GOVERNMENT HOLDINGS (PRIVATE) LIMITED

ANNUAL REPORT 2017-18

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. Zahid Nazeer Bhatti
(Incumbent CEO / MD)

Mr. Mobin Saulat
(CEO / MD)
Tenure completed on Sep 12, 2018

Mian Asad Hayaud Din
(Non-Executive Director)

Syed Tauqir Hussain
(Non-Executive Director)

Mr. Shahid Yousaf
(Non-Executive Director)

Dr. Tanveer Ahmad Qureshi
(Non-Executive Director)

Mr. Muhammad Anwer Shiekh
(Non-Executive Director)

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

Chief Financial Officer/Company Secretary

Mr. Muhammad Arif

Auditors

Deloitte Yousuf Adil
Chartered Accountants

Registered Office

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

Registration Number

I - 02570

Contact Details

PABX: +92 (51) 9211236-7, 9213976, 9211239-240
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Tax Advisors

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

Bankers

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

Legal Advisors

Rahman & Associates
Attorneys at law & Corporate Counsel

COMMITTEES OF THE BOARD

The Board has constituted 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

Syed Tauqir Hussain	Member
Mr. Shahid Yousaf	Member
Syed Ghazanfar Abbas Jilani	Member
Mr. Mobin Saulat	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	Member
Mr. Shahid Yousaf	Member
Syed Ghazanfar Abbas Jilani	Member
Mr. Mobin Saulat	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

Syed Tauqir Hussain	Member
Mr. Shahid Yousaf	Member
Mr. Mobin Saulat	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		Miscellaneous Committees	
	(Rupees)	Meetings	Attendance	Meetings	Attendance	Meetings	Attendance	Meetings	Attendance	Meetings	Attendance
Mr. Furqan Bahadur Khan	362,500	7	4								
Mr. Shahid Islam	-	2	1	1	1	1	1	1	1		
Mr. Muneer Kamal	-	9	0	1	0	1	0	2	0		
Syed Ghazanfar Abbas Jilani	1,325,000	12	10	1	1	2	1			2	2
Syed Tauqir Hussain	2,250,000	14	14	2	2	3	3	2	2	3	3
Mr. Shahid Yousaf	1,950,000	14	12	2	2	3	3	2	2	2	2
Mr. Mobin Saulat	-	12	12	1	1	1	1	1	1		
Mr. Hassan Nasir Jamy	700,000	7	6			1	1				
Mr. Muhammad Anwer Shiekh	200,000	2	2								
Mr. Mohammad Jalal Sikandar Sultan	100,000	1	1								
Ms. Ayla Majid	-	1	0								

* Mian Asad Hayaud Din replaced Mr. Mohammad Jalal Sikandar Sultan on 19 September 2018

** Dr. Tanveer Ahmad Qureshi replaced Mr. Hassan Nasir Jamy on 15 October 2018

EXECUTIVE SUMMARY

- Company's revenue increased by 29% from Rs. 48.01 billion to Rs. 61.92 billion due to recovery in International Oil Prices and increase in Oil, Gas and LPG Production.

- The Gross Profit increased from Rs. 30.3 billion in 2016-17 to Rs. 42.9 billion mainly on account of increase in revenue and decrease in Operating expenses.

- The Net Profit after tax increased by 35% from Rs. 20.3 Billion to Rs. 27.5 Billion.

- The Earnings per share (EPS) improved from Rs. 10 to Rs. 14.

- Production during the year under review averaged at 262 MMscfd (2016-17: 253 MMscfd) of gas, 9,384 bpd (2016-17: 9,001 bpd) of oil, and 163 MT (2016-17: 125 MT) of LPG per day.

- Six new discoveries added 35 BCF of Gas and 2 MMBBLS of Oil to the Company's reserve base.

STATEMENT OF VALUE ADDITION

	2017-18		2016-17	
	Rs. Billion	%	Rs. Billion	%
Gross Revenue	69.5	111%	54.3	107%
Less: Operating, G&A and Exploration Expenses	(7.5)	-12%	(6.8)	-13%
	61.9	99%	47.5	93%
Add: Income from Financial Assets	2.2	3%	2.0	4%
Income from Non-Financial Assets	0.2	0%	1.6	3%
Less:	(1.8)	-3%	(0.2)	0%
Total Value Added	**62.5**	**100%**	**50.9**	**100%**
DISTRIBUTED AS FOLLOWS:				
Employees Remuneration and Benefits	0.2	0%	0.2	0%
Government as:				
Company Taxation	14.6	23%	11.9	23%
Levies - Sales Tax	6.7	11%	5.4	11%
Excise Duty	0.8	1%	0.8	2%
Windfall Levy	0.1	0%	0.0	0%
Royalty	6.8	11%	5.1	10%
Dividends	5.0	8%	20.0	39%
	34.0	54%	43.3	85%
To Society	0.0	0%	0.0	0%
Retained in Business:				
Depreciation	2.8	4%	2.9	6%
Amortization	2.1	3%	2.1	4%
Impairment	0.8	1%	2.1	4%
Net Earnings	22.5	36%	0.3	1%
	28.2	45%	7.4	14%
Total Value Added	**62.5**	**100%**	**50.9**	**100%**

SIX YEARS PERFORMANCE

		2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
				Rupees in Bilion			
Financial Results							
Sales - Gross	Rs. Billion	53.7	61.5	58.8	53.0	54.3	69.5
Sales - Net	Rs. Billion	48.8	56.4	53.1	46.6	48.0	61.9
Gross Profit	Rs. Billion	37.7	41.9	35.4	28.2	30.3	42.9
Other Income	Rs. Billion	1.3	2.1	3.2	2.4	3.6	2.3
Profit before Taxation	Rs. Billion	37.6	38.0	37.9	29.2	32.2	42.1
Profit after Taxation	Rs. Billion	24.0	25.8	24.3	18.1	20.3	27.5
Financial Position							
Share Capital	Rs. Billion	0.3	0.3	0.3	0.3	20.3	20.3
Unappropriated Profit	Rs. Billion	49.8	29.8	45.6	3.6	3.9	26.5
Appropriated Profit (Reserves)	Rs. Billion	-	31.2	31.2	76.2	56.2	56.2
Long term liability	Rs. Billion	2.0	2.1	3.9	3.9	3.9	3.6
Deferred taxation	Rs. Billion	5.6	6.0	5.6	5.9	7.2	7.4
Provision for decommissiong cost	Rs. Billion	3.8	4.4	5.2	5.4	5.1	6.1
Non Current Liabilities	Rs. Billion	11.4	12.5	14.7	15.3	16.2	17.2
Current Liabilities	Rs. Billion	3.7	6.3	13.1	5.4	22.0	11.1
Total Equity & Liabilities	Rs. Billion	65.0	80.1	104.9	100.8	118.6	131.3
Fixed Assets	Rs. Billion	29.7	36.0	42.9	47.0	47.7	48.8
Long term investment & Loan	Rs. Billion	2.2	2.3	2.4	2.8	3.1	4.4
Trade Receivables	Rs. Billion	20.0	17.2	20.3	33.2	28.8	53.4
Cash & Cash Equivalent	Rs. Billion	11.4	21.9	35.6	14.6	35.5	15.3
Other Current Assets	Rs. Billion	1.7	2.7	3.6	3.2	3.5	9.2
Total Assets	Rs. Billion	65.0	80.1	104.9	100.8	118.6	131.3
Key Indicators							
Profitability							
Gross Profit Margin	%	77%	74%	67%	60%	63%	69%
Net Profit Margin	%	49%	46%	46%	39%	42%	44%
Return on equity	%	52%	46%	35%	23%	25%	30%
Capital Employeed	Rs. Billion	61.4	73.8	91.7	95.4	96.6	120.1
Return on capital employed	%	66%	56%	46%	31%	34%	39%
Operating Performance/ Liquidity							
Total assets turnover	Times	0.82	0.78	0.57	0.45	0.44	0.50
Fixed assets turnover	Times	1.83	1.72	1.35	1.04	1.01	1.28
Debtor turnover	Times	2.41	3.04	2.84	1.74	1.55	1.51
Debtor turnover	Days	151	120	129	210	236	242
Current ratio	Times	9.04	6.62	4.53	9.37	3.08	7.02
Cash to Current Liabilities	Times	3.12	3.47	2.71	2.68	1.61	1.38
Investment							
Cash Dividend	Rs. Billion	16.8	14.5	8.5	15.0	20.0	5.0
Earnings per Share	Rupees	12	13	12	9	10	14
Dividend per share	Rupees	671	580	340	600	800	2.5
Dividend Payout Ratio	%	70%	56%	35%	83%	98%	18%
Contribution to National Exchequer							
Total Contribution	Rs. Billion	39.6	37.8	32.7	38.1	41.5	31.8

