323,303
			306,103,960	192,443,696

33.1 It includes Rs. 33.262 million (2016: Rs.12.994 million) in respect of post employment benefits.

33.2 The aggregate amounts charged in these financial statements for the remuneration of the Chief Executive and Directors are as follows:

	Chief Executive		Directors	
	2017	2016	2017	2016
	----------Rupees----------			
Managerial remuneration	**84,503,164**	-	-	-
Bonus	**8,644,586**	-	-	-
Post employment benefits	**10,392,771**	-	-	-
Reimbursable expenses	-	-	-	-
	103,540,521	-	-	-
Number of persons	1	1	-	-

33.3 Fee paid to non-executive directors for attending the Board of Directors meetings amounted to Rs 1,812,500 (2016: Rs. 2,160,000). The Ex-Chief Executive had also been provided with fully maintained Company car in accordance with the entitlement.

33.4 The amount represents expense accrued on account of remuneration of the Chief executive of the Company from the date of his appointment i.e. September 25, 2014 upto June 2017. The amount was not provided for in prior years as there was a dispute on the determination of final terms and conditions of the Chief Executive. The tenure of Chief Executive of the Company expired on September 24, 2017. Subsequent to the balance sheet date, the remuneration of the Chief Executive was determined by the Company's Board. The aggregate remuneration for period from June 30, 2017 to September 24, 2017 amounts to Rs. 18,354,596.

33.5 Auditors' remuneration	Note	2017 Rupees	2016 Rupees
Statutory audit fee		**875,000**	**750,000**
Review of CCG		**50,000**	**50,000**
Out of pocket expenses		**48,050**	**104,000**
		973,050	**904,000**

33.6 Donation does not include any amount paid to any person or organization in which a director or his spouse had any interest.

34 OTHER EXPENSES

	Note	2017 Rupees	2016 Rupees
Loss on sale of fixed assets		**315,272**	-
Exchange loss		**237,839,302**	529,474,782
		238,154,574	529,474,782

35 FINANCE (INCOME)/COST

	Note	2017	2016
Unwinding of discount on provision for decommissioning cos	23.1	**68,235,303**	40,490,360
Discount of long term loan	10.2	**(21,010,904)**	(2,284,278)
Discount of long term liability	21.2	**(77,022,458)**	(78,172,965)
Interest on running finance	26.1	**22,260,274**	-
Bank charges		**135,323**	108,718
		(7,402,462)	(39,858,165)

36 TAXATION

	Note	2017 Rupees	2016 Rupees
Current			
Current		10,597,319,167	9,968,171,362
Prior		35,069,186	881,686,616
		10,632,388,353	10,849,857,978
Deferred		1,273,172,395	318,718,114
		11,905,560,748	11,168,576,092

36.1 Reconciliation of tax charge for the year:

	2017 Rupees	2016 Rupees
Accounting profit	32,218,878,895	29,234,812,394
Tax rate	40%	40%
Tax at the applicable rate of 40% (June 2016: 40%)	12,887,551,558	11,693,924,958
Tax effect of:		
Inadmissible expenditure for tax purposes	3,262,945,367	3,385,532,913
Tax incentives allowable for petroleum business	(2,207,809,645)	(2,098,606,596)
Accelerated tax depreciation for tax purposes	(3,825,406,360)	(3,532,719,612)
Adjustable non-petroleum income chargeable @ 31% (June 2016: 32%)	(278,852,092)	(188,570,176)
Super Tax @ 3% (June 2016: 3%)	758,890,339	708,609,875
Tax effect of prior years	35,069,186	881,686,616
Tax impact of deferred tax charged at effective tax rate	1,273,172,395	318,718,114
	(981,990,810)	(525,348,866)
	11,905,560,748	11,168,576,092

37 EARNINGS PER SHARE - BASIC AND DILUTED

	2017	2016
Profit for the year	20,313,318,147	18,066,236,302
Average number of shares outstanding during the year	2,025,000,002	2,025,000,002
Earnings per share - basic (Rupees)	10	9

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

38 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 & 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 & 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 & Risk Management Committee.

38.1 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, 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 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.

2016	Neither past due nor impaired	Past due but not impaired			Past due and impaired	Total
Party name		Upto three months	Three to six months	More than six months	More than six months	
SNGPL	1,736,675,083	1,148,197,389	1,823,127,317	441,981,521	544,079,605	5,694,060,915
SSGCL	3,973,329,908	6,195,698,503	6,137,976,476	8,389,086,080	4,056,171,044	28,752,262,011
ARL	1,404,791,892	620,455,426	10,290,397	-	-	2,035,537,715
NRL	267,239,501	409,815	792,081	-	1,735,852	270,177,249
PARCO	421,228,266	90,388,449	-	-	-	511,616,715
ENAR	44,942,189	34,447	-	2,661,033	2,661,033	50,298,702
OPI	(11,518,330)	13,675,240	(1,004,698)	(15,342,581)		(14,190,369)
PRL	123,545,120	26,802,560	1,205,538	35,187,137		186,740,355
OMV	-	-	-			-
FON GAS	2,105,224	-	-	-		2,105,224
SSGCLPG	13,595,686	-	-	-		13,595,686
ENGRO	58,104,982	-	-	-		58,104,982
UEPL	236,778,123	-	-	-		236,778,123
Burshane	(5,570,746)	6,147,458	5,759,368	(13,454,243)		(7,118,163)
POL	(16,609,118)	17,093,553	11,131,857	(30,250,991)		(18,634,699)
Bukhari Gas	2,698,738	1,042,791	(2,926,062)	(7,547,706)		(6,732,239)
Hi-Tech Pipe	1,544,967					1,544,967
Jakhro-LPG	1,298,676					1,298,676
Sinjhoro-LPG	38,540,337					38,540,337
	8,292,720,498	8,119,945,631	7,986,352,274	8,802,320,250	4,604,647,534	37,805,986,187

The Company believes that the recovery of receivable balances of Rs. 4,604,647,534 (2016: 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 3 months ~1 year 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:

		2017 Rupees	2016 Rupees
A 1+	PACRA	**2,466,358,855**	2,868,214,688
A-1+	JCR-VIS	**997,672,104**	18,179,882
		3,464,030,959	2,886,394,570

38.2 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.

Exposure to credit risk

The Company's maximum exposure to credit risk for the components of balance sheet at June 30, 2017 and 2016 is equal to the carrying amounts of financial assets as given below:

	2017 Rupees	2016 Rupees
Long term loan	126,537,080	87,189,096
Long term investment in subsidiary	2,343,700,000	2,436,562,000
Trade debts - net	28,801,942,669	33,201,338,653
Loans and other receivables	1,628,529	7,593,108
Security deposits and advances to suppliers	4,799,302	238,106
Interest accrued	293,330,160	85,072,491
Short term investments - restricted	32,000,000,000	11,700,000,000
Bank balances	3,464,052,658	2,886,326,970
	67,035,990,398	50,404,320,424

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	
2017	9,153,244,820	7,890,476,101	6,863,678,480	4,894,543,268	4,604,647,534	33,406,590,203
2016	8,292,720,498	8,119,945,631	7,986,352,274	8,802,320,250	4,604,647,534	37,805,986,187

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

2017 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	1,574,756,521	1,432,645,488	1,445,306,800	204,047,448	357,740,638	5,014,496,895
SSGCL	4,612,833,069	5,545,572,302	5,441,927,798	4,956,215,688	4,245,171,044	24,801,719,901
ARL	1,488,817,288	731,068,343	112,906	-	-	2,219,998,537
NRL	209,605,578	1,112,998	1,121,839	4,329,701	1,735,852	217,905,968
PARCO	635,700,521	30,185,581	-	-	-	665,886,102
ENAR	29,290,713	-	-	-	-	29,290,713
OPI	51,644,617	8,651,595	(15,261,326)	(75,722,133)	-	(30,687,247)
PRL	214,371,422	201,978	-	-	-	214,573,400
MOL	50,196,207	-	-	-	-	50,196,207
FON GAS	1,951,701	2,749,036	-	-	-	4,700,737
SSGCLPG	5,528,848	-	-	-	-	5,528,848
ENGRO	43,707,912	-	6,310,824	-	-	50,018,736
UEPL	-	-	-	-	-	-
Burshane	28,749,335	2,119,529	(10,728,260)	(27,191,211)	-	(7,050,607)
POL	55,258,989	20,828,582	(16,984,784)	(94,586,846)	-	(35,484,059)
Bukhari Gas	51,959,945	632,282	11,872,683	(72,549,379)	-	(8,084,469)
Hi-Tech Pipe	1,513,624	-	-	-	-	1,513,624
Jakhro-LPG	1,526,139	1,800,293	-	-	-	3,326,432
Sinjhoro-LPG	50,644,207	54,657,497	-	-	-	105,301,704
TAY-LPG	40,133,703	26,166,576	-	-	-	66,300,279
Gambat South - LPG	5,054,481	32,084,021	-	-	-	37,138,502
	9,153,244,820	7,890,476,101	6,863,678,480	4,894,543,268	4,604,647,534	33,406,590,203

The maturity profile of the Company's financial assets and liabilities based on 30 June 2017, is summarized below:

2017	Effective yield/	Markup/ Interest bearing	Non markup/ Interest bearing	Total
Financial assets	%		----------Rupees----------	
Maturity up to one year				
Long term vehicle loans to staff	-	-	5,984,448	5,984,448
Trade debts - net	-	-	28,801,942,669	28,801,942,669
Current maturity of long term loan	-	-	-	-
Loans and other receivables	-	-	6,372,581	6,372,581
Advances to subsidiary	KIBOR+2	306,929,635	-	-
Deposits	-	-	55,250	55,250
Interest accrued	-	-	293,330,160	293,330,160
Short-term investments - Restricted	5.90-6.10	32,000,000,000	-	32,000,000,000
Bank balances	3.75-6.25	3,464,052,658	-	3,464,052,658
Cash in hand			40,446	40,446
Maturity after one year:				
Long-term loan	-	-	787,552,632	787,552,632
		35,770,982,293	29,895,278,186	65,359,330,844
Financial liabilities				
Maturity up to one year				
Trade and other payables	-	-	-	-
Current portion of long term liability	-	-	644,504,311	644,504,311
		-	644,504,311	644,504,311
Maturity after one year:				
Long term liability	-	-	3,900,513,135	3,900,513,135
		-	3,900,513,135	3,900,513,135
OFF BALANCE SHEET ITEMS				
Capital expenditure commitments	-	-	7,172,721,803	7,172,721,803

2016	Effective yield/	Markup/ Interest bearing	Non markup/ Interest bearing	Total
Financial assets	%		----------Rupees----------	
Maturity up to one year				
Long term vehicle loans to staff	-	-	12,395,978	12,395,978
Trade debts - net	-	-	33,201,338,653	33,201,338,653
Current maturity of long term loan	-	-	7,603,572	7,603,572
Loans and other receivables	-	-	7,775,964	7,775,964
Advances to subsidiary			27,185,833	27,185,833
Deposits	-	-	55,250	55,250
Interest accrued	-	-	85,072,491	85,072,491
Short-term investments - Restricted	7.80 - 8.60	11,700,000,000	-	11,700,000,000
Bank balances	4.5 - 7.05	2,886,326,970	-	2,886,326,970
Cash in hand			67,600	67,600

Maturity after one year:				
Long-term loan	-	-	473,168,824	473,168,824
		14,586,326,970	33,814,664,165	48,400,991,135
Financial liabilities				
Maturity up to one year				
Trade and other payables	-	-	7,372,445,632	7,372,445,632
Current portion of long term liability	-	-	361,805,198	361,805,198
		-	7,734,250,830	7,734,250,830
Maturity after one year:				
Long term liability	-	-	3,928,556,153	3,928,556,153
		-	3,928,556,153	3,928,556,153
OFF BALANCE SHEET ITEMS				
Capital expenditure commitments	-	-	8,721,320,783	8,721,320,783

38.3 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 term deposit receipts during the year as mentioned in note 18.1. Further the Company has bank balances in deposit accounts that carry variable interest rates, as mentioned in note 19.1.

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 balance sheet, the net foreign currency exposure aggregates to USD 172.91 million (2016: USD 237.95 million).

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

	2017 (USD)	2016 (USD)
Financial assets		
Short term exposure		
Trade debts	**274,827,697**	317,716,159
Financial liabilities		
Short term exposure		
Due to joint venture operators	**(58,620,308)**	(38,790,883)
Current portion shown under current liabilities	**(6,138,136)**	(3,455,637)
Long term exposure		
Due to the joint venture operators	**(37,147,744)**	(37,522,026)
	(101,906,188)	(79,768,546)
Net exposure to foreign currency risk	**172,921,509**	237,947,613

	Note	2017 Rupees	2016 Rupees
Financial assets			
Short term exposure			
Trade Debts		**28,801,942,669**	33,201,338,653
Financial liabilities			
Short term exposure			
Due to joint venture operators		**(6,155,132,351)**	(4,061,405,500)
Current portion shown under current liabilities		**(644,504,311)**	(361,805,198)
Long term exposure			
Due to the joint venture operators		**(3,900,513,135)**	(3,928,556,153)
		(10,700,149,797)	(8,351,766,851)
Net exposure to foreign currency risk		**18,101,792,872**	24,849,571,802

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.