VERTICAL & HORIZONTAL ANALYSIS

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Vertical Analysis						
Profit & Loss Account						
Sales - Net	100%	100%	100%	100%	100%	100%
Cost of Sales	-23%	-26%	-33%	-40%	-37%	-31%
Gross Profit	77%	74%	67%	60%	63%	69%
Other Income	3%	4%	6%	5%	7%	4%
Exploration & Prospecting Expenditure	-1%	-2%	0%	-1%	-2%	-2%
G&A and other expenses	-1%	-8%	-1%	-1%	-1%	-3%
Profit before Taxation	77%	67%	71%	63%	67%	68%
Taxation	-28%	-22%	-26%	-24%	-25%	-24%
Profit after Taxation	49%	46%	46%	39%	42%	44%
Balance Sheet						
Share Capital &Reserves	77%	76%	73%	79%	68%	78%
Non Current Liabilities	17%	16%	14%	15%	14%	13%
Current Liabilities	6%	8%	13%	5%	19%	8%
Total Equity & Liabilities	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Non Current Assets	49%	48%	43%	49%	43%	41%
Current Assets	51%	52%	57%	51%	57%	59%
Total Assets	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Horizontal Analysis (base year: 2012-13)						
Profit & Loss Account						
Sales - Net	100%	116%	109%	95%	98%	127%
Cost of Sales	100%	130%	159%	165%	159%	170%
Gross Profit	**100%**	**111%**	**94%**	**75%**	**80%**	**114%**
Other Income	100%	164%	255%	188%	285%	185%
Exploration & Prospecting Expenditure	100%	179%	13%	90%	160%	160%
G&A and other expenses	100%	719%	90%	102%	81%	311%
Profit before Taxation	**100%**	**101%**	**101%**	**78%**	**86%**	**112%**
Taxation	100%	90%	100%	82%	87%	107%
Profit after Taxation	**100%**	**107%**	**101%**	**75%**	**85%**	**115%**
Balance Sheet						
Share Capital &Reserves	100%	122%	154%	160%	161%	206%
Non Current Liabilities	100%	110%	129%	135%	143%	151%
Current Liabilities	100%	172%	359%	149%	601%	304%
Total Equity & Liabilities	**100%**	**123%**	**161%**	**155%**	**182%**	**202%**
Non Current Assets	100%	120%	142%	156%	159%	167%
Current Assets	100%	126%	180%	154%	205%	236%
Total Assets	**100%**	**123%**	**161%**	**155%**	**182%**	**202%**

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

Deloitte.

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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, 2018.

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 requires 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, 2018.

Chartered Accountants

Engagement Partner:
Shahzad Ali

Islamabad
Date: November 27, 2018

GOVERNMENT HOLDINGS (PRIVATE) LIMITED

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

FOR THE YEAR ENDED JUNE 30, 2018

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: Government Holdings (Private) Limited (The Company)
Name of the line ministry: Ministry of Energy (Petroleum Division)
For the year ended: June 30, 2018

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

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

<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 at least one-third of its total members as independent directors. At present the board (as of June 30, 2018) includes:
<table>
<tr><th>Category</th><th>Names</th><th>Date of appointment</th></tr>
<tr><td>Executive Directors</td><td>Mr. Mobin Saulat</td><td>29-Sept-2017</td></tr>
<tr><td>Independent Directors</td><td>Ms. Ayla Majid</td><td>28-Jun- 2018</td></tr>
<tr><td>Non-Executive Directors</td><td>Mr. Muhammad Jalal Sikandar Khan</td><td>28-Jun-2018</td></tr>
<tr><td></td><td>Mr. Hassan Nasir Jamy</td><td>04-Dec-2017</td></tr>
<tr><td></td><td>Mr. Muhammad Anwer Sheikh</td><td>07-May-2018</td></tr>
<tr><td></td><td>Mr. Syed Tauqir Hussain</td><td>07-Feb-2013</td></tr>
<tr><td></td><td>Mr. Shahid Yousuf</td><td>06-Aug-2015</td></tr>
</table></td><td>3(2)</td><td></td><td>✓</td></tr>
<tr><td>3.</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>
<tr><td>4.</td><td>The appointing authorities have applied the fit and proper criteria given in the Annexure to the Rules in making nominations of the persons for election as board members under the provisions of the Act.</td><td>3(7)</td><td></td><td>✓</td></tr>
<tr><td>5.</td><td>The chairman of the board is working separately from the chief executive of the Company.</td><td>4(1)</td><td>✓</td><td></td></tr>
<tr><td>6.</td><td>The chairman has been elected by the Board of Directors except where Chairman of the Board has been appointed by the Government.</td><td>4(4)</td><td>✓</td><td></td></tr>
</table>

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

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

Committee	No. of Members	Name of Chair
Audit & Risk Management Committee	**3**	Mr. Syed Tauqir Hussain
Human Resources, Procurement & Nomination Committee	**4**	Mr. Syed Tauqir Hussain

Dya

<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>24.</td><td>The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called, with their remuneration and terms and conditions of employment.</td><td>13</td><td></td><td>✓</td></tr>
<tr><td>25.</td><td>The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.</td><td>14</td><td>✓</td><td></td></tr>
<tr><td>26.</td><td>The company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.</td><td>16</td><td>✓</td><td></td></tr>
<tr><td>27.</td><td>The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.</td><td>17</td><td>✓</td><td></td></tr>
<tr><td>28.</td><td>The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the company except those disclosed to the company.</td><td>18</td><td>✓</td><td></td></tr>
<tr><td>29.</td><td>(a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration.

(b) 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>30.</td><td>The financial statements of the company were duly endorsed by the chief executive and chief financial officer before consideration and approval of the audit committee and the board.</td><td>20</td><td>✓</td><td></td></tr>
<tr><td>31.</td><td>The board has formed an audit committee, with defined and written terms of reference, and having the following members as at June 30, 2018.
<table>
<tr><th>Name of Members</th><th>Category</th><th>Professional background</th></tr>
<tr><td>Mr. Syed Tauqir Hussain</td><td>Non- executive director</td><td>Joint Secretary
Ministry of Energy
Petroleum Division</td></tr>
<tr><td>Mr. Shahid Yousuf</td><td>Non- executive director</td><td>Director General (LG)
Ministry of Energy
(Petroleum Division)</td></tr>
<tr><td>Mr. Muhammad Anwer Sheikh</td><td>Non- executive director</td><td>Sr. Joint Secretary (CF-II)
Secretariat Group,
Ministry of Finance</td></tr>
</table>
The Chief Executive and Chairman of the Board are not members of the audit committee.</td><td>21(1) and 21(2)</td><td>✓</td><td></td></tr>
</table>

Sr. No	Provision of the Rules	Rule no.	Yes	No
			Tick in the Relevant box	
32.	(a) The chief financial officer, the chief internal auditor, and a representative of the external auditors attended all meeting of the audit committee at which issues relating to accounts and audit were discussed.	21(3)		✓
	(b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives.		✓	
	(c) The audit committee met the chief internal auditor and other members of the internal auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditors.			✓
33.	(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee.	22	✓	
	(b) The chief internal auditor has requisite qualification and experience prescribed in the Rules.			✓
	(c) The internal auditor reports have been provided to the external auditors for their review.		✓	
34.	The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	✓	
35.	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	✓	

Name:
Chairperson

Dated:
Islamabad

Name:
Managing Director/ CEO

Dated:
Islamabad

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

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

Sr. No	Rule/sub-rule No.	Reason for Non-Compliance	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	**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.
3	**10**	The Board has approved the profit and loss account for and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year. However the Quarterly Financial Statements cannot be prepared within one month of the relevant quarter, because the cost statements from respective operators are issued within 30 days of relevant month as per Petroleum Concession Agreement (PCA) approved by the Government of Pakistan (GoP).	There is time limitation for preparation and approval of quarterly financial statements as the same cannot be prepared within one month because cost statements are issued by JV operator within 30 days of relevant month as per Petroleum Concession Agreement issued by Government of Pakistan (GoP).
4	**13**	The Company has not appointed Chief Internal Auditor as at June 30, 2018. However subsequent to the year-end Chief Internal auditor has been appointed under additional charge.	The recruitment process for hiring regular Chief Internal Auditors has been started.
5	**21(3)(a) and (c)**	The Company has not appointed Chief Internal Auditor as at June 30, 2018. However subsequent to the year-end, appointment of Chief Internal auditor has been through additional charge.	The recruitment process for hiring regular Chief Internal Auditors has been started.

6	22(b)	The Company has not appointed Chief Internal Auditor as at June 30, 2018. However subsequent to the year-end, appointment of Chief Internal auditor has been through additional charge.	The recruitment process for hiring regular Chief Internal Auditors has been started.

Name:
Chairperson

Dated: 27 NOV, 2018
Islamabad

Name:
Managing Director/ CEO

Dated: 27, Nov, 2018
Islamabad

DIRECTORS' REPORT

GOVERNMENT HOLDINGS (PRIVATE) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED JUNE 30, 2018

The Board of Directors is pleased to present the Annual Report and Audited Financial Statements of the Company for the year ended June 30, 2018 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 2017-18, recovery in the international oil prices and increase in Oil, Gas and LPG production has led the Company to report increase in sales revenues to Rs. 61.92 billion (2016-17: Rs. 48.01 billion).

During the FY 2017-18, the Operating expenses of the Company decreased by 5% to Rs. 12.05 billion (2016-17: Rs 12.65 billion) primarily on account of decreased impairment charge of Rs. 828 million (2016-17: Rs. 2.11 billion) and increased joint venture operating expenditure of Rs. 6.35 billion (2016-17: Rs. 5.62 billion). Impairment charge decreased 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 Profit after tax of the Company increased by 26% to Rs 27.5 billion (2016-17: Rs 20.3 billion) and the earnings per share increased from Rs 10 in 2016-17 to Rs. 14 in 2017-18.

LIQUIDITY MANAGEMENT AND CASH FLOWS

An amount of Rs. 5.9 billion (2016-17: Rs 35.9 billion) was generated from Operating activities of the Company. During the year, the Company repaid running finance facility of Rs. 13 billion which was availed last year to meet its cash requirements. The Company liquidity position was also affected by increase in receivables balance as at 30th June Rs. 58.0 billion (2016-17: Rs. 33.4 billion). At the end of the year, the Company had a liquid fund position comprising of cash and deposits amounting to Rs 15.3 billion (2016-17: Rs 35.5 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.

DIVIDEND

During the year, the Company paid interim cash dividends of Rs 5 billion (Rs. 2.5 per share).

CONTRIBUTION TO NATIONAL EXCHEQUER

The Company is a significant contributor to the national economy. During the year, GHPL contributed Rs. 31.8 billion (2016-17: Rs 41.5 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, UEP Alpha, UEP Beta, OPPL, Hycarbex, MOL, OGDCL, MPCL, PPL, POL, Al Haj, Tallehesse and PEL.

GHPL has been assigned GOP's working interest and the current portfolio consists of:

- 19 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
- 85 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 four exploration blocks under 2001, 2009 & 2012 Petroleum Policy

SEISMIC ACQUISITION ACTIVITY:

A total of 1,408 L.KMs (2016-17: 2,975 L.KMs) of 2 D seismic and 523 Sq. KMs (2016-17: 1,833 Sq. KMs) of 3D 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	**2017-18**	2016-17
Exploration & Appraisal Wells	**22**	25
Development Wells	**7**	12

DISCOVERIES

A total of 6 discoveries were made during the year 2017-18:

- Oderolal & Hakro discoveries were made in Mirpur Khas Block by UEPL.
- Rawat North & Bago discoveries were made in Khipro Block by UEPL.

- Tando AllahYar South West discovery was made in Tando Allahyar Block by OGDCL.
- Umair discovery was made in Guddu Block by OGDCL.

These discoveries added 35 BCF and 2 MMBBLs to the Company's reserve base.

MAJOR DEVELOPMENT ACTIVITIES

A total of 60 mmscfd Gas, 2400 BPD oil/condensate and 70 MT/D of LPG has been added to the GHPL production share during 2017-18. This has been achieved by the completion of following activities/projects:

- Nashpa LPG Plant Completion & commissioning
- Naimat LPG Plant Up-gradation
- Tolanj Processing facilities completion
- Workovers, Well interventions and Tie-ins of approx. 22 exploration/appraisal/development wells in various concessions.
- Drilling of 7 development wells

In Nashpa Block, work on Nashpa EPCC project to install dedicated processing facilities to process gas, oil & LPG was completed and plant commissioned. Production of LPG was achieved and plant process optimization remained in progress. Work is in progress to bring Mela Gas to Nashpa plant for processing & LPG Extraction. Moreover, Compression projects are in progress in Mela & Nashpa (GHPL Share: 15%).

In TAL Block, relocation of Tolanj Processing Facilities project was completed and commissioned to produce Tolanj & Tolanj West discoveries. Moreover, Central Front End Compression project has been completed and commissioned. (GHPL Share: 15%).

Field development activities were completed in Sofia field including construction of flow lines, laying, installation and tie-in with Mehar Processing Facilities (GHPL Share: 25%)

In Gambat South Block Work on 60 MMscfd GPF-III remained in progress during the year. Kabir EWT started during the year by sale of gas through virtual pipeline. The relocation, installation and up gradation of GPF-IV remained in progress (70 MMscfd capacity Rehmat Gas plant) for capacity enhancement from Gambat South Field.(GHPL's share: 25%).

In Mirpur Khas / Khipro Blocks (MKK), major activities concluded during the year are Naimat LPG Plant Upgradation project, Naimat Phase- 5A3 (Capacity 40 mmscfd Gas), Naimat Sales Gas compression Project, Naimat H2S Solid Scavenger Project and Naimat Flare upgrade project. Major projects in progress are Kausar Flare upgrade, Rajani compression and water handling projects (GHPL's share: 25%).