If the Pak Rupee had strengthened against the US Dollar by Rs. 5.25 (2016: Rs. 5.23) then this would have had the following impact:

	Note	2017 Rupees	2016 Rupees
Net result for the year		(905,054,749)	(1,514,632,444)

If the Pak Rupee had weakened against the US Dollar by Rs. 5.25 (2016: Rs. 5.23) then this would have had the following impact:

	Note	2017 Rupees	2016 Rupees
Net result for the year		905,054,749	1,426,376,702

	Note	2017 Rupees	2016 Rupees
38.4 Financial instruments by categories			
Financial assets			
Held to maturity investments			
Short term investment - held to maturity	18	32,000,000,000	11,700,000,000
Loans and receivables			
Long-term loan	10	126,537,080	87,189,096
Advances to subsidiary	12	306,929,635	27,185,833
Trade debts- net	13	28,801,942,669	33,201,338,653
Loan, advances and other receivables	14	1,628,529	7,593,108
Deposits	15	4,799,302	238,106
		29,241,837,215	33,323,544,796
Other financial assets at amortized cost			
Cash and bank balances	19	3,464,052,658	2,886,326,970
Interest accrued	16	293,330,160	85,072,491
		3,757,382,818	2,971,399,461
		64,999,220,033	47,994,944,257
Financial liabilities - at amortized cost			
Long term liability	22	3,900,513,135	3,928,556,153
Running Finance		-	-
Trade and other payables	26	7,372,445,632	4,612,835,729
		11,272,958,767	8,541,391,882

38.5 Fair value of financial assets and liabilities

The carrying value of financial assets and liabilities approximates their fair value.

38.6 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.

39 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 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:

Associated company	Note	2017 Rupees	2016 Rupees
Shares held in subsidiary company as at year end	9	2,343,700,000	2,436,562,000

	Note	2017 Rupees	2016 Rupees
Associated company			
Major shareholders			
Government of Pakistan			
Dividend paid			
Cash dividend		20,000,000,000	15,000,000,000
Bonus share		20,000,000,000	-
		40,000,000,000	15,000,000,000
Other related parties			
Remuneration to Directors	33.2	93,147,750	-
Post employment benefits		10,392,771	-
Related parties by virtue of common directorship and GoP holdings			
Pak Arab Refinery Company Limited			
Sale of crude oil		3,771,976,487	3,453,266,595
Trade debts as at 30 June		665,886,102	511,616,715
Sui Northern Gas Pipelines Limited			
Sale of natural gas		10,394,320,134	11,021,557,349
Trade debts as at 30 June		5,014,496,895	5,694,060,915
Sui Southern Gas Company Limited			
Sale of natural gas		23,469,744,113	24,520,825,490
Trade debts as at 30 June		24,801,719,901	28,752,262,011
Enar Petrotech Services Limited			
Sale of crude oil		223,946,018	231,880,638
Trade debts as at 30 June		29,290,713	50,298,702
Oil and Gas Development Company Limited			
Cash calls paid against JV expenses		3,934,241,984	3,136,171,862
Pakistan Petroleum Limited			
Cash calls paid against JV expenses		1,953,044,694	9,330,508,997

40 CASH AND CASH EQUIVALENTS

	Note	2017 Rupees	2016 Rupees
Short term investments - restricted	18	32,000,000,000	11,700,000,000
Cash and bank balances	19	3,464,093,104	2,886,394,570
		35,464,093,104	14,586,394,570

41 NUMBER OF EMLPOYEES

	2017	2016
Number of employees as at year end	42	43
Average number of employees employed during the year	42	43

42 STAFF PROVIDENT FUND

42.1 Following are the particulars related to the Fund:

	2017 Rupees Unaudited	2016 Rupees Audited
Size of fund/trust	21,373,523	16,238,540
Cost of investment made	19,054,439	13,589,650
Percentage of investment (%)	100%	100%
Fair value of investment	21,373,523	16,238,540

42.2 Breakup of investments, in terms of amount and percentage of the size of the Fund in categories is as follow;

	2017 Unaudited		2016 Audited	
	%	Rupees	%	Rupees
Investment in TDRs	-	-	96%	13,068,186
Deposits with banks	100%	19,054,439	4%	521,464
	100%	19,054,439	100%	13,589,650

42.3 Investment out of the Fund has been made in accordance with the provision of section 227 of the Companies Ordinance, 1984 and rules formulated for this purpose. The above figures and information are based on information provided by the management of staff provident fund.

43 EVENTS AFTER THE BALANCE SHEET DATE

43.1 The Board of Directors in its meeting held on................. proposed a final cash dividend of Rs. ...... per share (2016: Rs. Nil per share) for the year ended June 30, 2017. The appropriation will be approved by the members in forthcoming Annual General Meeting. These financial statements do not include the effect of these appropriations.

43.2 On November 27, 2017, the Company entered in to a loan agreement with the subsidiary companies, PLL and PLTL, for the conversion of entire advances into interest bearing loan. Loan along with the interest is receivable in four quarterly installments, within one year after the start of commercial operations. Rate of interest on loan shall be six months KIBOR plus 2 percent.

43.3 On January 09, 2018, the Company signed the term sheet with the subsidiary company ISGS. As per the term sheet, the loan is provided for a period of three years at markup of annual KIBOR + 0.1% or mark-up as determined by ECC. The loan and the markup is repayable after three years through a single bullet repayment or as mutually agreed between the parties.

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 DATE OF AUTHORIZATION OF ISSUE

07 MAR 2018

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

46 GENERAL

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

Chief Executive Officer **Director**

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Deloitte.

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AUDITORS' REPORT TO THE MEMBERS ON CONSOLIDATED FINANCIAL STATEMENTS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **Government Holdings (Private) Limited** (the " Holding Company") and its subsidiary, **Inter State Gas Systems (Private) Limited, Pakistan LNG Limited and Pakistan LNG Terminals Limited** (herein collectively referred to as "the Group") as at June 30, 2017 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of the Holding Company and three subsidiary companies namely Interstate Gas Systems (Private) Limited, Pakistan LNG Limited and Pakistan LNG Terminals Limited. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion the consolidated financial statements present fairly the financial position of the Group as at June 30, 2017 and the results of their operations for the year then ended.

We draw attention to the following matters;

- as disclosed in note 8.2 to the financial statements, 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). 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 5.5.2 the financial statements contains information regarding delay in completion of the Iran Pakistan Gas Pipeline Project (IP-Project) by the Inter State Gas System (Private) Limited under terms of Gas Sale Purchase Agreement with National Iranian Oil Company, resultant contingency and impairment of Gwader-Nawabshah LNG terminal and Pipeline project.

- as disclosed in note 11 the financial statements, trade debts of Rs. 28,802 million include Rs. 24,253 million which are overdue as at June 30, 2017. 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. An aggregate provision of Rs. 4,605 million has been made against said long outstanding debts.

Our report is not qualified in respect of the aforementioned matters.

Deloitte Yousuf Adil
Chartered Accountants

Engagement Partner: Shahzad Ali

Islamabad:
Dated: 16 MAY 2018

GOVERNMENT HOLDINGS (PRIVATE) LIMITED
CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2017

	Note	2017 (Rupees)	2016 (Rupees)
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	30,756,715,910	30,730,364,664
Intangible assets	6	6,472,181	6,127,202
Exploration and evaluation assets	7	2,899,652,251	2,580,911,830
Development and production assets	8	16,648,076,695	16,512,094,826
Long term loan	9	120,552,632	76,668,824
		50,431,469,669	49,906,167,346
CURRENT ASSETS			
Stores, spares & loose tools - share in joint ventures' inventory	10	2,889,140,498	3,019,462,036
Trade debts - net	11	28,801,942,669	33,201,338,653
Loans, advances and other receivables	12	18,027,490	34,196,414
Trade deposits and short term prepayments	13	5,757,114	6,416,101
Interest accrued	14	295,599,418	86,440,437
Advance for shares in associate-TAPI	19	432,129,610	432,129,610
Short term investments - restricted	15	32,050,000,000	11,700,000,000
Cash and bank balances	16	3,674,534,828	3,148,170,063
		68,167,131,627	51,628,153,314
TOTAL ASSETS		118,598,601,296	101,534,320,660
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
4,500,000,000 (2016: 1,500,000,000) ordinary shares of Rs. 10 each		45,000,000,000	15,000,000,000
Issued, subscribed and paid up capital	17	20,250,000,020	250,000,020
Reserves			
Reserves	18	56,230,873,852	76,230,873,852
Unappropriated profits		3,029,183,955	3,539,361,105
Advance against issue of shares to Government of Pakistan	19	432,129,610	432,129,610
		79,942,187,437	80,452,364,587
NON-CONTROLLING INTEREST		6,803,516	9,519,058
		79,948,990,953	80,461,883,645
NON CURRENT LIABILITIES			
Long term liability	20	3,900,513,135	3,928,556,153
Deferred taxation	21	7,183,451,535	5,920,748,941
Provision for decommissioning cost	22	5,111,694,282	5,411,180,671
Deferred employee benefits	23	69,484,705	61,563,318
		16,265,143,657	15,322,049,083
CURRENT LIABILITIES			
Trade and other payables	24	7,896,598,437	5,083,078,623
Running finance	25	13,000,000,000	-
Current portion of long-term liability	20	644,504,311	361,805,198
Provision for taxation	26	843,363,938	305,504,111
		22,384,466,686	5,750,387,932
		118,598,601,296	101,534,320,660
CONTINGENCIES AND COMMITMENTS	27		

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.

Chief Executive Officer

Director

GOVERNMENT HOLDINGS (PRIVATE) LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 (Rupees)	2016 (Rupees)
SALES - NET	28.	**48,015,837,827**	46,785,964,814
Royalty		**(5,098,882,831)**	(4,996,682,372)
Operating expenses	29.	**(13,302,700,014)**	(13,606,828,715)
GROSS PROFIT		**29,614,254,982**	28,182,453,727
Other income	30.	**3,593,521,823**	2,365,070,122
Exploration and prospecting expenditure	31.	**(1,089,044,393)**	(607,809,526)
General and administrative expenses	32.	**(495,367,828)**	(267,597,950)
Other expenses	33.	**(238,154,574)**	(530,009,684)
OPERATING PROFIT		**31,385,210,010**	29,142,106,689
Finance Income	34.	**7,333,147**	39,858,165
PROFIT BEFORE TAXATION		**31,392,543,157**	29,181,964,854
Taxation	35.	**(11,894,000,296)**	(11,194,313,253)
NET PROFIT FOR THE YEAR		**19,498,542,861**	17,987,651,601
ATTRIBUTABLE TO:			
Owners of the parent		**19,501,258,403**	17,987,673,307
Non-controlling interests		**(2,715,542)**	(21,706)
		19,498,542,861	17,987,651,601
EARNINGS PER SHARE - BASIC AND DILUTED	36.	**9.63**	**8.88**

The annexed notes from 1 to 44 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, 2017

	2017 (Rupees)	2016 (Rupees)
NET PROFIT FOR THE YEAR	**19,498,542,861**	17,987,651,601
Items not to be reclassified subsequently to profit and loss account		
Remeasurement loss on employees' retirement benefits	**(10,344,902)**	(17,839,010)
Tax effect of remeasurement loss on employee's retirement benefits	**(1,090,651)**	688,433
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**19,487,107,308**	17,970,501,024
ATTRIBUTABLE TO:		
Owners of the parent	**19,489,852,706**	17,970,530,798
Non-controlling interests	**(2,745,398)**	(29,774)
	19,487,107,308	17,970,501,024

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.

Chief Executive Officer

Director

GOVERNMENT HOLDINGS (PRIVATE) LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 (Rupees)	2016 (Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		31,392,543,157	29,181,964,854
Adjustments for:			
Amortization of development and production assets		2,075,009,478	1,988,157,386
Amortization of long term liability		(77,022,458)	(78,172,965)
Depreciation on Joint Ventures' fixed assets		2,854,167,364	2,790,724,490
Impairment		2,597,825,427	2,532,724,122
Depreciation on owned fixed assets		5,222,866	6,831,094
Amortization of intangible assets		339,183	377,741
Provision for employee benefits		25,502,231	15,187,562
Unwinding of discount on provision for decommissioning cost		68,235,303	40,490,360
Discounting of Long term Loan		(21,010,904)	(2,284,278)
Loss / (Gain) on disposal of property, plant and equipment		(7,304,923)	509,817
Unrealised exchange loss		245,079,404	577,254,212
Interest income		(2,024,435,521)	(2,358,496,990)
Profit before working capital changes		5,741,607,450	5,513,302,551
		37,134,150,607	34,695,267,405
Changes in working capital			
(Increase)/Decrease in current assets			
Trade debts - net		4,405,354,318	(12,878,167,741)
Stores, spare & loose tools - share in joint ventures' inventory		(26,844,404)	86,456,777
Loans, advances and other receivables		(83,854,827)	(23,853,740)
Trade deposits and short-term prepayments		658,987	2,099,204
Increase in current liabilities			
Trade and other payables		2,677,447,440	(6,975,941,354)
Running finance		13,000,000,000	
		19,972,761,514	(19,789,406,854)
Cash generated from operations		57,106,912,121	14,905,860,551
Interest received		1,816,902,911	2,617,721,966
Income Tax paid		(10,092,212,444)	(11,665,160,160)
Employee benefits paid		(30,557,518)	(20,050,510)
Net cash generated from operating activities		48,801,045,070	5,838,371,847
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(8,009,837,064)	(11,674,170,679)
Proceeds from disposal of property, plant and equipment		12,225,641	518,400
Long-term loan given		72,931,118	(9,479,278)
Net cash used in investing activities		(7,924,680,305)	(11,683,131,557)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(20,000,000,000)	(15,000,000,000)
Net cash used in financing activities		(20,000,000,000)	(15,000,000,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS		20,876,364,765	(20,844,759,710)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		14,848,170,063	35,692,929,773
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	39	35,724,534,828	14,848,170,063

The annexed notes from 1 to 44 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, 2017

	Attributable to Owners of the Parent										
	Share Capital	Reserves									
	Issued, Subscribed and Paid-up	General Reserve	Committed Outlay Reserve	Assets Insurance Reserve	Assets Acquisition Reserve	LNG Project Reserve	Reserves Total	Unappropriated Profits	Total	Non- controlling interest	Total Equity
						Rupees					
Balance at July 01, 2015	250,000,020	2,284,626,436	20,946,247,416	3,000,000,000	5,000,000,000		31,230,873,852	45,568,838,375	77,049,712,247	9,540,764	77,059,253,011
Profit after taxation	-	-	-	-	-		-	17,987,673,307	17,987,673,307	(21,706)	17,987,651,601
Other comprehensive income - net of tax	-	-	-	-	-		-	(17,150,577)	(17,150,577)	-	(17,150,577)
Total comprehensive income for the year	-	-	-	-	-		-	17,970,522,730	17,970,522,730	(21,706)	17,970,501,024
Allocation to LNG Project Reserve						45,000,000,000	45,000,000,000	(45,000,000,000)			
Transactions with owners, recorded directly in equity											
Interim dividend 2016: Rs. 600 per share	-	-	-	-	-		-	(15,000,000,000)	(15,000,000,000)	-	(15,000,000,000)
Balance at June 30, 2016	250,000,020	2,284,626,436	20,946,247,416	3,000,000,000	5,000,000,000	45,000,000,000	76,230,873,852	3,539,361,105	80,020,234,977	9,519,058	80,029,754,035
Balance at July 01, 2016	250,000,020	2,284,626,436	20,946,247,416	3,000,000,000	5,000,000,000	45,000,000,000	76,230,873,852	3,539,361,105	80,020,234,977	9,519,058	80,029,754,035
Profit after taxation	-	-	-	-	-		-	19,501,258,403	19,501,258,403	(2,715,542)	19,498,542,861
Other comprehensive income - net of tax	-	-	-	-	-		-	(11,435,553)	(11,435,553)	-	(11,435,553)
Total comprehensive income for the year	-	-	-	-	-	-	-	19,489,822,850	19,489,822,850	(2,715,542)	19,487,107,308
Transactions with owners, recorded directly in equity											
Transfer of amount from LNG Project Reserve to General Reserve	-	20,000,000,000	-	-	-	(20,000,000,000)	-	-	-		-
Bonus share	20,000,000,000	-	-	-	-	-	-	(20,000,000,000)	-	-	-
Interim Dividend 2017: Rs. 800 per share	-	(20,000,000,000)	-	-	-	-	(20,000,000,000)	-	(20,000,000,000)	-	(20,000,000,000)
Balance at June 30, 2017	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	3,029,183,955	79,510,057,827	6,803,516	79,516,861,343

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.