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)

Operator(s) have applied for relinquishment of 04 blocks (Offshore Indus U & S, Offshore Indus R & Eastern Offshore Indus A)

PRODUCTION AND RESERVES

GHPL's share of average daily production from all fields during FY 2017-18 is as follows:

	2017-18	2016-17
Oil/condensate (BPD)	**9,384**	9,001
Gas (MMSCFD)	**262**	253
LPG (MT/D)	**163**	125

The total net remaining recoverable reserves of the Company, as on June 30, 2018, are 33.40 MMSTB (June 30, 2017: 31.01 MMSTB) of Oil / Condensate Reserves and Gas Reserves of 1,450 BCF (June 30, 2017: 1,515 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, 2018, the Company has a direct shareholding of 99.57% with 231,370,000 (June 30, 2017: 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. Ministry of Finance (MoF) via letter no. F.4(2) CF-V/2007 dated October 24, 2017 directed the ISGS to issue shares to the Company for the related amount received from GoP and directed the Company to issue shares to the President of Pakistan through secretary petroleum Ministry of Energy (Petroleum Division). In pursuance of these directives, subsequent to the year end, the ISGS issued 27,957,500 shares of Rs.10 each to the Company for the related amount received from GoP and accordingly company has issued 27,957,500 shares of Rs. 10 each to the President of Pakistan through secretary petroleum Ministry of Energy (Petroleum Division).

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.

During the year the Company gave a loan of Rs. 1,301 million to ISGS under the loan term sheet which was converted to a loan agreement on August 9, 2018.

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).

The Company held 1,500,000 equity shares of Rs. 10 each (June 30, 2017: 1,500,000 equity shares of Rs. 10 each) in PLTL.

The Company has provided advance of Rs. 241.7 million (June 30, 2017: Rs. 175.7 million) to PLTL for meeting their operational requirements, related to LNG Terminal under the loan term sheet which was converted into loan agreement on November 27, 2017. During the year Company provided lien against its short term investments for the guarantee issued by PLTL in favour of the Terminals operator equivalent to USD 22.1 million.

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, 2017: 1,500,000 equity shares of Rs. 10 each) in PLL.

The Company has provided advance of Rs. 5,316.3 million (June 30, 2017: Rs. 175.7 million) for meeting the operational and working capital requirements 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 . During the year the Company has provided lien against its short term investments for the guarantee issued by PLL in favour of the LNG suppliers of amounting to USD 43.7 million.

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 34.2 of the Company's Separate Financial Statements for the year ended June 30, 2018.
- 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, 2018 is as follows.

Employees Provident Fund	Rs. 25,470,275
Employees Gratuity Fund	Rs. 50,950,000

- 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 2018 has been disclosed in the Directors Report.

AUDITORS' OBSERVATION

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

- **Assignment of 2.5% Working Interest:** The Company assigned 2.5% working interest each in Block 22 and Zarghun South petroleum concessions to Petroleum Exploration (Private) Limited (PEL) and Mari Petroleum Company Limited (MPCL) respectively upon commercial discovery. Such assignments were not in accordance with the governing Petroleum Concession Agreements. The Board of Directors of the Company has referred the matter to Ministry of Energy (Petroleum Division) for advice. The matter is also under consideration 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. 58,041 million, as disclosed in Note 14 to the Financial Statements, include Rs. 46,012 million which are overdue as at June 30, 2018. 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 to the IP-Project approved by ECC.

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 2018-19.

FUTURE OUTLOOK

The operating results of the Company are likely to improve as the International Oil prices stabilize. The Company is striving to add production from completion of development activities in Mirpur Khas & Khipro fields by drilling of additional development wells & completion of different compression projects which are currently on-going. The work on Nashpa / Mela centralized field development and compression, development wells drilling, and Gambat South Field development activities will continue into 2018-19 and would result in production maintenance / increase 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 (Petroleum Division) 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

GOVERNMENT HOLDINGS (PRIVATE) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the members of Government Holdings (Private) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Government Holdings (Private) Limited (the Company), which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss, statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the profit, comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Emphasis of Matter Paragraphs

We draw attention to the following matters;

- as disclosed in note 8.4 to the financial statements that the Company assigned 2.5% working interest each in Block 22 and Zarghun South petroleum concessions to Petroleum Exploration (Private) Limited (PEL) and Mari Petroleum Company Limited (MPCL) respectively upon commercial discovery. Such assignments were not in accordance with the governing Petroleum Concession Agreements. The Board of Directors of the Company has referred the matter to Ministry of Energy (MOE) for advice. The matter is also under consideration at the Public Accounts Committee. Pending the ultimate outcome of the matter, no adjustments have been made in the accompanying financial statements.

- note 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 & Pipeline project to the IP-Project approved by ECC.
- as disclosed in note 14 to the financial statements, trade debts of Rs. 58,041 million include Rs. 46,012 million which are overdue as at June 30, 2018. 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. Management of Holding Company has made aggregate provision of Rs. 4,605 million against said long outstanding debts.

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

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) No Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

Deloitte Yousuf Adil

Chartered Accountants
Islamabad
Date: November 27, 2018

GOVERNMENT HOLDINGS (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	28,468,957,082	28,194,516,615
Intangible assets	6	3,987,680	605,800
Exploration and evaluation assets	7	2,881,818,774	2,899,652,251
Development and production assets	8	17,486,414,909	16,648,076,695
Long term investment in subsidiary	9	2,775,829,610	2,343,700,000
Long term loan	10	1,977,670,614	787,552,632
Interest accrued on long term loan	11	84,675,652	-
		53,679,354,321	50,874,103,993
CURRENT ASSETS			
Stores, spares and loose tools - share in joint ventures' inventory	12	2,846,519,031	2,889,140,498
Loan to Subsidiary	13	5,558,092,044	306,929,635
Trade debts - net	14	53,437,102,477	28,801,942,669
Loans, advances and other receivables	15	11,684,081	12,357,029
Trade deposits and short term prepayments	16	5,257,072	3,529,261
Interest accrued	17	825,624,747	293,330,160
Short term investments	18	12,719,529,035	32,000,000,000
Cash and bank balances	19	2,605,620,257	3,464,093,104
		78,009,428,744	67,771,322,356
TOTAL ASSETS		131,688,783,065	118,645,426,349
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
4,500,000,000 ordinary shares of Rs. 10 each		45,000,000,000	45,000,000,000
Issued, subscribed and paid up capital	20	20,250,000,020	20,250,000,020
Reserves			
Reserves	21	56,230,873,852	56,230,873,852
Unappropriated profits		26,459,734,441	3,916,878,693
		102,940,608,313	80,397,752,565
Advance against issue of shares to Government of Pakistan	20	432,129,610	-
		103,372,737,923	80,397,752,565
NON CURRENT LIABILITIES			
Long term liability	22	3,598,409,687	3,900,513,135
Deferred taxation	23	7,418,962,398	7,183,451,535
Provision for decommissioning cost	24	6,142,566,167	5,111,694,282
Deferred employee benefit	25	36,284,706	39,131,272
		17,196,222,958	16,234,790,224
CURRENT LIABILITIES			
Trade and other payables	26	6,893,331,339	7,511,873,761
Running finance	27	-	13,000,000,000
Current portion of long term liability	22	1,344,242,108	644,504,311
Provision for taxation	28	2,882,248,737	856,505,488
		11,119,822,184	22,012,883,560
TOTAL EQUITY AND LIABILITIES		131,688,783,065	118,645,426,349
CONTINGENCIES AND COMMITMENTS	29		

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 PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2018

		2018	2017
	Note	Rupees	Rupees
SALES - NET	30	61,915,836,522	48,052,179,000
Royalty and other levies		(6,925,809,543)	(5,135,224,006)
Operating expenses	31	(12,052,284,682)	(12,654,354,061)
GROSS PROFIT		42,937,742,297	30,262,600,933
Other income	32	2,321,607,096	3,582,178,427
Exploration and prospecting expenditure	33	(1,087,254,136)	(1,089,044,393)
General and administrative expenses	34	(262,022,491)	(306,103,960)
Other expenses	35	(1,570,141,641)	(238,154,574)
OPERATING PROFIT		42,339,931,125	32,211,476,433
Finance (cost)/income	36	(238,309,153)	7,402,462
PROFIT BEFORE TAXATION		42,101,621,972	32,218,878,895
Taxation	37	(14,557,781,418)	(11,905,560,748)
NET PROFIT FOR THE YEAR		27,543,840,554	20,313,318,147
EARNINGS PER SHARE - BASIC AND DILUTED (Rupees)		13.60	10.03

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, 2018

	2018 (Rupees)	2017 (Rupees)
NET PROFIT FOR THE YEAR	27,543,840,554	20,313,318,147
Items not to be reclassified subsequently to profit and loss account		
Remeasurement loss on employees' retirement benefits	(1,641,343)	(7,496,493)
Tax effect of remeasurement loss on employee's retirement benefits	656,537	2,998,597
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	27,542,855,748	20,308,820,251

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, 2018

	Share capital	Revenue Reserve	Capital Reserve						
	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, 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)
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
Profit after taxation	-	-	-	-	-	-	-	27,543,840,554	27,543,840,554
Other comprehensive income - net of tax	-	-	-	-	-	-	-	(984,806)	(984,806)
Total comprehensive income for the year	-	-	-	-	-	-	-	27,542,855,748	27,542,855,748
Transactions with owners, recorded directly in equity									
Interim dividend 2018: Rs. 2.5 per share	-	-	-	-	-	-	-	(5,000,000,000)	(5,000,000,000)
	-	-	-	-	-	-	-	(5,000,000,000)	(5,000,000,000)
Balance as at June 30, 2018	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	26,459,734,441	102,940,608,313

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 CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2018

	2018 Rupees	2017 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	42,101,621,972	32,218,878,895
Adjustments for:		
Amortization of development and production assets	2,117,196,769	2,075,009,478
Amortization of long term liability	(107,624,547)	(77,022,458)
Depreciation on joint ventures' fixed assets	2,754,969,655	2,854,100,758
Impairment	827,572,156	2,110,043,271
Depreciation on owned fixed assets	7,041,652	4,507,554
Amortization of intangible assets	546,292	328,365
Provision for employee benefits	15,932,589	16,676,534
Unwinding of discount on provision for decommissioning cost	95,556,422	68,235,303
Discounting of long term loan	-	(21,010,904)
Gain on disposal of property, plant and equipment	(71,886)	(7,088,798)
Unrealised exchange loss	1,684,102,967	245,079,406
Interest income	(2,171,386,159)	(2,025,160,580)
Profit before working capital changes	47,325,457,882	37,462,576,824
Changes in working capital		
(Increase)/Decrease in current assets		
Trade debts - net	(24,364,103,545)	4,405,354,318
Stores, spare & loose tools - share in joint ventures' inventory	(9,833,088)	(26,844,346)
Loans, advances and other receivables	672,948	5,939,207
Advances to Subsidiaries	(5,251,162,409)	(186,881,802)
Trade deposits and short-term prepayments	(1,727,811)	1,710,622
Increase/(decrease) in current liabilities		
Trade and other payables	(1,030,277,105)	2,604,347,933
	(30,656,431,010)	6,803,625,932
Cash generated from operations	16,669,026,872	44,266,202,756
Interest received	1,554,415,920	1,816,902,911
Income tax paid	(12,295,870,769)	(10,089,642,005)
Employee benefits paid	(20,420,498)	(17,651,950)
Net cash generated from operating activities	5,907,151,525	35,975,811,712
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(6,856,049,244)	(7,816,428,302)
Proceed from sale of corporate fixed asset	71,889	11,688,028
Short term investment	19,280,470,965	(20,300,000,000)
Long-term loan given	(1,190,117,982)	(293,372,904)
Net cash used in investing activities	11,234,375,628	(28,398,113,178)

	2018 Rupees	2017 Rupees
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Running finance	(13,000,000,000)	13,000,000,000
Dividend paid	(5,000,000,000)	(20,000,000,000)
Net cash used in financing activities	**(18,000,000,000)**	**(7,000,000,000)**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(858,472,847)**	577,698,534
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**3,464,093,104**	2,886,394,570
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**2,605,620,257**	3,464,093,104

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, 2018

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 (Currently Companies Act, 2017). 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 incorporated on December 11, 2015 under the Companies Ordinance, 1984 (Currently Companies Act, 2017). The principle activity of PLL is to import, transport, market and distribute 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 (Currently Companies Act, 2017). The principle activity of PLTL is to operate and maintain terminals for the handling, re-gasification, storage, treatment, transportation and processing of Liquified Natural Gas (LNG). 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.

1.6 Summary of significant events and transactions in the current reporting period

The following significant events and transactions affecting company's financial health occured during the year:

- The Company and ISGSL agreed on the major terms of the long term loan through a term sheet (Refer Note 10.2).

- The Company has provided advance to PLTL & PLL for meeting their operational requirements and entered in to a loan agreement with the subsidiary companies for the conversion of entire advances into interest bearing loan. (Refer Note 13).

- The Company has provided lien against its short term 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). (Refer Note 18.2).

- The Company has repaid and discontinued running finance facilities from National Bank of Pakistan and United Bank Limited during the year (Refer Note 27).

- Major Processing Facilities completed during the year with capacity of 425 MMSCFD Gas, 18000 BBL/D Oil and 498-533 MT/D LPG on 100% basis.

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 Act, 2017, provisions of and directives issued under the Companies Act, 2017. In case requirements differ, the provisions or directives of the Companies Act, 2017 shall prevail.

2.2 Basis of measurement

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

- Obligation under certain employee benefits, 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 liability 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 relevant 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
IFRS 4 'Insurance Contracts' - Amendments. An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after January 01, 2018.	

International Accounting Standards/International Financial Reporting Standards/Interpretations	Effective date (accounting periods beginning on or after)
IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	July 01, 2018
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
IFRS 16 'Leases': This standard will supersede IAS 17 'Leases' upon its effective date.	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
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

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 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

The company has further assessed the impact of following standards at time of their initial application from July 01, 2018.

- IFRS 15 'Revenue from contracts with customers'
- IFRS 9 'Financial Instruments'

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.

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 concession by concession basis. Amortization expense for the year is computed on all development and production assets at year end including additions / adjustments made during the year. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively. Amortization is charged to profit and loss account.

4.5 Joint arrangements

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. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

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, short term 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 and Development and Production assets/well.

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, 2018, using the Projected Unit Credit Method. The detail of the valuation is given in note 25.2.