Chief Executive Officer

Director

1. The Group and its operations

Constitution and ownership

These consolidated financial statements comprise of Government Holdings (Private) Limited and its subsidiaries, Inter State Gas Systems (Private) Limited, Pakistan LNG Limited and Pakistan LNG Terminals Limited (the "Group").

1.1 Government Holdings (Private) Limited

Government Holdings (Private) Limited (the "Holding Company") was incorporated in Pakistan as a private limited company on January 15, 2000, under the Companies Ordinance, 1984. The Company's registered office is situated at 7th Floor, Petroleum House, Ataturk Avenue, G-5/2, Islamabad. The main objects of the Company are to:acquire shares of the companies or interest of Government of Pakistan (GoP) in the existing and new oil and gas Joint Ventures, 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, 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 Inter State Gas Systems (Private) Limited

On November 25, 2010, the Holding Company acquired 51% shares of Interstate Gas Systems (Private) Limited (the "subsidiary"). Through subsequent acquisitions of shares, the Holding Company has total ownership of 99.57% as at June 30, 2017 (June 30, 2016: 99.57%).

Inter State Gas Systems (Private) Limited (ISGS), the subsidiary Company, was incorporated on August 04, 1996 in Pakistan under the Companies Ordinance, 1984, 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 ISGS 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.

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. The principle activity of the PLL is to import, transport, market and distribute Liquified Natural Gas (LNG). The PLL's registered office is located at 3rd floor, Block A, Pak Secretariat, Islamabad, Pakistan. PLL has achieved its commercial operation date on January 04, 2018. PLL is wholly owned by the Holding Company.

1.4 Pakistan LNG Termianls Limited

Pakistan LNG Terminals Limited (PLTL) was incorporated in Pakistan as a public company on December 11, 2015 under the Companies Ordinance, 1984. The principle activity of the PLTL is to operate and maintain terminals for the handling, re-gasification, storage, treatment, transportation and processing of Liquefied Natural Gas (LNG), Re-gasified Liqufied 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 has achieved its commercial start date on January 04, 2018. PLTL is wholly owned by the Holding Company.

PLTL and PLL has been consolidated on the basis of its unaudited financial statement as the same is not considered to be material to these consolidated financial statement.

1.5 Merger of PLTL and PLL

Subsequent to the balance sheet date i.e. on February 06, 2018, Prime Minister of Pakistan has directed to merge PLTL and PLL. However, it is a principle approval for which scheme of merger and effective date of merger has not yet been finalized. Necessary approval of the regulators shall be sought in due course. In the meanwhile, both companies continues to be operate and their respective individual financial statements have been prepared and consolidated in these financial statements on going concern basis.

2. BASIS OF PREPARATION

2.1 Statement Of Compliance

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

The Companies Act, 2017 (the new Companies Act) was enacted and promulgated by the SECP on May 30, 2017. However, SECP has notified through Circular No. 23 of Oct 04, 2017 that companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, the Group shall prepare the financial statements for periods closing after December 31, 2017 in accordance with the provisions of the new Companies Act, which is not expected to have significant impact on the Group's financial statements other than certain additional disclosures.

2.2 Basis of measurement

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

- Obligation under certain employee benefits, long term receivables and provision for decommissioning cost have been measured at present value;

- long term interest free loan has been measured through amortized cost; and

- These 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.

2.3 Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of consolidated 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 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:

3.1 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.

3.2 Capital work in progresss

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

The carrying amount of the capital work in progress is reviewed at each balance sheet date to determine whether there is any indication of impairement 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 profit and loss account.

3.3 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 profit and loss account.

3.4 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 Ventures and the corresponding development and production expenditure; on the basis of best estimates available from the shared cost statement of the relevent Joint Venture and adjustment is made based on the finalized cost with the Operator.

3.5 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 date of the consolidated balance sheet.

3.6 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.

3.7 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.

3.8 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.

3.9 Provision against trade debts, advances and other receivables

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

3.10 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2017

The following standards, amendments and interpretations are effective for the year ended June 30, 2017. 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)
Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - Investment Entities: Applying the consolidation exception	Effective from accounting period beginning on or after January 01, 2016
Amendments to IFRS 11 'Joint Arrangements' - Accounting for acquisitions of interests in joint operations	Effective from accounting period beginning on or after January 01, 2016
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative	Effective from accounting period beginning on or after January 01, 2016

Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortization	Effective from accounting period beginning on or after January 01, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture' - Measurement of bearer plants	Effective from accounting period beginning on or after January 01, 2016
Amendments to IAS 27 'Separate Financial Statements' - Amendments reinstating the equity method as an accounting option for investments in in subsidiaries, joint ventures and associates in an entity's separate financial statements	Effective from accounting period beginning on or after January 01, 2016

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

New accounting standards / amendments and IFRS interpretations that are not yet effective

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)
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions.	January 01, 2018
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Date to be determined. Earlier adoption is permitted
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative.	Effective from accounting period beginning on or after January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	Effective from accounting period beginning on or after January 01, 2017
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	Effective from accounting period beginning on or after January 01, 2018
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	Effective from accounting period beginning on or after January 01, 2018
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	Effective from accounting period beginning on or after January 01, 2019

In addition to above 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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases
- IFRS 17 – Insurance Contracts

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Holding Company and its subsidiaries as at June 30, 2017.

4.1.1 Subsidiary

Subsidiary is that enterprises in which 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 subsidiary are included in the consolidated financial statements from the date control commences until the date that control ceases. The subsidiary has a reporting date of 30th June.

The assets and liabilities of subsidiary company 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 transaction 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 parent company. NCI are presented as a separate item in the consolidated financial statements.

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

4.1.2 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.

4.2 Property, plant and equipment

Owned fixed assets

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 at the rates specified in note 5.1. 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 Profit and loss account 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.

Share in Joint Ventures' property, plant and equipment

The Group's share of Property, plant and equipment related to Joint Ventures, in which the Group has a working interest, are recorded at cost less accumulated depreciation. Depreciation is charged using the straight line method at the rates specified in note 5.2. The Group's share of the cost of fixed assets is recorded on the basis of information provided in the cost statements/ audited Joint Ventures' financial statements received from the operators of the respective Joint Ventures at the rates specified in the respective note.

4.3 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.

4.4 Exploration and evaluation assets

The exploration cost of all those Joint Ventures, 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.

4.5 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 Ventures, 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 Ventures, 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 as outlined in accounting policy 4.4 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 field by field 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. Amortization is charged to consolidated profit and loss account.

4.6 Joint Venture Policy

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 Ventures are accounted for on the basis of latest available audited financial statements of the Joint Ventures 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.

4.7 Investments

Held-to-maturity Investment (HTM)

Investments held-to-maturity are non-derivative financial assets which carry fixed or determinable payments and fixed maturities other than loan and receivables. Investments are classified as HTM if the Group has the positive intention and ability to hold to maturity. The Group currently holds Term Deposits Receipts designated into this category. HTM investments are measured subsequently at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

4.8 Stores, spares and loose tools - share in Joint Ventures' 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 Ventures.

4.9 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument and are measured initially at fair value adjusted by transaction cost.

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 expires. Any gains or losses on derecognition of financial assets and financial liabilities are taken to Consolidated Profit and loss account currently.

Financial Assets

Financial assets of the Group include held-to-maturity investment and loan and receivables.

Offsetting

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

Loan and receivables

Loan and receivables include long term loan, trade debts, deposits and other receivables. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment, if any. Any change in their value is recognized in consolidated profit and loss.

Trade and other receivables are assessed on regular basis for impairment.

Financial Liabilities

The Group financial liabilities include trade & other payables.

Trade and other payables

Trade and other payable include due to the Joint Venture operators, trade creditors and other payables. Subsequent to initial recognition trade and other payables are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Offsetting financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the consolidated balance sheet if, the Group has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4.10 Cash and cash equivalents

Cash and cash equivalents in the consolidated balance sheet 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.

4.11 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 profit and loss account.

4.12 Staff retirement benefits

Defined benefit plan

The Group 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 at 30 June 2017 by Holding Company and ISGSL respectively, using the Projected Unit Credit Method. The detail of the valuation is given in note 23.

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 an approved contributory provident fund scheme 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 ISGSL 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 ISGSL.

4.13 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.

4.14 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.

4.15 Revenue recognition

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

Revenue is measured at the fair value of the consideration received, excluding sales taxes, excise duties and similar levies. Effect of adjustments, if any, arising from revision in sale prices is reflected as and when the prices are finalized with the customers and/or approved by the GoP. Extended Well Testing (EWT) production sales are recognized as revenue.

ISGSL recognizes revenue as cost of services billed to Sui southern Gas Company Limited and Sui Northern Gas Pipelines Limited under the Services Agreement.

4.16 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. The Company has estimated Rs. 8,550 million as LPS as of June 30, 2017 (2016: Rs. 7,045 million) which is not recognized based on the premise that it has not received yet.

4.17 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.

4.18 Impairment of development and production assets

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

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

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

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

4.19 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.

4.2 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.

4.21 Dividends

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

GOVERNMENT HOLDINGS (PRIVATE) LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2017 Rupees	2016 Rupees
Owned fixed assets	5.1	2,579,205,828	2,870,824,209
Share in joint ventures' fixed assets	5.2	28,177,510,082	27,859,540,455
		30,756,715,910	30,730,364,664

5.1 Owned fixed Assets

2017		COST				Rate	ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
Particulars	Note	As at 01 July 2016	Additions/ adjustments	(Disposal)	As at 30 June 2017	%	As at 01 July 2016	Charge for the year	(Disposal)	As at 30 June 2017	As at 30 June 2017
		Rupees					Rupees				Rupees
Leasehold Improvements		-	6,467,652	-	6,467,652	15	-	80,846	-	80,846	6,386,806
Office equipment		14,741,542	11,523,749	(1,792,466)	24,472,825	15-20	8,215,069	2,071,355	(1,699,904)	8,586,520	15,886,305
Furniture and fixtures		12,014,576	14,305,076	(347,554)	25,972,098	15	9,618,288	1,168,266	(277,877)	10,508,677	15,463,421
Computer equipment		36,717,015	16,028,770	(4,499,804)	48,245,981	20-33	30,879,518	3,477,484	(4,458,466)	29,898,536	18,347,445
Vehicles		35,086,797	10,473,058	(18,340,517)	27,219,338	15-20	23,107,320	5,931,148	(13,623,376)	15,415,092	11,804,246
Capital Work in progress	5.5	2,844,084,474	(332,766,869)	-	2,511,317,605		-	-	-	-	2,511,317,605
		2,942,644,404	(273,968,564)	(24,980,341)	2,643,695,499		71,820,195	12,729,099	(20,059,623)	64,489,671	2,579,205,828

2016		COST				Rate	ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
Particulars		As at 01 July 2015	Additions	(Disposal)	As at 30 June 2016	%	As at 01 July 2015	Charge for the year	(Disposal)	As at 30 June 2016	As at 30 June 2016
		Rupees					Rupees				Rupees
Leasehold Improvements		2,586,673	-	(2,586,673)	-	15	1,388,977	388,009	(1,776,986)	-	-
Office equipment		12,779,672	4,249,461	(2,287,591)	14,741,542	15-20	8,593,370	1,665,675	(2,043,976)	8,215,069	6,526,473
Furniture and fixtures		11,966,696	103,000	(55,120)	12,014,576	15	8,108,662	1,564,746	(55,120)	9,618,288	2,396,288
Computer equipment		32,129,584	4,587,431	-	36,717,015	20-33	28,510,495	2,369,023	-	30,879,518	5,837,497
Vehicles		35,032,524	54,273	-	35,086,797	15-20	17,113,055	5,994,265	-	23,107,320	11,979,477
Capital Work in progress	5.5	2,348,042,938	496,041,536	-	2,844,084,474		-	-	-	-	2,844,084,474
		2,442,538,087	505,035,701	(4,929,384)	2,942,644,404		63,714,559	11,981,718	(3,876,082)	71,820,195	2,870,824,209

5.2 Share in joint ventures' fixed assets

2017	COST				Rate	ACCUMULATED DEPRECIATION				ACCUMULATED IMPAIRMENT				WRITTEN DOWN VALUE
Particulars	As at July 01, 2016	Additions/ transfers	Disposal	As at June 30, 2017	%	As at July 01, 2016	Charge for the year	Disposal	As at June 30, 2017	As at 01 July 2016	Charge for the year	Disposal	As at 30 June 2017	As at 30 June 2017
	Rupees					Rupees				Rupees				Rupees
Leasehold land	54,214,896	-	-	54,214,896	4-33	35,741,212	1,518,923		37,260,135	6,172,297	2,454,602	-	8,626,899	8,327,862
Plant and equipment	31,268,618,837	5,294,471,738	(592,893,163)	35,970,197,412	4-33	11,511,695,120	2,177,708,025	(514,239,141)	13,175,164,004	1,680,183,751	1,171,881,844	(78,654,022)	2,773,411,573	20,021,621,835
Pipelines	5,763,592,860	652,202,467	-	6,415,795,327	4-33	2,007,879,415	549,875,698		2,557,755,113	282,519,957	220,112,646	-	502,632,603	3,355,407,611
Office equipment	272,704,743	13,436,000	-	286,140,743	20	204,447,321	16,932,663		221,379,984	5,106,782	14,837,423	-	19,944,205	44,816,554
Furniture and fixtures	73,905,145	2,827,013	-	76,732,158	15	50,899,718	5,617,491		56,517,209	4,142,262	431,383	-	4,573,645	15,641,304
Vehicles	146,841,025	16,504,560	-	163,345,585	20	90,748,965	22,264,911		113,013,876	3,033,929	1,522,435	-	4,556,364	45,775,345
Decommissioning cost	1,403,104,671	(81,805,752)	-	1,321,298,919	4-33	820,791,310	80,183,047		900,974,357	36,414,924		-	36,414,924	383,909,638
CWIP - Tangible Assets	5,564,550,783	(1,250,198,519)	-	4,314,352,264		-	-		-	47,275,273	(32,836,846)	-	14,438,427	4,299,913,837
CWIP - Decommissioning Cost	99,059,731	(96,963,635)	-	2,096,096		-	-		-	-	-	-	-	2,096,096
	44,646,592,691	4,550,473,072	(592,893,163)	48,604,173,400		14,722,203,061	2,854,100,758	(514,239,141)	17,062,064,678	2,064,849,175	1,378,403,487	(78,654,022)	3,364,598,640	28,177,510,082

2016	COST				Rate	ACCUMULATED DEPRECIATION			ACCUMULATED IMPAIRMENT				WRITTEN DOWN VALUE
Particulars	As at July 01, 2015	Additions/ transfers	Disposal	As at June 30, 2016	%	As at July 01, 2015	Charge for the year	As at June 30, 2016	As at 01 July 2015	Charge for the year	Disposal	As at 30 June 2016	As at 30 June 2016
	Rupees					Rupees			Rupees				Rupees
Leasehold land	54,214,896	-	-	54,214,896	4-33	33,373,501	2,367,711	35,741,212	-	6,172,297	-	6,172,297	12,301,387
Plant and equipment	26,461,768,115	4,806,850,722	-	31,268,618,837	4-33	9,542,553,916	1,969,141,204	11,511,695,120	184,910,027	1,495,273,724	-	1,680,183,751	18,076,739,966
Pipelines	4,762,829,420	1,000,763,440	-	5,763,592,860	4-33	1,286,306,770	721,572,645	2,007,879,415	174,716,460	107,803,497	-	282,519,957	3,473,193,488
Office equipment	223,861,511	48,843,232	-	272,704,743	20	176,856,979	27,590,342	204,447,321	5,106,782	-	-	5,106,782	63,150,640
Furniture and fixtures	68,336,134	5,569,011	-	73,905,145	15	44,962,231	5,937,487	50,899,718	2,749,406	1,392,856	-	4,142,262	18,863,165
Vehicles	128,083,438	18,757,587	-	146,841,025	20	72,793,221	17,955,744	90,748,965	-	3,033,929	-	3,033,929	53,058,131
Decommissioning cost	1,688,534,744	(285,430,073)	-	1,403,104,671	4-33	774,698,559	46,092,751	820,791,310	36,414,924	-	-	36,414,924	545,898,437
CWIP - Tangible Assets	4,672,185,541	892,365,242	-	5,564,550,783		-	-	-	11,395,493	35,879,780	-	47,275,273	5,517,275,510
CWIP - Decommissioning Cost	11,163,413	87,896,318	-	99,059,731		-	-	-	-	-	-	-	99,059,731
	38,070,977,212	6,575,615,479	-	44,646,592,691		11,931,545,177	2,790,657,884	14,722,203,061	415,293,092	1,649,556,083	-	2,064,849,175	27,859,540,455

	Note	2017	2016
		Rupees	
5.3 Allocation of depreciation			
Operating expenses	29.	2,854,100,758	2,790,657,884
General and administrative expenses	32.	5,222,866	6,831,094
		2,859,323,624	2,797,488,978
5.4 Allocation of Impairment			
Operating expenses	29.	1,378,403,487	1,649,556,083
		1,378,403,487	1,649,556,083

5.5 Capital Work in progress	Note	2017 (Rupees)	2016 (Rupees)
Consultancy services	5.5.1	2,546,569,184	2,476,674,370
Travelling and transportation expenses		63,576,882	60,890,825
Field Security Expenses		25,345,440	22,842,166
Tendering Expenses		19,219,109	17,670,155
Rent, rates and utilities		26,112,350	20,355,978
Personnel costs and benefits		215,116,476	160,024,615
Training and capacity building		5,059,501	4,503,443
Insurance		2,918,854	2,535,100
Repairs and Maintenance		27,781,884	22,514,823
Legal & Professional services		11,120,101	10,717,840
Depreciation		38,399,525	33,798,998
Amortization		8,420,942	6,107,772
Others		9,459,513	5,448,389
Impairment		(487,782,156)	5,448,389
	5.5.2	2,511,317,605	2,844,084,474

5.5.1 Consultancy services

	2017 (Rupees)	2016 (Rupees)
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
Mobilization advance and other	130,840,318	130,840,318
	1,756,541,928	1,756,541,928
Stage II		
Project management	362,351,471	299,823,582
Procurment services of Long Lead Items (LLI's) and engineering Procurment Consultation (EPC) Contract	86,960,169	86,960,169
Engineering support LLIs/ EPC Tender	216,370,701	216,370,701
Other costs	104,562,875	98,624,897
	770,245,216	701,779,349
Other consultancy sevices	19,782,040	18,353,094
	2,546,569,184	2,476,674,371

5.5.2 Project detail

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. ISGSL 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 from 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 (ILF) and National Engineering Services Pakistan (Private) Limited (NESPAK). ILF and NESPAK submitted reports on Stage I and Stage II which have been accepted by the 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.

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.

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.

The IP Project faced constraints, as a consequence of the international sanctions imposed on Iran. Thus, 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. 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 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 ISGSL do not constitute any ground for the occurrence of Force Majeure or Excusing Events under the GSPA. ISGSL has not accrued any penalty under the terms of 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 GSPA by both sides which at present was due by December 31, 2014. NIOC has neither levied nor contended to levy penalty on ISGSL.

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 the 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 meeting dated June 6, 2017 directed MoE to drop the GNP forthwith. As per said direction, the 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. Accordingly, provision for impairment of Rs.487.78 million has been recorded against aggregate cost incurred on GNP.

Economic Coordination Committee of the Federal Cabinet, in its meeting dated October 28, 2017 has approved the Machike – Tarujbba Oil Pipeline Project (Oil Pipeline Project), under which ISGSL has been assigned to initiate a pipeline project from Lahore to Peshawar by connecting Machike, Chakpirana (Kharian), Sihala (Rawalpindi) and Tarujabba (Peshawar) depots with initial capacity of 4 million tons extendable up to 7 million tons. The techno-economic feasibility of Oil Pipeline Project has been approved by ISGSL's Board on January 29, 2018 and bidding process has been initiated for its implementation under Build, Own, Operate and Transfer (BOOT) basis, having 15 years term. Oil Pipeline Project is expected to provide significant revenues to ISGSL over the project life and transfer of project assets at token value on completion of BOOT term. The project assets would have useful life of another 25 years after the BOOT term.

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6. INTANGIBLE ASSETS

2017	COST			Rate	ACCUMULATED AMORTIZATION			WRITTEN DOWN VALUE
Particulars	As at July 01, 2016	Additions	As at June 30, 2017	%	As at July 01, 2016	Charge for the year	As at June 30, 2017	As at June 30, 2017
	Rupees				Rupees			Rupees
Software	46,778,883	2,997,333	49,776,216	20-33	40,651,681	2,652,354	43,304,035	6,472,181

2016	COST			Rate	ACCUMULATED AMORTIZATION			WRITTEN DOWN VALUE
Particulars	As at July 01, 2015	Additions	As at June 30, 2016	%	As at July 01, 2015	Charge for the year	As at June 30, 2016	As at June 30, 2016
	Rupees				Rupees			Rupees
Software	38,422,236	8,356,647	46,778,883	20-33	37,941,260	2,710,421	40,651,681	6,127,202

7. EXPLORATION & EVALUATION ASSETS

	2017 (Rupees)	2016 (Rupees)
Opening balance	2,580,911,830	837,562,775
Expenditure incurred during the year	800,232,919	2,139,859,455
Transfer to development & production assets	(340,068,926)	-
Dry hole wells	(141,423,572)	(396,510,400)
	2,899,652,251	2,580,911,830

8. **DEVELOPMENT AND PRODUCTION ASSETS**

2017		COST			ACCUMULATED AMORTIZATION			ACCUMULATED IMPAIRMENT			WRITTEN DOWN VALUE
Particulars	Working Interest	As at 01 July 2016	Additions / (adjustments)	As at 30 June 2017	As at 01 July 2016	Charge for the year	As at 30 June 2017	As at 01 July 2017	Charge for the year	As at 30 June 2017	As at 30 June 2017
		Rupees			Rupees			Rupees			Rupees
Intangibles											
Producing fields-Joint Ventures											
Badin III	25.00%	305,540,546	(152,923)	305,387,623	269,127,762	21,848	269,149,610	-	-	-	36,238,013
Block-22 (all fields)	22.50%	275,406,398	-	275,406,398	140,798,609	14,924,065	155,722,674	-	-	-	119,683,724
Ahmadal/Pariwali	17.50%	755,697,030	1,727,507	757,424,537	418,247,610	5,162,916	423,410,526	-	-	-	334,014,011
Minwal	17.50%	7,409,226	169,191	7,578,417	347,600	324,981	672,580	-	-	-	6,905,837
Mazarani	12.50%	79,924,931	56,435,674	136,360,605	79,924,931	4,257,236	84,182,167	-	14,022,629	14,022,629	38,155,809
Sawan	22.50%	2,709,851,894	632,426,385	3,342,278,279	2,015,221,538	58,922,008	2,074,143,546	239,877,171	517,159,405	757,036,576	511,098,157
Zamzama	25.00%	3,922,779,434	83,201,653	4,005,981,087	2,637,926,276	423,178,605	3,061,104,881	167,495,246	277,318,821	444,814,067	500,062,139
Mubarak	25.00%	1,215,260,880	-	1,215,260,880	125,195,578	-	125,195,578	1,090,065,302	-	1,090,065,302	-
Nim	22.50%	103,829,654	1,720,125	105,549,779	51,394,629	2,228,924	53,623,553	-	-	-	51,926,226
Mehran	25.00%	69,203,189	-	69,203,189	1,933,209	-	1,933,209	67,269,980	-	67,269,980	-
Chanda	17.50%	650,101,265	281,645,990	931,747,255	418,800,350	21,114,847	439,915,197	-	-	-	491,832,058
Gambat	22.50%	406,922,113	(29,450,327)	377,471,786	176,519,430	228,004	176,747,434	163,812,122	-	163,812,122	36,912,230
Tal (all fields)	15.00%	3,883,152,244	777,478,656	4,660,630,900	1,487,177,776	441,396,723	1,928,574,499	-	-	-	2,732,056,401
Khipro (all fields)	25.00%	2,237,508,340	124,797,233	2,362,305,573	1,014,863,276	161,975,230	1,176,838,506	-	-	-	1,185,467,067
MirpurKhas (all fields)	25.00%	2,638,843,200	691,560,353	3,330,403,553	824,474,770	415,976,675	1,240,451,445	-	-	-	2,089,952,108
Chachar	25.00%	257,891,437	-	257,891,437	129,734,386	2,507,281	132,241,667	97,559,182	4,285,919	101,845,101	23,804,669
Nashpa	15.00%	1,672,470,626	963,955,071	2,636,425,697	511,132,461	243,546,510	754,678,971	-	-	-	1,881,746,726
Sinjhoro	22.50%	363,083,445	(28,292,265)	334,791,180	72,503,721	(9,480,237)	63,023,484	-	-	-	271,767,696
Mehar	25.00%	1,319,799,062	34,288,742	1,354,087,804	238,900,788	64,461,677	303,362,465	-	-	-	1,050,725,339
Jhakro	22.50%	10,122,387	668,003	10,790,390	8,548,855	380,638	8,929,493	-	-	-	1,860,897
Guddu	22.50%	139,339,827	-	139,339,827	32,053,672	15,212,297	47,265,969	-	-	-	92,073,858
Bolan	17.50%	173,689,324	145,144,498	318,833,822	18,055,443	19,202,322	37,257,765	-	-	-	281,576,057
Gambat South	25.00%	535,698,988	283,987,327	819,686,315	42,780,758	32,555,991	75,336,749	-	-	-	744,349,566
Tando Allah Yar (all fields)	22.50%	-	243,843,344	243,843,344	-	13,798,836	13,798,836	-	-	-	230,044,508
Decommissioning cost		2,172,052,766	141,764,358	2,313,817,124	1,044,539,628	143,112,101	1,187,651,729	87,461,183	-	87,461,183	1,038,704,212
		25,905,578,206	4,406,918,595	30,312,496,801	11,760,203,056	2,075,009,478	13,835,212,533	1,913,540,186	812,786,774	2,726,326,960	13,750,957,308