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, 2018, 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 reservoir 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. 11,326 million as LPS as of June 30, 2018 (2017: Rs. 8,685 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 Exploration and Evaluation 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 of Development and Production assets

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

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

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

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 recognized 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	2018 Rupees	2017 Rupees
Owned fixed assets	5.1	38,967,579	17,006,533
Share in joint ventures' fixed assets	5.2	26,415,238,192	23,875,500,149
Share in joint ventures' fixed assets - CWIP	5.3	2,014,751,311	4,302,009,933
		28,468,957,082	28,194,516,615

5.1 Owned fixed Assets

2018	COST				Rate	ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
Particulars	As at 01 July 2017	Additions	Disposal	As at 30 June 2018	%	As at 01 July 2017	Charge for the year	Disposal	As at 30 June 2018	As at 30 June 2018
	Rupees					Rupees				Rupees
Office equipment	8,753,190	8,918,226		17,671,416	20	5,559,402	2,068,327		7,627,729	10,043,687
Furniture and fixtures	16,963,479	14,322,121	(1,710,947)	29,574,653	15	6,168,533	2,026,898	(1,710,947)	6,484,484	23,090,169
Computer equipment	13,912,982	503,000		14,415,982	20-33	11,558,703	1,618,507		13,177,210	1,238,772
Vehicles	6,576,507	5,259,351		11,835,858	20	5,912,987	1,327,920		7,240,907	4,594,951
	46,206,158	29,002,698	(1,710,947)	73,497,909		29,199,625	7,041,652	(1,710,947)	34,530,330	38,967,579

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

5.2 Share in joint ventures' fixed assets

2018		COST				Rate	ACCUMULATED DEPRECIATION				ACCUMULATED IMPAIRMENT				WRITTEN DOWN VALUE
Particulars	Note	As at 01 July 2017	Additions/ (transfers)	Disposal	As at 30 June 2018	%	As at 01 July 2017	Charge for the year	Disposal	As at 30 June 2018	As at 01 July 2017	Charge for the year	Disposal	As at 30 June 2018	As at 30 June 2018
		Rupees					Rupees				Rupees				Rupees
Leasehold land		54,214,896	-	-	54,214,896	4-33	37,260,135	936,510	-	38,196,645	8,626,899	1,126,591	-	9,753,490	6,264,761
Plant and equipment		35,970,197,412	5,167,262,141	-	41,137,459,553	4-33	13,175,164,004	2,243,473,228	-	15,418,637,232	2,773,411,573	353,965,814	-	3,127,377,387	22,591,444,934
Pipelines		6,415,795,327	408,865,704		6,824,661,031	4-33	2,557,755,113	512,113,574		3,069,868,687	502,632,603	44,415,710	-	547,048,313	3,207,744,031
Office equipment		286,140,743	14,354,111	-	300,494,854	20	221,379,984	29,220,706	-	250,600,690	19,944,205	6,437,716	-	26,381,921	23,512,243
Furniture and fixtures		76,732,158	742,828	-	77,474,986	15	56,517,209	5,421,278	-	61,938,487	4,573,645	155,591	-	4,729,236	10,807,263
Vehicles		163,345,585	9,341,337	-	172,686,922	20	113,013,876	18,450,017	-	131,463,893	4,556,364	425,316	-	4,981,680	36,241,349
Decommissioning cost		1,321,298,919	119,758,476	-	1,441,057,395	4-33	900,974,357	(54,645,658)	-	846,328,699	36,414,924	19,090,161	-	55,505,085	539,223,611
CWIP - Tangible assets		4,314,352,264	(2,190,863,175)	-	2,123,489,089		-	-	-	-	14,438,427	-	-	14,438,427	2,109,050,662
CWIP - Decommissioning cost		2,096,096	(363,074)	-	1,733,022		-	-	-	-	-	-	-	-	1,733,022
		44,287,725,040	5,720,324,597	-	50,008,049,637		17,062,064,678	2,754,969,655	-	19,817,034,333	3,350,160,213	425,616,899	-	3,775,777,112	26,415,238,192

2017	COST				Rate	ACCUMULATED DEPRECIATION				ACCUMULATED IMPAIRMENT				WRITTEN DOWN VALUE
Particulars	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
	38,982,982,177	5,897,636,026	(592,893,163)	44,287,725,040		14,722,203,061	2,854,100,758	(514,239,141)	17,062,064,678	2,017,573,902	1,411,240,333	(78,654,022)	3,350,160,213	23,875,500,149

	Note	2018 Rupees	2017 Rupees
5.3 CAPITAL WORK IN PROGRESS (CWIP)			
Opening balance		4,316,448,360	5,663,610,514
Add. Cost incurred during the year		4,078,295,260	7,912,071,871
Less: Capitalized during the year		(6,269,521,509)	(9,259,234,025)
Less: Accumulated Impairment		(110,470,800)	(14,438,427)
Closing balance	5.3.1	2,014,751,311	4,302,009,933

5.3.1 Total capitalized cost includes asset decommissioning cost amounting to Rs. 1,733,022 at June 30, 2018 (2017: Rs 2,096,096)

	Note	2018 Rupees	2017 Rupees
5.4 Allocation of depreciation			
Operating expenses	31	2,754,969,655	2,854,100,758
General and administrative expenses	34	7,041,652	4,507,555
		2,762,011,307	2,858,608,313
5.5 Allocation of Impairment			
Operating expenses	31.1	521,649,272	1,378,403,487

6. INTANGIBLE ASSETS

2018	COST			Rate	ACCUMULATED AMORTIZATION			WRITTEN DOWN VALUE
Particulars	As at 01 July 2017	Additions	As at 30 June 2018	%	As at 01 July 2017	Charge for the year	As at 30 June 2018	As at 30 June 2018
	Rupees				Rupees			Rupees
Software	35,246,707	3,928,172	39,174,879	33	34,640,907	546,292	35,187,199	3,987,680

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

	Note	2018 Rupees	2017 Rupees
7. EXPLORATION AND EVALUATION ASSETS			
Opening balance		2,899,652,251	2,580,911,830
Expenditure incurred during the year		511,290,540	800,232,919
Transfer to development and production assets		(379,371,268)	(340,068,926)
Dry hole wells	32	(149,752,749)	(141,423,572)
		2,881,818,774	2,899,652,251

7.1 Total capitalized cost includes asset decommissioing cost amounting to Rs. 36,420,020 at June 30, 2018 (2017: Rs. 40,584,321)

8. DEVELOPMENT AND PRODUCTION ASSETS

2018		COST			ACCUMULATED AMORTIZATION			ACCUMULATED IMPAIRMENT			WRITTEN DOWN VALUE
Particulars	Working Interest	As at 01 July 2017	Additions / (adjustments)	As at 30 June 2018	As at 01 July 2017	Charge for the year	As at 30 June 2018	As at 01 July 2017	Charge for the year	As at 30 June 2018	As at 30 June 2018
		Rupees			Rupees			Rupees			Rupees
Intangibles											
Producing fields-Joint Ventures											
Badin III	25.00%	305,387,623	1,404,083	306,791,706	269,149,610	-	269,149,610	-	-	-	37,642,096
Block-22 (all fields)	22.50%	275,406,398	11,265	275,417,663	155,722,674	22,489,697	178,212,371	-	6,002,493	6,002,493	91,202,799
Ahmadal/Pariwali	17.50%	757,424,537	16,059,464	773,484,001	423,410,526	10,897,789	434,308,315	-	-	-	339,175,686
Minwal	17.50%	7,578,417	121,190	7,699,607	672,580	83,015	755,594	-	-	-	6,944,013
Mazarani	12.50%	136,360,605	158,299	136,518,904	84,182,167	18,397,916	102,580,083	14,022,629	-	14,022,629	19,916,192
Sawan	22.50%	3,342,278,279	9,467,742	3,351,746,021	2,074,143,546	49,916,335	2,124,059,881	757,036,576	140,579,762	897,616,338	330,069,802
Zamzama	25.00%	4,005,981,087	3,408,381	4,009,389,468	3,061,104,881	168,525,462	3,229,630,343	444,814,067	82,774,598	527,588,665	252,170,460
Mubarak	25.00%	1,215,260,880	18,866,078	1,234,126,958	125,195,578	-	125,195,578	1,090,065,302	-	1,090,065,302	18,866,078
Nim	22.50%	105,549,779	983,113	106,532,892	53,623,553	1,209,557	54,833,110	-	-	-	51,699,782
Mehran	25.00%	69,203,189	-	69,203,189	1,933,209	-	1,933,209	67,269,980	-	67,269,980	-
Chanda	17.50%	931,747,255	107,101,771	1,038,849,026	439,915,197	49,329,462	489,244,659	-	-	-	549,604,367
Gambat	22.50%	377,471,786	1,017,727	378,489,513	176,747,434	2,383,356	179,130,790	163,812,122	-	163,812,122	35,546,601
Tal (all fields)	15.00%	4,660,630,900	317,842,004	4,978,472,904	1,928,574,499	526,517,634	2,455,092,133	-	-	-	2,523,380,771
Khipro (all fields)	25.00%	2,362,305,573	410,635,920	2,772,941,493	1,176,838,506	361,888,053	1,538,726,559	-	-	-	1,234,214,934
MirpurKhas (all fields)	25.00%	3,330,403,553	783,916,751	4,114,320,304	1,240,451,445	473,573,762	1,714,025,207	-	-	-	2,400,295,097
Chachar	25.00%	257,891,437	-	257,891,437	132,241,667	5,894,490	138,136,157	101,845,101	-	101,845,101	17,910,179
Nashpa	15.00%	2,636,425,697	521,251,895	3,157,677,592	754,678,971	166,301,625	920,980,596	-	-	-	2,236,696,996
Sinjhoro	22.50%	334,791,180	42,041,596	376,832,776	63,023,484	30,196,018	93,219,502	-	-	-	283,613,274
Mehar	25.00%	1,354,087,804	877,051,735	2,231,139,539	303,362,465	72,702,426	376,064,891	-	-	-	1,855,074,648
Jhakro	22.50%	10,790,390	(683,261)	10,107,129	8,929,493	162,817	9,092,310	-	-	-	1,014,819
Guddu	22.50%	139,339,827	(1,816,897)	137,522,930	47,265,969	5,565,528	52,831,497	-	-	-	84,691,433
Bolan	17.50%	318,833,822	(20,530,627)	298,303,195	37,257,765	24,749,652	62,007,417	-	-	-	236,295,778
Gambat South	25.00%	819,686,315	338,979,639	1,158,665,954	75,336,749	49,077,363	124,414,112	-	-	-	1,034,251,842
Tando Allah Yar (all fields)	22.50%	243,843,344	-	243,843,344	13,798,836	46,119,050	59,917,886	-	-	-	183,925,458
Decommissioning cost		2,313,817,124	116,822,502	2,430,639,626	1,187,651,729	31,215,762	1,218,867,491	87,461,183	-	87,461,183	1,124,310,952
		30,312,496,801	3,544,110,370	33,856,607,171	13,835,212,533	2,117,196,769	15,952,409,301	2,726,326,960	229,356,853	2,955,683,813	14,948,514,057

2018		COST			ACCUMULATED AMORTIZATION			ACCUMULATED IMPAIRMENT			WRITTEN DOWN VALUE
Particulars	Working Interest	As at 01 July 2017	Additions / (adjustments)	As at 30 June 2018	As at 01 July 2017	Charge for the year	As at 30 June 2018	As at 01 July 2017	Charge for the year	As at 30 June 2018	As at 30 June 2018
			Rupees			Rupees			Rupees		Rupees
Developing fields-Joint Ventures											
Mehar	25.00%	320,711,090	(320,711,090)	-	-	-	-	-	-	-	-
Ahmadal/Pariwali	17.50%	-	1,842,907	1,842,907	-	-	-	-	-	-	1,842,907
Tando Allah Yar (all fields)	22.50%	-	-	-	-	-	-	-	-	-	-
Kandra	25.00%	3,577,000	-	3,577,000	-	-	-	-	3,577,000	3,577,000	-
Nim	22.50%	88,153,044	(2,806,214)	85,346,830	-	-	-	-	-	-	85,346,830
Kotra	20.00%	79,191,140	4,413,494	83,604,634	-	-	-	-	20,534,476	20,534,476	63,070,158
Mubarak	25.00%	-	-	-	-	-	-	-	-	-	-
Tal	15.00%	502,226,451	(134,871,289)	367,355,162	-	-	-	-	-	-	367,355,162
MirpurKhas (all fields)	25.00%	239,728,609	(145,724,809)	94,003,800	-	-	-	-	-	-	94,003,800
Khipro (all fields)	25.00%	-	7,032,096	7,032,096	-	-	-	-	-	-	7,032,096
Sawan	22.50%	-	574,799	574,799	-	-	-	-	-	-	574,799
Nashpa	15.00%	267,468,312	95,850,488	363,318,800	-	-	-	-	-	-	363,318,800
Mazarani	12.50%	-	-	-	-	-	-	-	-	-	-
Badin III	25.00%	-	-	-	-	-	-	-	-	-	-
Gambat South	25.00%	1,136,063,057	39,302,342	1,175,365,399	-	-	-	-	-	-	1,175,365,399
Block-22	22.50%	15,533,960	-	15,533,960	-	-	-	-	-	-	15,533,960
Zamzama	25.00%	63,774,976	201,555,036	265,330,012	-	-	-	22,750,751	-	22,750,751	242,579,261
Sinjhoro	22.50%	12,142,929	31,084,559	43,227,488	-	-	-	-	-	-	43,227,488
Decommissioning cost		191,299,570	(112,649,378)	78,650,192	-	-	-	-	-	-	78,650,192
		2,919,870,138	(335,107,059)	2,584,763,079	-	-	-	22,750,751	24,111,476	46,862,227	2,537,900,852
		33,232,366,939	3,209,003,311	36,441,370,250	13,835,212,533	2,117,196,769	15,952,409,301	2,749,077,711	253,468,329	3,002,546,040	17,486,414,909

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 2016	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
Miinwal	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

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	2018 Rupees	2017 Rupees
8.2	**Allocation of Amortization**			
	Operating expenses	31	2,117,196,769	2,075,009,478
8.3	**Allocation of Impairment**			
	Operating expenses	31.1	253,468,329	574,473,914

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

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

9. LONG TERM INVESTMENT IN SUBSIDIARY

	Note	2018 Rupees	2017 Rupees
Investment in subsidiary - at cost			
Inter State Gas Systems (Private) Limited (ISGS)	9.1	2,313,700,000	2,313,700,000
Advance against investment in ISGS	9.1.1	432,129,610	-
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
		2,775,829,610	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, 2018, the Company has a direct shareholding of 99.57% with 231,370,000 (June 30, 2017: 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. 5.54, based on the latest audited financial statements available for the year ended 30 June 2018.

9.1.1 The Economic Coordination Committee (ECC) of the Federal Cabinet in its meeting held on December 18, 2015 approved 5% (estimated at US$ 200 million) equity injection as equity share of Government of Pakistan (GoP) through the ISGS in Turkmenistan-Afghanistan-Pakistan-Indian (TAPI) Gas Pipeline Project. Accordingly, during the year ended June 30, 2016, GoP provided funds of US$ 2.65 million to the ISGS for subscription of 265,000 Class 'A' shares in TAPI Pipeline Company Limited (TPCL).