2017		COST			ACCUMULATED AMORTIZATION			ACCUMULATED IMPAIRMENT			WRITTEN DOWN VALUE
Particulars	Working Interest	As at 01 July 2016	Additions / (adjustments)	As at 30 June 2017	As at 01 July 2016	Charge for the year	As at 30 June 2017	As at 01 July 2016	Charge for the year	As at 30 June 2017	As at 30 June 2017
		Rupees			Rupees			Rupees			Rupees
Developing fields-Joint Ventures											
Mehar	25.00%	155,738,066	164,973,024	320,711,090	-	-	-	-	-	-	320,711,090
Zarghun South	17.50%	-	-	-	-	-	-	-	-	-	-
Tando Allah Yar (all fields)	22.50%	259,011,892	(259,011,892)	-	-	-	-	-	-	-	-
Kandra	25.00%	3,577,000	-	3,577,000	-	-	-	-	-	-	3,577,000
Nim	22.50%	88,153,044	-	88,153,044	-	-	-	-	-	-	88,153,044
Kotra	20.00%	77,662,839	1,528,301	79,191,140	-	-	-	-	-	-	79,191,140
Mubarak	25.00%	-	-	-	-	-	-	-	-	-	-
Tal	15.00%	502,263,495	(37,044)	502,226,451	-	-	-	-	-	-	502,226,451
MirpurKhas (all fields)	25.00%	335,753,922	(96,025,313)	239,728,609	-	-	-	-	-	-	239,728,609
Khipro (all fields)	25.00%	4,641,414	(4,641,414)	-	-	-	-	-	-	-	-
Sawan	22.50%	616,511,022	(616,511,022)	-	-	-	-	261,063,611	(261,063,611)	-	-
Nashpa	15.00%	822,239,568	(554,771,256)	267,468,312	-	-	-	-	-	-	267,468,312
Mazarani	12.50%	339,758	(339,758)	-	-	-	-	-	-	-	-
Badin III	25.00%	-	-	-	-	-	-	-	-	-	-
Gambat South	25.00%	1,081,679,589	54,383,468	1,136,063,057	-	-	-	-	-	-	1,136,063,057
Block-22	22.50%	15,533,960	-	15,533,960	-	-	-	-	-	-	15,533,960
Zamzama	25.00%	-	63,774,976	63,774,976	-	-	-	-	22,750,751	22,750,751	41,024,225
Sinjhoro	22.50%	-	12,142,929	12,142,929	-	-	-	-	-	-	12,142,929
Decommissioning cost		578,217,904	(386,918,334)	191,299,570	-	-	-	-	-	-	191,299,570
		4,541,323,473	(1,621,453,335)	2,919,870,138	-	-	-	261,063,611	(238,312,860)	22,750,751	2,897,119,387
		30,446,901,679	2,785,465,260	33,232,366,939	11,760,203,056	2,075,009,478	13,835,212,533	2,174,603,797	574,473,914	2,749,077,711	16,648,076,695

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2016		COST			ACCUMULATED AMORTIZATION			ACCUMULATED IMPAIRMENT			WRITTEN DOWN VALUE
Particulars	Working Interest	As at 01 July 2015	Additions / (adjustments)	As at 30 June 2016	As at 01 July 2015	Charge for the year	As at 30 June 2016	As at 01 July 2015	Charge for the year	As at 30 June 2016	As at 30 June 2016
		Rupees			Rupees			Rupees			Rupees
Intangibles											
Producing fields-Joint Ventures											
Badin III	25.00%	305,318,953	221,593	305,540,546	155,207,299	113,920,463	269,127,762	-	-	-	36,412,784
Block-22 (all fields)	22.50%	275,406,398	-	275,406,398	116,899,583	23,899,026	140,798,609	-	-	-	134,607,789
Ahmadal/Pariwali	17.50%	752,846,454	2,850,576	755,697,030	379,252,141	38,995,469	418,247,610	-	-	-	337,449,420
Minwal	17.50%	7,298,212	111,014	7,409,226	346,756	845	347,600	-	-	-	7,061,626
Mazarani	12.50%	79,924,931	-	79,924,931	79,924,931	-	79,924,931	-	-	-	-
Sawan	22.50%	2,688,855,293	20,996,601	2,709,851,894	1,919,359,447	95,862,091	2,015,221,538	-	239,877,171	239,877,171	454,753,185
Zamzama	25.00%	3,922,907,263	(127,829)	3,922,779,434	2,114,464,145	523,462,131	2,637,926,276	-	167,495,246	167,495,246	1,117,357,912
Mubarak	25.00%	1,180,782,700	34,478,180	1,215,260,880	125,195,578	-	125,195,578	1,055,587,122	34,478,180	1,090,065,302	-
Nim	22.50%	101,627,951	2,201,703	103,829,654	31,808,615	19,586,014	51,394,629	-	-	-	52,435,025
Mehran	25.00%	69,203,189	-	69,203,189	1,933,209	-	1,933,209	67,269,980	-	67,269,980	-
Chanda	17.50%	646,521,699	3,579,566	650,101,265	402,192,936	16,607,414	418,800,350	-	-	-	231,300,915
Gambat	22.50%	362,699,647	44,222,466	406,922,113	168,764,743	7,754,687	176,519,430	163,812,122	-	163,812,122	66,590,561
Tal (all fields)	15.00%	3,295,023,625	588,128,619	3,883,152,244	1,104,026,515	383,151,261	1,487,177,776	-	-	-	2,395,974,468
Khipro (all fields)	25.00%	1,926,185,545	311,322,795	2,237,508,340	910,247,705	104,615,571	1,014,863,276	-	-	-	1,222,645,064
MirpurKhas (all fields)	25.00%	1,476,452,715	1,162,390,485	2,638,843,200	609,381,953	215,092,817	824,474,770	-	-	-	1,814,368,430
Chachar	25.00%	257,891,437	-	257,891,437	119,134,844	10,599,542	129,734,386	93,806,934	3,752,248	97,559,182	30,597,869
Nashpa	15.00%	1,194,767,852	477,702,774	1,672,470,626	390,995,036	120,137,425	511,132,461	-	-	-	1,161,338,165
Sinjhoro	22.50%	212,891,511	150,191,934	363,083,445	44,088,805	28,414,916	72,503,721	-	-	-	290,579,724
Mehar	25.00%	1,236,873,466	82,925,596	1,319,799,062	165,216,087	73,684,701	238,900,788	-	-	-	1,080,898,274
Jhakro	22.50%	8,533,520	1,588,867	10,122,387	7,677,969	870,886	8,548,855	-	-	-	1,573,532
Guddu	22.50%	143,199,350	(3,859,523)	139,339,827	8,252,986	23,800,686	32,053,672	-	-	-	107,286,155
Bolan	17.50%	172,983,567	705,757	173,689,324	8,271,996	9,783,447	18,055,443	-	-	-	155,633,881
Gambat South	25.00%	217,597,423	318,101,565	535,698,988	87,677	42,693,081	42,780,758	-	-	-	492,918,230
Decommissioning cost		2,150,762,250	21,290,516	2,172,052,766	909,314,715	135,224,913	1,044,539,628	87,461,183	-	87,461,183	1,040,051,955
		22,686,554,951	3,219,023,255	25,905,578,206	9,772,045,671	1,988,157,386	11,760,203,056	1,467,937,341	445,602,845	1,913,540,186	12,231,834,964

2016		COST			ACCUMULATED AMORTIZATION			ACCUMULATED IMPAIRMENT			WRITTEN DOWN VALUE
Particulars	Working Interest	As at 01 July 2015	Additions / (adjustments)	As at 30 June 2016	As at 01 July 2015	Charge for the year	As at 30 June 2016	As at 01 July 2015	Charge for the year	As at 30 June 2016	As at 30 June 2016
			Rupees			Rupees			Rupees		Rupees
Developing fields-Joint Ventures											
Mehar	25.00%	150,258,046	5,480,020	155,738,066	-	-	-	-	-	-	155,738,066
Zarghun South	17.50%	-	-	-	-	-	-	-	-	-	-
Tando Allah Yar (all fields)	22.50%	259,011,892	-	259,011,892	-	-	-	-	-	-	259,011,892
Kandra	25.00%	3,577,000	-	3,577,000	-	-	-	-	-	-	3,577,000
Nim	22.50%	39,855,964	48,297,080	88,153,044	-	-	-	-	-	-	88,153,044
Kotra	20.00%	75,952,708	1,710,131	77,662,839	-	-	-	-	-	-	77,662,839
Mubarak	25.00%	-	-	-	-	-	-	-	-	-	-
Tal	15.00%	601,305,492	(99,041,997)	502,263,495	-	-	-	-	-	-	502,263,495
MirpurKhas (all fields)	25.00%	487,920,945	(152,167,023)	335,753,922	-	-	-	-	-	-	335,753,922
Khipro (all fields)	25.00%	220,921,365	(216,279,951)	4,641,414	-	-	-	-	-	-	4,641,414
Sawan	22.50%	595,941,466	20,569,556	616,511,022	-	-	-	-	261,063,611	261,063,611	355,447,411
Nashpa	15.00%	688,238,262	134,001,306	822,239,568	-	-	-	-	-	-	822,239,568
Mazarani	12.50%	-	339,758	339,758	-	-	-	-	-	-	339,758
Badin III	25.00%	221,593	(221,593)	-	-	-	-	-	-	-	-
Gambat South	25.00%	1,368,605,769	(286,926,180)	1,081,679,589	-	-	-	-	-	-	1,081,679,589
Block-22	22.50%	15,533,960	-	15,533,960	-	-	-	-	-	-	15,533,960
Decommissioning cost		364,699,715	213,518,189	578,217,904	-	-	-	-	-	-	578,217,904
		4,872,044,177	(330,720,704)	4,541,323,473	-	-	-	-	261,063,611	261,063,611	4,280,259,862
		27,558,599,128	2,888,302,551	30,446,901,679	9,772,045,671	1,988,157,386	11,760,203,056	1,467,937,341	706,666,456	2,174,603,797	16,512,094,826

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

8.2 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 settelement 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 these consolidated financial statements (i.e. assets, liabilities, revenue and expenses pertaining to working interests assigned to PEL and MPCL).

9. LONG TERM LOAN	Note	2017 (Rupees)	2016 (Rupees)
Considered good - unsecured	9.2	95,804,022	74,793,118
Current portion of long term loan			(7,603,572)
Long Term Vehicle Loans to staff			
Considered good - unsecured		30,733,058	12,395,978
Current portion of long term loan		(5,984,448)	(2,916,700)
		120,552,632	76,668,824

9.1 This represents the Holding Company's share of interest free loan to National Highway Authority (NHA), under an agreement dated 20 October 2010, for construction of Khushal Garh Bridge being contracted for transportation of crude and condensate production from Nashpa, Chanda and Tal concessions. The total outlay required for construction of the bridge is approximately Rs 1,400 million. The Joint Venture partners of these concessions have agreed to provide Rs. 700 million (50% of the total cost of construction) in proportion to their working interest. The Holding Company's share of total financing will be Rs. 106.45 Million. However, the Holding Company has disbursed Rs.95.8 million as full and final loan to NHA. The loan shall be repaid by NHA in eighty four (84) equal monthly installments, with grace period of one year, starting from one year after date of commissioning of the new bridge. The estimated time of commissioning was 27 months from the commencement of project. Each installment shall be due within 10 days of the following month. A late payment surcharge of 1.5% p.m. shall be charged to NHA in case of delay in payment. The bridge has been inaugurated on 28 July 2014 and is currently operational. NHA has not paid any installement as of the balance sheet however, joint venture partners are in process of negotiating the final settelment with NHA. In accordance with IAS 39 - Financial Instruments: Recognition and Measurement, the amount is stated at present value using the market discount rate and the difference between carrying amount and present value of expected cash flows is included in consolidated profit and loss account.

		Note	2017 (Rupees)	2016 (Rupees)
9.2	Opening Balance		74,793,118	72,508,840
	Payments		-	-
	Unwinding/discounting of loan		2,284,278	2,284,278
			77,077,396	74,793,118

		Note	2017 (Rupees)	2016 (Rupees)
10.	**STORES, SPARES & LOOSE TOOLS - SHARE IN JOINT VENTURES' INVENTORY**			
	Store, Spares & Loose Tools		3,391,584,593	3,364,740,261
	Impairment for slow moving and obsolete stores, spares	10.1	(502,444,095)	(345,278,225)
			2,889,140,498	3,019,462,036
10.1	Opening balance		345,278,225	168,776,642
	Impairment for the year		157,165,870	176,501,583
	Closing balance		502,444,095	345,278,225

10.2 Management of the Holding Company has made an impairment assessment and a provision of impairment was recognized on inventory stock relating to Joint Ventures assets as explained in note 28.1 to these consolidated financial statements.

		Note	2017 (Rupees)	2016 (Rupees)
11.	**TRADE DEBTS - NET**			
	Unsecured - considered good		28,801,942,669	33,201,338,653
	Unsecured - considered doubtful			
	Unsecured - considered doubtful	11.1	4,604,647,534	4,604,647,534
	Less: Provision for Doubtful debts	11.3	(4,604,647,534)	(4,604,647,534)
			-	-
			28,801,942,669	33,201,338,653

11.1 The trade debts include Rs. 24,253,345,383 (2016: Rs. 29,513,265,689) from oil and gas Customers which is overdue for period longer than as provided in the agreement. Late payment surcharge in respect of such delay has not been paid by respective buyers. 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 and LPS, the management has estimated the amount of Rs. 4,604,647,534 (2016: Rs. 4,604,647,534) as provision for doubtful debts.

11.2 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. 8,550 million as of June 30, 2017 (2016: Rs. 7,045 million) which is not recognized, based on the premise that it has not been received yet.

		Note	2017 (Rupees)	2016 (Rupees)
11.3	Opening Balance		4,604,647,534	4,604,647,534
	Provision / (Reversal) for the year		-	-
			4,604,647,534	4,604,647,534

		Note	2017 (Rupees)	2016 (Rupees)
12.	**LOANS, ADVANCES AND OTHER RECEIVABLES (CONSIDERED GOOD - UNSECURED)**			
	Advances against Salary to staff	12.1	2,467,002	8,844,382
	Current portion of Vehicle loan to staff		5,984,448	2,916,700
	Current portion of long-term loan	9	-	7,603,572
	Advances to suppliers - considered good		8,921,266	491,504
	Sui Southern Gas Company Limited		-	7,133,319
	Sui Northern Gas Pipelines Limited		-	7,155,162
	Other receivable		654,774	51,775
			18,027,490	34,196,414

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

	Note	2017 (Rupees)	2016 (Rupees)
13. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Security deposits		720,250	722,250
Short term prepayments			
Software maintenance fee		1,391,554	1,245,039
Insurance		2,082,457	3,939,594
Others		1,562,853	509,218
		5,036,864	5,693,851
		5,757,114	6,416,101
14. INTEREST ACCRUED			
Interest accrued on:			
Bank deposits		26,454,212	23,323,996
Term Deposit Receipts		269,145,206	63,116,441
		295,599,418	86,440,437
15. SHORT TERM INVESTMENTS - RESTRICTED			
Investment in TDRs - held to maturity	15.1	32,050,000,000	11,700,000,000

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

Credit rating	Rating agency	Maturity	Rate p.a.	2017 (Rupees)	2016 (Rupees)
A1+	PACRA	36 months	5.95%	12,000,000,000	-
A1+	PACRA	12 months	5.90% & 6.10%	20,000,000,000	-
A1+	PACRA	3 months	5.40%	50,000,000	-
A1+	PACRA	3 months	7% & 6.25%	-	11,700,000,000
				32,050,000,000	11,700,000,000

15.2 Amounts of these investments is restricted and proceeds of such investments are only utilized for the purpose of reserves maintained as explained in Note 18 to these consolidated financial statements.

	Note	2017 (Rupees)	2016 (Rupees)
16. CASH AND BANK BALANCES			
Cash:			
- In hand		84,516	67,600
- At banks			
Deposits accounts			
Local currency accounts	16.1	3,660,343,752	3,136,394,512
Foreign currency accounts US$ 385.97 (2016 US$ 388.09)		39,848	39,801
Current accounts		14,066,712	11,668,150
		3,674,534,828	3,148,170,063

16.1 These carry mark-up at the rate ranging between 3.75% and 6.25% p.a (2016: 4% and 6% p.a).

17. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2017 (Number of shares)	2016 (Number of shares)		2017 (Rupees)	2016 (Rupees)
2,025,000,002	25,000,002	Ordinary shares of Rs. 10 each, fully paid in cash	20,250,000,020	250,000,020

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

18. RESERVES	**Note**	**2017 (Rupees)**	2016 (Rupees)
General Reserve	18.2	**2,284,626,436**	2,284,626,436
Other Reserves			
Committed Outlay Reserve	18.3	**20,946,247,416**	20,946,247,416
Asset Insurance Reserve	18.4	**3,000,000,000**	3,000,000,000
Assets Acquisition Reserve	18.5	**5,000,000,000**	5,000,000,000
LNG Project Reserve	18.6	**25,000,000,000**	45,000,000,000
		53,946,247,416	73,946,247,416
		56,230,873,852	76,230,873,852

18.1 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 15 to these Financial Statements. Further necessary accumulation of funds for these Reserves will be made over the next few years.

18.2 The General Reserve is appopriated to cater for contingencies related to 5% carried cost based on current exploration commitments and other unforeseen events.

18.3 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.

18.4 The Asset Insurance Reserve has been created for self insurance of investments in assets like wells, plants, pipelines, vehicles, furniture & fixture of those Joint Ventures where the Insurance policy has not been taken out by the Operator.

18.5 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.

18.6 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).

19. ADVANCE FOR SHARES IN ASSOCIATE-TAPI

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 ISGSL in Turkmenistan-Afghanistan-Pakistan-Indian (TAPI) Gas Pipeline Project. Accordingly, during the year ended June 30, 2016, GoP provided funds of US$ 2.65 million to the ISGSL for subscription of 265,000 Class 'A' shares in TAPI Pipeline Company Limited (TPCL). Earlier in this respect, an amount of US$ 1.5 million was released by GoP to ISGSL in accordance with the decision of the Steering Committee/Sub-Committee of the ECC of the Cabinet on IP and TAPI Gas Pipeline Project taken in its meeting held on March 13, 2013. The said amount was approved by the ECC of Cabinet in its meeting held on November 13, 2013. The ISGSL is required to issue shares to GHPL for the related amount received from GoP.

20. LONG TERM LIABILITY	**Note**	**2017 (Rupees)**	2016 (Rupees)
Due to the Joint Venture operators	20.1	**4,545,017,446**	4,290,361,351
Current portion shown under current liabilities		**(644,504,311)**	(361,805,198)
		3,900,513,135	3,928,556,153

20.1 This represents long term liability on account of the Group's carried interest of 5% in the exploration expenditure of various Joint Venture concessions. This expenditure is incurred by the Joint Venture 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 Venture.

		Note	2017 (Rupees)	2016 (Rupees)
20.2	Opening Balance		4,290,361,351	4,181,000,031
	Payments		(308,913,494)	(307,363,415)
	Additions / adjustments during the year		541,244,125	307,439,481
	Discounting of Long Term Liability	20.3	(77,022,458)	(78,172,965)
	Exchange loss on revaluation		99,347,922	187,458,219
			4,545,017,446	4,290,361,351

20.3 Long term liability have been discounted using 5.75% (June 2015: 6.5%) rate of interest as required by IAS39, 'Financial Instrument: Recognition and Measurement'.

		Note	2017 (Rupees)	2016 (Rupees)
21.	**DEFERRED TAXATION**			
	Deferred taxation	21.1	7,183,451,535	5,920,748,941
21.1	**Movement in the deferred tax liabilitv:**			
	Opening balance		5,920,748,941	5,593,539,209
	Debited/(Credited) to the profit and loss account	35.	1,261,611,943	327,898,165
	Tax effect of remeasurement loss on employee's retirement benefits		1,090,651	(688,433)
			7,183,451,535	5,920,748,941
21.2	**Deferred tax in respect of taxable/(deductible) temporary differences:**			
	Accelerated depreciation on property, plant and equipment		5,222,904,189	4,618,839,829
	Accelerated amortization on intangible assets		-	1,956,834
	Impairment of JV Assets		(586,752,798)	(307,597,696)
	Provision for minimum tax			
	Provision for Doubtful Debts		(1,841,859,014)	(1,841,859,014)
	Accumulated tax losses			
	Deferred tax relating to remeasurement of grauity fund		(2,998,597)	(4,089,247)
	Expenditure of exploration and evaluation, development and production assets		4,392,157,755	3,453,498,235
			7,183,451,535	5,920,748,941

21.3 Deferred tax has been calculated at the current effective tax rate of 40% (June 30, 2016: 40%) in case of Holding Company and 31% (2016: 31%) in case of ISGSL. The effective tax rate is reviewed annually.

		Note	2017 (Rupees)	2016 (Rupees)
22.	**PROVISION FOR DECOMMISSIONING COST**			
	Provision for decommissioning cost	22.1	5,111,694,282	5,411,180,671
22.1	**Provision for decommissioning cost**			
	Opening balance		5,411,180,671	5,179,877,164
	Provision made during the year		(383,339,042)	37,274,950
	Revaluation exchange loss/(gain)		15,617,350	153,538,197
	Unwinding of decommissioning cost	34.	68,235,303	40,490,360
			5,111,694,282	5,411,180,671

23. DEFERRED EMPLOYEE BENEFITS	Note	2017 (Rupees)	2016 (Rupees)
Accumulating compensated absences	23.1	46,850,266	40,729,441
Employees' gratuity fund	23.3	22,634,439	20,833,877
		69,484,705	61,563,318

23.1 Actuarial liability as at June 30, 2017

	2017 (Rupees)	2016 (Rupees)
Actuarial liability	46,850,266	40,729,441
Fair value of plan assets	-	-
(Surplus)/Deficit	46,850,266	40,729,441
Closing Liability provision	(43,962,577)	(33,180,155)
(Excess)/Under provision	2,887,689	7,549,286
Liability provision as at June 30, 2017	43,962,577	33,180,155
Expense for the year 2016-17	5,800,286	9,697,935
Benefits paid for the year 2016-17	(2,912,597)	(2,148,649)
	46,850,266	40,729,441

23.2 The rates of discount and salary increase were assumed at 9.25% p.a. (2015: 9% p.a.) and 8.25% p.a. (2016: 8%p.a.) for holding company and 9.25% p.a (2016: 9% p.a.) for ISGSL respectively.

23.3 Amounts recognized in balance sheet:	Note	2017 (Rupees)	2016 (Rupees)
Present value of defined benefit obligation	23.3.1	107,455,976	78,898,477
Fair value of plan assets	23.3.2	(84,821,537)	(58,064,600)
Net liability at end of the year		22,634,439	20,833,877

23.3.1 Movement in the present value of obligation:

	2017 (Rupees)	2016 (Rupees)
Balance as at beginning of the year	78,898,477	54,676,967
Current service cost	19,560,475	12,560,021
Interest cost	6,928,315	5,605,985
Benefits paid	(3,841,057)	(5,887,932)
Actuarial loss	5,909,766	11,943,436
	107,455,976	78,898,477

23.3.2 Movement in the fair value of plan assets:

	2017 (Rupees)	2016 (Rupees)
Balance as at beginning of the year	58,064,600	40,966,365
Contributions	6,213,292	17,901,861
Expected Return on Plan Assets	27,644,921	5,072,098
Benefits paid	(3,841,057)	(5,887,932)
Actuarial gain/ (loss)	(3,260,219)	12,208
	84,821,537	58,064,600

23.3.3 Amounts recognized in profit and loss account:

	Note	2017 (Rupees)	2016 (Rupees)
Current service cost		19,560,475	12,560,021
Interest cost		6,928,315	5,605,985
Expected return on plan asset		(27,644,921)	(5,072,098)
Actuarial loss recognized		-	9,367,655
Recognized transitional liability		-	-
		(1,156,131)	22,461,563

23.3.4 Principle actuarial assumptions:

	2017	2016
Valuation discount rate (%)	8%-9%	8%-9%
Salary increase rate (%)	8%-9%	8%-9%
Expected return on plan assets (%)	9%	9%

23.3.5 These assumptions have been developed by Group management with assistance of independent actuarial appraisers. Discount rate is determined by reference to market yields (at balance sheet date) on high quality corporate bonds. The current yield on the investment in corporate bonds ranges between 10.5 % to 14 % per annum. Since the liabilities of the fund are of a term significantly longer than investment made, so valuation discount rate of 11.5 % p.a has been applied to discount the liabilities. Estimates of future salary increase, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. Expected return on plan assets is based on market expectations and depends on the asset portfolio of the Group, at the beginning of the period, for returns over the entire life of the related obligation.

23.3.6 These results and balances related to employees' benefits are based on actuarial calculations carried out for the year ended June 30, 2017 for Holding Company and ISGSL respectively. The Group management believes that any change in market assumptions as of today would not have any material impact on the consolidated financial statements.

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

	2017	2016	2015
		Rupees	
Present value of obligation	107,455,976	103,119,987	78,898,477
Actuarial (gain) or loss on obligation	2,649,547	11,955,644	11,955,644

24. TRADE AND OTHER PAYABLES

	Note	2017 (Rupees)	2016 (Rupees)
Trade creditors			
Due to Joint Venture operators		6,155,132,351	4,061,405,500
Due to vendors for services acquired		220,197,019	156,393,090
Advances from			
Sui Northern Gas Pipelines Limited		25,877,918	-
Sui Southern Gas Company Limited		27,710,691	
Other payables			
Accrued liabilities		241,120,486	184,171,439
Signature Bonus	24.1	-	184,777,777
Payable to provident fund		2,165,135	1,924,739
Sales tax payable		288,243,680	158,434,031
Royalty payable		904,625,840	333,006,998
Interest payable		22,260,274	
Withholding Tax payable		5,560,235	1,900,248
FED payable		177,760	183,600
Miscellaneous		3,527,048	881,201
		1,467,680,458	865,280,033
		7,896,598,437	5,083,078,623

24.1 This represent non refundable signature bonus received from different bidders against award of LPG production. Some of non successful bidders challenged the bidding process. The Lahore High Court dismissed the case on November 23, 2016 accordingly the Group has transferred the signature bonus to other income.

25 This represents amounts utilized against running finance facility of Rs. 11.5 billion from National Bank of Pakistan and Rs. 1.5 billion from United Bank Limited (2016: Nil). It carries markup at 3 months KIBOR + 0.1% p.a. and deposit rate + 0.3% p.a. respectively. The facility was secured against lien on TDRs of the Holding Company. The facility from the Banks have been settled and discontinued subsequent to the balance sheet date.

26 PROVISION FOR TAXATION	**2017 (Rupees)**	2016 (Rupees)
Provision for taxation at beginning of the year	**305,505,891**	1,104,250,963
Income tax paid during the year	**(10,092,212,444)**	(11,665,160,160)
Provision for current taxation for the year - profit and loss account	**10,595,001,305**	9,984,728,472
Provision for taxation - prior years	**35,069,186**	881,684,836
	843,363,938	305,504,111

26.1 The Group has various tax litigations pending with the tax authorities in respect of tax years 2003 and 2014. 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. According, no further provisions are provided in these consolidated financial statements.

27 CONTINGENCIES AND COMMITMENTS	**Note**	**2017 (Rupees)**	2016 (Rupees)
27.1 Contingencies			
Relating to carried cost liability	27.1.1	**750,209,251**	758,208,321
Tax Contingency	27.1.2	**18,177,836,600**	18,177,836,600
		18,928,045,851	18,936,044,921

27.1.1 The Holding Company

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 Holding Company's estimates varies with those of the operator.

27.1.2 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 Holding 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 Company is not importing crude/condensate. The Holding Company does not charge sales tax on its crude /condensate supplies. 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.

27.1.3 Subject to the fulfilment of related codal formalities and conditions, the Holding Company will provide lien against its investments for the guarantee issued by PLTL in favor of the Terminals operator equivalent to 90 days capacity charge of USD 245,200 per day aggregating to USD 22.1 Million. The Holding Company, subject to the fulfilment of related codal formalities and conditions, will also provide lien against its investments for the guarantee issued by PLL in favor of the LNG Suppliers for two cargoes per month.

27.1.4 The Subsidiaries-ISGSL

(a) Inter State Gas Systems (Private) Limited (ISGSL) 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 ISGSL's exposure to the penalty clause of GSPA under prevailing circumstances.

(b) An appeal has been filed by ISGSL to the Commissioner Inland Revenue (Appeals-II) RTO Islamabad against the order passed by the Deputy Commissioner Inland Revenue (DCIR) bearing no 45 dated May 31, 2014 for the tax year 2012 against the Income tax payable of Rs. 15,151,746/- and CIR Appeal-II has remanded back the case to assessing officer. Remand back proceedings have yet been initiated by the department.

The management of ISGSL is of view that the ultimate outcome of this case is either expected to be favourable or liability, if any, arising on the settlement of these cases is not likely to be material. Accordingly, no provision has been made in the financial statements.

27.1.5 The Subsidiaries-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 at a price of $11.6247% of Brent and $12.0000% (on average) of Brent respectively. PLL has provided the Sellers with the credit support in the form of irrevocable Standby Letter of Credit (SBLC) for an amount equal US$ 21,482,496 and US$ 22,229,424 to M/s Gunover 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.

27.1.6 The Subsidiaries-PLTL

(a) The Holding Company on behalf of PLTL has provided standby letter of credit to the Operator equivalent to three (03) months capacity charge (i.e.US$ 735,660), including any replacement thereof.

(b) PLTL has entered in to Operation and Service Agreement (OSA) with Pakistan Gas Port Consortium Limited (PGPCL) as Terminal Operator. As per terms of above OSA, PGPCL was required to achieve the commercial start date on or before July 1, 2017; failing which, PLTL is entitled to receive liquidated damages from PGPCL @ US$ 200,000 per day per day until new scheduled commercial start date (i.e. November 28, 2017) and thereafter @ US$ 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 PGPCL amounting to US$ 30 million vide letter dated September 25, 2017 for the period of delay up to new scheduled commercial start date. Another claim for further delay in achieving commercial start date is being prepared and shall be lodged with PGPCL after completing consultations with PLTL's legal counsel. The Terminal Operator has disputed demand of PLTL and has opted for dispute resolution mechanism stipulated in OSA.
Consequently, a committee under the terms of OSA has been formed for aforesaid dispute resolution. Currently both parties are presenting facts and arguments to the Committee. Management is hopeful for resolution of matter in favor of the PLTL.
PLTL has agreed the terms of "LNG Terminal Use & 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 @ US$ 200,000 per day until new scheduled commercial start date (i.e. November 28, 2017) and thereafter @ US$ 300,000/- per day until the commercial start date (i.e. January 4, 2018). Aforesaid matter of liquidated damages is under discussion between management of PLL and PLTL. Since terms of TURA stipulate that PLTL is not liable to pay any amount of liquidated damages to PLL, until PGPCL makes such payment to PLTL under the OSA. Therefore, management believes that PLTL carries no exposure in respect of Liquidated Damages under TURA.

		Note	2017 (Rupees)	2016 (Rupees)
27.2	**Commitments**			
	The Holding Company			
	Minimum work commitment	27.2.1	7,172,721,803	8,721,320,783
			7,172,721,803	8,721,320,783

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

27.2.2 The ISGSL 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.

27.2.3 In accordance with the provisions of the Agreement with Operator, Pakistan LNG Terminals Limited (PLTL) shall pay to the Operator a capacity charge of USD 245,220 per day and a flexibility charge at the rate of 25% of the applicable capacity fee, from the date of commencement of commercial start date. Further, PLTL shall also provide standby letter of credit to the Operator equivalent to three (03) months capacity charge, including any replacement thereof.

28. SALES - NET

	Note	2017 (Rupees)	2016 (Rupees)
Natural gas - gross sales		34,976,302,883	36,689,072,248
Sales tax		(5,095,302,026)	(5,356,534,698)
Excise duty		(801,673,946)	(766,528,244)
Natural gas - net sales		29,079,326,911	30,566,009,306
Crude oil		17,000,942,030	14,213,452,060
Windfall levy		(36,341,173)	(3,474,572)
		16,964,600,857	14,209,977,488
Liquefied petroleum gas - gross sales		2,312,447,554	2,122,537,236
Sales tax		(338,923,213)	(309,422,313)
Excise duty		(1,614,282)	(10,100,779)
Liquefied petroleum gas - net sales		1,971,910,059	1,803,014,144
Services to SNGPL and SSGCL		-	206,963,876
		48,015,837,827	46,785,964,814

29. OPERATING EXPENSES

	Note	2017 (Rupees)	2016 (Rupees)
Joint Venture Operating expenses		5,615,200,554	6,104,882,557
Depreciation	5.3	2,854,100,758	2,790,657,884
Amortization of development and production assets	8	2,075,009,478	1,988,157,386
Impairment	29.1	2,597,825,427	2,532,724,122
Cost of services given to SNGPL and SSGCL		160,563,797	190,406,766
		13,302,700,014	13,606,828,715

29.1 Impairment

	Note	2017 (Rupees)	2016 (Rupees)
Impairment on property, plant and equipment	5.4	1,378,403,487	1,649,556,083
Impairment on development and production assets	8.6	574,473,914	706,666,456
Impairment on Inventory	10	157,165,870	-
Impairment on GNP project		487,782,156	
		2,597,825,427	2,356,222,539

29.1.1 During the current year, the Group carried out impairment testing of its joint venture 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 ventures inventories as specified in above note.

29.1.2 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, 2017, the estimates of future production profiles of producing / discovered fields within the joint ventures have revised based on latest technical information, indicating a potential impairment of its joint venture investments.

29.1.3 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 Venture Investment has been separately determined and compared with the respective carrying value of the assets of that Joint Venture.

29.1.4 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 7.75% (June 30, 2016: 7.75 %).

	Note	2017 (Rupees)	2016 (Rupees)
30. OTHER INCOME			
Income from financial assets			
Return on bank deposits		561,092,281	716,393,823
Return on term deposit receipts		1,474,680,295	1,645,881,450
Exchange gain		(597,904)	890,579
		2,035,174,672	2,363,165,852
Income from non financial assets			
Disposal of fixed assets		7,404,070	-
Signature bonus	24.1	184,777,777	-
Others	30.1	1,366,165,304	1,904,270
		3,593,521,823	2,365,070,122

30.1 It includes receipt on disposal of Rehmat Development & Production (D&P) lease. M/s OMV Maurice Energy Limited rendered its Rehmat Development & Production lease to Ministry of Energy (MoE) (previously Ministry of Petroleum and Natural Resources) under Pakistan Petroleum (Exploration and Production) Rules, 1986. The MoE nominates and authorise the Holding Company to act on behalf of MoE and take possession of the permanent installation and related equipment at Rehmat D&P lease and take appropriate decision for utilisation and disposal of the same on commercial consideration. The Holding Company disposed the assets in November 2016.

31. EXPLORATION AND PROSPECTING EXPENDITURE	Note	2017 (Rupees)	2016 (Rupees)
Cost of dry and abandoned wells	7	141,423,572	404,154,977
Prospecting expenditure		947,620,821	203,654,549
		1,089,044,393	607,809,526

32. GENERAL AND ADMINISTRATIVE EXPENSES	Note	2017 (Rupees)	2016 (Rupees)
Salaries, wages and benefits	32.1	476,589,020	239,354,594
TAPI-Project expenditure	32.5	3,817,219	12,491,654
RLNG/LNG-Project expenditure		-	1,543,948
North South Gas (NSG) Pipeline Project expenditure		3,168,159	3,442,756
Travelling and conveyance		18,632,702	11,861,278
Repairs and maintenance		6,742,118	28,091,972
Rent		25,398,706	26,552,037
Communications		1,141,335	1,026,792
Utilities		6,206,336	1,712,966
Training and seminars		5,058,448	4,655,771
Boarding and lodging		1,550,794	9,840,104
Printing and stationery		2,274,882	3,053,226
Advertisement		8,457,609	9,372,495
Entertainment		1,737,407	1,265,790
Legal and professional charges		50,209,982	70,347,734
Auditors' remuneration	32.6	2,173,050	2,479,000
Fee and subscription		2,666,002	2,913,768
Software maintenance fee		5,447,811	4,821,399
Insurance		6,514,421	5,427,488
Donations	32.7	3,000,000	400,000
Amortization of intangible assets		339,183	377,741
Depreciation	5.3	5,222,866	6,831,094
Security services		10,913,129	5,117,213
Others		8,670,446	5,023,896
		655,931,625	458,004,716
Less: Allocated to Cost of Sales		(160,563,797)	(190,406,766)
		495,367,828	267,597,950

32.1 Includes therein Rs. 24.979 million (2015: Rs.19.384 million) in respect of post employment benefits.

32.2 The aggregate amounts charged in these consolidated financial statements for the remuneration of the Chief Executive and Directors are as follows:

	Chief Executive		Director		Executives		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	-----	-----	-----	-----	Rupees	-----	-----	-----
Managerial remuneration	84,503,164	-	-	-	242,969,900	199,700,688	284,203,852	199,700,688
Bonus	8,644,586	-	-	-	9,671,372	20,300,862	28,945,448	20,300,862
Retirement benefits	10,392,771	-	-	-	35,782,887	43,047,877	53,440,648	43,047,877
Reimbursable expenses	-	-	-	-		-	-	-
	103,540,521	-	-	-	288,424,159	263,049,427	366,589,948	263,049,427
	1	1	-	-		70	71	72

32.3 Fee paid to non-executive directors for attending the Board of Directors meetings amounted to Rs 1,812,500 (2016: Rs. 2,160,000). The Ex-Chief Executive had also been provided with fully maintained company car in accordance with the entitlement.

32.4 The amount represents expense accrued on account of remuneration of the Chief executive of the Holding Company from the date of his appointment i.e. September 25, 2014 upto June 2017. The amount was not provided for in prior years as there was a dispute on the determination of final terms and conditions of the Chief Executive. The tenure of Chief Executive of the Holding Company expired on September 24, 2017. Subsequent to the balance sheet date, the remuneration of the Chief Executive was determined by the Company's Board. The aggregate remuneration for period from June 30, 2017 to September 24, 2017 amounts to Rs. 18,354,596.

32.5 TAPI Project Expenditure	2017 (Rupees)	2016 (Rupees)
Consultancy services		
- Foreign	-	-
- Local	593,000	3,188,684
- Foreign exchange gain	-	285,661
	593,000	3,474,345
Travelling expenses		
- Foreign	2,743,097	8,807,780
- Local	435,288	9,529
- Foreign visits to Pakistan/meeting	3,771,385	12,291,654
Advertisement and promotional conferences	45,834	200,000
	3,817,219	12,491,654

32.6 Auditors' remuneration	2017 (Rupees)	2016 (Rupees)
Holding Company		
Statutory audit fee	925,000	800,000
Out of pocket expenses	48,050	104,000
	973,050	904,000
Subsidiaries		
Statutory audit fee	1,160,000	1,510,000
Out of pocket expenses	40,000	65,000
	1,200,000	1,575,000
	2,173,050	2,479,000

32.7 Donation does not include any amount paid to any person or organization in which a director or his spouse had any interest.

33. OTHER EXPENSES	Note	2017 (Rupees)	2016 (Rupees)
Loss on sale of fixed asset		315,272	-
Exchange loss		237,839,302	529,474,782
Other expense		-	534,902
		238,154,574	530,009,684

34 FINANCE (INCOME) / COST

	Note	2017 (Rupees)	2016 (Rupees)
Unwinding of discount on provision for decommissioning cost	22.1	68,235,303	40,490,360
Discount of long term loan	9.2	(21,010,904)	(2,284,278)
Discount of long term liability	20.2	(77,022,458)	(78,172,965)
Interest on running finance		22,260,274	
Bank charges		204,638	108,718
		(7,333,147)	(39,858,165)

35 TAXATION

	2017 (Rupees)	2016 (Rupees)
Current	10,597,319,167	9,984,728,472
Prior	35,069,186	881,686,616
Deferred	1,261,611,941	327,898,165
	11,894,000,294	11,194,313,253

	Note	2017 (Rupees)	2016 (Rupees)
35.1 Reconciliation of tax charge for the year:			
Accounting profit		31,392,543,155	29,181,964,854
Tax at the applicable rate of 40% (2016: 40%)		12,887,551,558	11,693,924,958
Tax at the applicable rate of 31% (2016: 32%)		-	6,621,713
		12,887,551,558	11,700,546,671
Tax effect of:			
Inadmissible expenditure for tax purposes		3,262,945,367	3,385,532,913
Tax incentives allowable for petroleum business		(2,207,809,645)	(2,098,606,596)
Accelerated tax depreciation for tax purposes		(3,825,406,360)	(3,532,719,612)
Adjustable non-petroleum income chargeable @ 34% (June 2016: 34%)		(278,852,092)	(188,570,176)
Tax effect of prior years		35,069,186	881,686,616
Super Tax @ 3% (June 2015: 3%)		758,890,339	708,609,875
Others		(23,120,908)	16,104,245
Tax impact of deferred tax charged at effective tax rate		1,284,732,849	321,729,317
		(993,551,264)	(506,233,418)
		11,894,000,294	11,194,313,253

36 EARNINGS PER SHARE - BASIC AND DILUTED

	2017	2016
Profit after taxation for the year	19,498,542,861	17,987,651,601
Average number of shares outstanding during the year	2,025,000,002	2,025,000,002
Earnings per share - basic (Rupees)	10	9

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

37. 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 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, deposits, other receivables, interest accrued, long-term investment and 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

37.1 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 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 balance sheet at 30 June 2017 and 2016 is equal to the carrying amounts of financial assets as given below;

	Note	2017 (Rupees)	2016 (Rupees)
Long term loan		**120,552,632**	78,953,102
Trade debts - net		**28,801,942,669**	33,201,338,653
Loans and other receivables		**3,121,776**	16,029,476
Security deposits		**905,106**	905,106
Interest accrued		**295,599,418**	86,440,437
Short-term investments - Restricted		**32,050,000,000**	11,700,000,000
Bank Balances		**3,674,450,312**	3,148,102,463
		64,946,571,913	48,231,769,237

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	
2017	9,153,244,820	7,890,476,101	6,863,678,480	4,894,543,268	4,604,647,534	33,406,590,203
2016	8,292,720,498	8,119,945,631	7,986,352,274	8,802,320,250	4,604,647,534	37,805,986,187

Partywise aging of trade debts at reporting date is as under:

2017	Neither past due nor impaired	Past due but not impaired			Past due and impaired	Total
Party name		Upto three months	Three to six months	More than six months	More than six months	
SNGPL	1,574,756,521	1,432,645,488	1,445,306,800	204,047,448	357,740,638	5,014,496,895
SSGCL	4,612,833,069	5,545,572,302	5,441,927,798	4,956,215,688	4,245,171,044	24,801,719,901
ARL	1,488,817,288	731,068,343	112,906	-	-	2,219,998,537
NRL	209,605,578	1,112,998	1,121,839	4,329,701	1,735,852	217,905,968
PARCO	635,700,521	30,185,581	-	-	-	665,886,102
ENAR	29,290,713	-	-	-	-	29,290,713
OPI	51,644,617	8,651,595	(15,261,326)	(75,722,133)	-	(30,687,247)
PRL	214,371,422	201,978	-	-	-	214,573,400
MOL	50,196,207	-	-	-	-	50,196,207
FON GAS	1,951,701	2,749,036	-	-	-	4,700,737
SSGCLPG	5,528,848	-	-	-	-	5,528,848
ENGRO	43,707,912	-	6,310,824	-	-	50,018,736
UEPL	-	-	-	-		-
Burshane	28,749,335	2,119,529	(10,728,260)	(27,191,211)	-	(7,050,607)
POL	55,258,989	20,828,582	(16,984,784)	(94,586,846)	-	(35,484,059)
Bukhari Gas	51,959,945	632,282	11,872,683	(72,549,379)	-	(8,084,469)
Hi-Tech Pipe	1,513,624	-	-	-	-	1,513,624
Jakhro-LPG	1,526,139	1,800,293	-	-	-	3,326,432
Sinjhoro-LPG	50,644,207	54,657,497	-	-	-	105,301,704
TAY-LPG	40,133,703	26,166,576	-	-	-	66,300,279
Gambat South-LPC	5,054,481	32,084,021	-	-	-	37,138,502
	9,153,244,820	7,890,476,101	6,863,678,480	4,894,543,268	4,604,647,534	33,406,590,203

2016	Neither past due nor impaired	Past due but not impaired			Past due and impaired	Total
Party name		Upto three months	Three to six months	More than six months	More than six months	
SNGPL	1,736,675,083	1,148,197,389	1,823,127,317	441,981,521	544,079,605	5,694,060,915
SSGCL	3,973,329,908	6,195,698,503	6,137,976,476	8,389,086,080	4,056,171,044	28,752,262,011
ARL	1,404,791,892	620,455,426	10,290,397	-	-	2,035,537,715
NRL	267,239,501	409,815	792,081	-	1,735,852	270,177,249
PARCO	421,228,266	90,388,449	-	-	-	511,616,715
ENAR	44,942,189	34,447	-	2,661,033	2,661,033	50,298,702
OPI	(11,518,330)	13,675,240	(1,004,698)	(15,342,581)		(14,190,369)
PRL	123,545,120	26,802,560	1,205,538	35,187,137		186,740,355
OMV	-	-	-			-
FON GAS	2,105,224	-	-	-		2,105,224
SSGCLPG	13,595,686	-	-	-		13,595,686
ENGRO	58,104,982	-	-	-		58,104,982
UEPL	236,778,123	-	-	-		236,778,123
Burshane	(5,570,746)	6,147,458	5,759,368	(13,454,243)		(7,118,163)
POL	(16,609,118)	17,093,553	11,131,857	(30,250,991)		(18,634,699)
Bukhari Gas	2,698,738	1,042,791	(2,926,062)	(7,547,706)		(6,732,239)
Hi-Tech Pipe	1,544,967					1,544,967
Jakhro-LPG	1,298,676					1,298,676
Sinjhoro-LPG	38,540,337					38,540,337
	8,292,720,498	8,119,945,631	7,986,352,274	8,802,320,250	4,604,647,534	37,805,986,187

The Group believes that the recovery of receivable balances of Rs. 4,604,647,534 (2016: 4,604,647,534) is doubtful of recovery due to financial difficulties of Oil & Gas buyers. Apart from this, the management feels that the remaining receivable balances do not require provision for impairment.

The Group has investment of TDR having maturity date of 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:

		2017 (Rupees)	2016 (Rupees)
A 1+	PACRA	2,529,812,297	2,879,882,838
A-1+	JCR-VIS	1,130,571,303	268,287,225
A-1	JCR-VIS	-	-
A2	PACRA	-	-
A-3	JCR-VIS	-	-
		3,660,383,600	3,148,170,063

37.2 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 [illegible]

The maturity profile of the Group's financial liabilities based on at 30 June 2017, is summarized below:

2017	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	-	-	5,984,448	5,984,448
Trade debts - net	-	-	28,801,942,669	28,801,942,669
Loans and other receivables	-	-	3,121,776	3,121,776
Deposits	-	-	905,106	905,106
Interest accrued	-	-	295,599,418	295,599,418
Short-term investments - Restricted	7.80-8.60	32,050,000,000	-	32,050,000,000
Bank balances	4.5 - 7.05	3,674,534,828	-	3,674,534,828
Maturity after one year:				
Long-term loan	-	-	120,552,632	120,552,632
		35,724,534,828	29,228,106,049	64,952,640,877

2017	Effective yield/ Interest Rate	Markup/ Interest bearing	Non markup/ Interest bearing	Total
Financial liabilities				
Maturity up to one year				
Trade and other payables	-	-	6,155,132,351	6,155,132,351
Current portion of long term liability	-	-	644,504,311	644,504,311
Maturity after one year:				
Long term liability	-	-	3,900,513,135	3,900,513,135
		-	10,700,149,797	10,700,149,797
Off balance sheet items:				
Capital expenditure commitments	-	-	7,172,721,803	7,172,721,803

2016	Effective yield/ Interest Rate	Markup/ Interest bearing	Non markup/ Interest bearing	Total
	%	-------------Rupees-------------		
Financial assets				
Maturity up to one year				
Trade debts - net	-	-	33,201,338,653	33,201,338,653
Loans and other receivables	-	-	16,029,476	16,029,476
Deposits	-	-	905,106	905,106
Interest accrued	-	-	86,440,437	86,440,437
Short-term investments - Restricted	10.50	11,700,000,000	-	11,700,000,000
Bank balances	5- 9.60	3,148,170,063	-	3,148,170,063
Maturity after one year				
Long-term loan	-	-	217,459,878	217,459,878
		14,848,170,063	33,522,173,550	48,370,343,613
Financial liabilities				
Maturity up to one year				
Trade and other payables	-	-	4,589,737,346	4,589,737,346
Current portion of long term liability		-	361,805,198	361,805,198
Maturity after one year				
Long term liability	-	-	3,928,556,153	3,928,556,153
		-	8,880,098,697	8,880,098,697

2016	Effective yield/ Interest Rate	Markup/ Interest bearing	Non markup/ Interest bearing	Total
Off balance sheet items:				
Capital expenditure commitments	-	-	8,721,320,783	8,721,320,783

37.3 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 as mentioned in note 15.1. Further the Group has bank balances in deposit accounts that carry variable interest rates, as mentioned in note 16.1.

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 balance sheet, the net foreign currency exposure aggregates to USD 172.92 million (2016: USD 237.95 million).

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

	2017 (USD)	2016 (USD)
Financial assets		
Short term exposure		
Trade Debts - net	**274,827,697**	317,716,159
Foreign currency deposit accounts	**390**	389
	274,828,087	317,716,548

	2017 (USD)	2016 (USD)
Financial liabilities		
Short term exposure		
Due to Joint Venture operators	(58,620,308)	(38,790,883)
Current portion shown under current liabilities	(6,138,136)	(3,455,637)
Long term exposure		
Due to the Joint Venture operators	(37,147,744)	(37,522,026)
	(101,906,188)	(79,768,546)
Net exposure to foreign currency risk	172,921,899	237,948,002

Financial assets		
Short term exposure		
Trade Debts - net	28,801,942,669	20,320,130,030
Foreign currency deposit accounts	39,848	39,710
	28,801,982,517	20,320,169,740
Financial liabilities		
Short term exposure		
Due to Joint Venture operators	(6,155,132,351)	(10,394,391,503)
Current portion shown under current liabilities	(644,504,311)	(271,257,637)
Long term exposure		
Due to the Joint Venture operators	(3,900,513,135)	(3,909,742,394)
	(10,700,149,797)	(14,575,391,534)
Net exposure to foreign currency risk	18,101,832,720	5,744,778,206

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

If the Pak Rupee had strengthened against the US Dollar by Rs. 5.25 (2016: Rs. 5.23) then this would have had the following impact:

	2017 (Rupees)	2016 (Rupees)
Net result for the year	(905,054,749)	(1,514,632,444)

If the Pak Rupee had weakened against the US Dollar by Rs. 5.25 (2016: Rs. 5.23) then this would have had the following impact:

	Note	2017 (Rupees)	2016 (Rupees)
Net result for the year		905,054,749	1,426,376,702

37.4 Financial instruments by category

	Note	2017	2016
Financial assets			
Held to maturity investments			
Short term investment - held to maturity	15	32,050,000,000	11,700,000,000
Loans and receivables			
Long-term loan	9	120,552,632	76,668,824
Trade debts - net	11	28,801,942,669	33,201,338,653
Loans and other receivables		3,121,776	16,029,476
Deposits	13	905,106	905,106
		28,926,522,183	33,294,942,059
Other financial assets at amortized cost			
Cash and bank balances	16	3,674,534,828	3,148,170,063
Interest accrued	14	295,599,418	86,440,437
		3,970,134,246	3,234,610,500
		64,946,656,429	48,229,552,559
Financial liabilities - at amortized cost			
Long term liability	20	3,900,513,135	3,928,556,153
Running Finance		-	-
Trade and other payables	24	6,155,132,351	4,061,405,500
		10,055,645,486	7,989,961,653

37.5 Fair value of financial assets and liabilities

The carrying value of financial assets and liabilities approximates their fair value.

37.6 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.

38. 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:

Associated company	Note	2017 (Rupees)	2016 (Rupees)
Major shareholders			
Government of Pakistan			
Dividend paid		**20,000,000,000**	15,000,000,000
Bonus		**20,000,000,000**	-
Other related parties			
Remuneration to Chief Executives and Directors	32.2	**103,540,521**	-
Post employment benefits		**-**	-
Receivable\(payable) balance			
Gratuity fund		**(25,867,575)**	(20,833,863)
Provident fund		**(2,165,135)**	(1,924,739)
Related parties by virtue of common directorship and GoP holdings			
Pak Arab Refinery Company Limited			
Sale of crude oil		**3,771,976,487**	3,453,266,595
Trade debts as at 30 June		**665,886,102**	511,616,715
Sui Northern Gas Pipelines Limited			
Sale of natural gas		**10,394,320,134**	11,021,557,349
Trade debts as at 30 June		**5,014,496,895**	5,694,060,915
Sui Southern Gas Company Limited			
Sale of natural gas		**23,469,744,113**	24,520,825,490
Trade debts as at 30 June		**24,801,719,901**	28,752,262,011
Enar Petrotech Services Limited			
Sale of crude oil		**223,946,018**	231,880,638
Trade debts as at 30 June		**29,290,713**	50,298,702
Oil and Gas Development Company Limited			
Cash calls paid against JV expenses		**3,934,241,984**	3,136,171,862
Pakistan Petroleum Limited			
Cash calls paid against JV expenses		**1,953,044,694**	9,330,508,996

39. CASH AND CASH EQUIVALENTS	Note	2017 (Rupees)	2016 (Rupees)
Short term investments - restricted	15	32,050,000,000	11,700,000,000
Cash and bank balances	16	3,674,534,828	3,148,170,063
		35,724,534,828	14,848,170,063

40. NUMBER OF EMPLOYEES	Holding Company	Subsidiaries	Holding Company	Subsidiaries
	2017		2016	
Number of employees at year end	42	77	43	53
Average number of employees	42	76	43	54

41. STAFF PROVIDENT FUND

	2017 (Rupees)	2016 (Rupees)
41.1 Following are the particulars related to the Fund of the Group;	Unaudited	Audited
Size of fund/trust	78,908,541	87,727,713
Cost of investment made	77,962,498	75,704,095
Percentage of investment (%)	100%	100%
Fair value of investment	77,962,498	75,704,095

41.2 Breakup of investments, in terms of amount and percentage of the size of the Fund in categories is as follow;

	2017 Unaudited		2016 Audited	
	%	Rupees	%	Rupees
Investment in TDRs	58%	45,000,000	33%	24,875,882
Deposits with banks	42%	32,962,498	67%	50,828,213
	100%	77,962,498	100%	75,704,095

41.3 Investment out of the Fund has been made in accordance with the provision of section 227 of the Companies Ordinance, 1984 and rules formulated for this purpose. The above figures and information are based on information provided by the management of staff provident fund.

42. CORRESPONDING FIGURES

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

43. DATE OF AUTHORIZATION OF ISSUE

07 MAR 2018

These financial statements have been authorized for issue by the Board of Directors of the Group in its meeting held on ...., 2018.

44. GENERAL

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

Chief Executive Officer

Director