Ministry of Finance (MoF) via letter no. F.4(2) CF-V/2007 dated October 24, 2017 directed the ISGS to issue shares to the Company for the related amount received from GoP and directed the Company to issue shares to the President of Pakistan through secretary petroleum Ministry of Energy (Petroleum Division). In pursuance of these directives, subsequent to the year end, the ISGS issued 27,957,500 shares of Rs.10 each to the Company for the related amount received from GoP and accordingly company has issued 27,957,500 shares of Rs. 10 each to the President of Pakistan through secretary petroleum Ministry of Energy (Petroleum Division).

9.1.2 Subsequent to year end, as per directive of Ministry of Finance (MoF) Inter State Gas Systems (Private) Limited issued 27,957,500 shares of Rs. 10 each to the Company. (Refer Note 20.2)

9.1.3 As disclosed in financial statement of ISGS for the year ended June 30, 2018, 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 Pakistan (Private) Limited (NESPAK). ILF and NESPAK submitted reports on Stage I and Stage II which have been accepted by the ISGS. Complete design of the pipeline system (Front End Engineering & Design), feasibility study, installation of concrete markers and tender documents for the supply of equipment and construction of the pipeline system have also been completed.

In 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.

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, impairment loss has been recorded against aggregate cost incurred on GNP during the year ended June 30, 2017 and for subsequent cost incurred on closure activities during the current year.

9.1.4 As disclosed in financial statement of ISGS for the year ended June 30, 2018, following is the significant information relating to its current operational project i.e. Machike-Tarujabba Oil Pipeline Project (MTOPP).

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

ISGS has conducted the techno-economic feasibility study and the Consultant in the detailed techno-economic feasibility report opined that the Project is financially viable and will result in significant savings to the Government exchequer over the life of the Project when compared with the prevailing road freight besides ensuring safe and steady oil supply from Karachi to Peshawar.

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

Based on positive financial projections and current progression of MTOPP, management believes that Company's investment in ISGS entails no impairment in the standalone financial statement of the Company.

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.

During the year both the Companies have achieved the commercial operations date on January 04, 2018 and imported 22 cargoes of LNG and regasified CBM 3,099,579.

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

During the Financial year, Ministry of Energy (Petroleum Division) vide its letter dated February 06, 2018 has directed to merge PLL with PLTL, in this regard a presentation to Joint Boards of the Company, PLL and PLTL has held about the economics of merger. The Board of directors of the Company sought certain clarifications from the subsidiary companies. Currently, it is being proposed that PLTL should be amalgamated/merged with and vest in PLL. Existing shares of acquiree (PLTL) shall stand cancelled and acquirer (PLL) shall with effect from the Completion Date be entitiled to carry out all the business of acquiree in its own right and shall be entitled to all the rights and the benefits thereof. The final scheme of amalgamation/merger and its effective date are not finalized as yet.

10. LONG TERM LOAN

	Note	2018 Rupees	2017 Rupees
Loan to NHA against Khushal Garh Bridge			
Considered good - unsecured	10.1	-	95,804,022
Loan to Inter State Gas Systems (Private) Limited	10.2	1,964,168,325	667,000,000
Long term loans to staff			
Considered good - unsecured	10.3	19,495,137	30,733,058
Current portion of long term loan		(5,992,848)	(5,984,448)
		1,977,670,614	787,552,632

10.1		2018	2017
	Opening Balance	95,804,022	74,793,118
	Payments	(95,804,022)	-
	Unwinding/discounting of loan	-	21,010,904
		-	95,804,022

10.2 This represents amount paid to ISGS as per directive of ECL for meeting their operational requirements. Initially the amount of Rs. 396 million upto June 30, 2016 was transferred as advance. However, on the directive of ECC taken in the meeting dated December 15, 2016 the said amount and all subsequent amounts received were classified as loan. In the said meeting ECC tasked the Company to fund all the project activities as well as expenditure on all Government mandated projects of the ISGS in the form of a three year bullet term loan at terms separately agreed between the Company and ISGS through a loan agreement.
During the year the Company gave a loan of Rs. 1,301 million to ISGS, term of the said loan between the Company and ISGS were as loan agreement subsequent to year end on August 9, 2018. As per provisions of this loan agreement the ISGS assets (i.e. receivables, properties gross revenues, movable/immovable assets) to the extent of loan amount disbursed are assumed as security. The loan carry's interest rate of annual KIBOR + 0.1% effective from date of disbursement. Loan and interest shall be receivable in a single bullet payment due on December 14, 2019.

10.3 The long term loan to staff includes Rs. nil (2017: 6,141,960) paid to MD & CEO.

11. INTEREST ACCRUED ON LONG TERM LOAN

This represents interest receivable on loan to ISGS which is receivable along with principal due on December 14, 2019. (Refer 10.2)

12. STORES, SPARES AND LOOSE TOOLS - SHARE IN JOINT VENTURES' INVENTORY

	Note	2018 Rupees	2017 Rupees
Store, Spares and Loose Tools		3,401,417,681	3,391,584,593
Impairment for slow moving and obsolete stores, spares and loose tools	12.1	(554,898,650)	(502,444,095)
		2,846,519,031	2,889,140,498

		Note		
12.1	Opening balance		502,444,095	345,278,225
	Impairment for the year	31.1	52,454,555	157,165,870
	Closing balance		554,898,650	502,444,095

13. LOAN TO SUBSIDIARIES

	Note		
Pakistan LNG Terminals Limited (PLTL)	13.1	241,745,160	175,745,160
Pakistan LNG Limited (PLL)	13.2	5,316,346,884	131,184,475
		5,558,092,044	306,929,635

13.1 The Company has provided advance to PLTL for meeting their operational requirements, related to LNG Terminal. On November 27, 2017, the Company entered into a loan agreement with the subsidiary company and signed a term sheet for the conversion of entire advances into interest bearing loan. The loan carry's interest rate of six month KIBOR plus two percent. Loan along with the interest is receivable in four quarterly installments, within one year after the recovery of first invoice from PLL after start of commercial operations date of January 04, 2018.

13.2 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 and signed a term sheet for the conversion of entire advances into interest bearing loan. Loan carry's interest rate of KIBOR plus two percent. Loan along with the interest is receivable in four quarterly installments, within one year after the start of commercial operations of January 04, 2018.

14. TRADE DEBTS - NET

	Note	2018 Rupees	2017 Rupees
Unsecured - considered good		53,437,102,477	28,801,942,669
Unsecured - considered doubtful			
Unsecured - considered doubtful	14.1	4,604,647,534	4,604,647,534
Less: Provision for Doubtful debts	14.3	(4,604,647,534)	(4,604,647,534)
		-	-
		53,437,102,477	28,801,942,669

14.1 The trade debts include Rs. 46,011,934,566 (2017: Rs. 24,253,345,383) 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 had estimated the amount of Rs. 4,604,647,534 (2017: Rs. 4,604,647,534) as provision for doubtful debts.

14.2 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. 11,326 million as of June 30, 2018 (2017: Rs. 8,685 million) which is not recognized, based on the premise that it has not been received yet.

		Note	2018 Rupees	2017 Rupees
14.3	Opening Balance		4,604,647,534	4,604,647,534
	Provision for the year		-	-
			4,604,647,534	4,604,647,534

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

	Note	2018 Rupees	2017 Rupees
Advances against salary to staff	15.1	4,000,667	1,628,529
Current portion of vehicle loan to staff	10	5,992,848	5,984,448
Advances to suppliers		1,690,566	4,744,052
		11,684,081	12,357,029

15.1 Movement of carrying amount of advances against salary:

	Executives	Other employees	Total
		------------Rupees------------	
Balance as at July 01, 2017	375,000	1,253,529	1,628,529
Disbursement during the year	7,850,000	2,358,000	10,208,000
Repayments during the year	(5,708,333)	(2,127,529)	(7,835,862)
	2,516,667	1,484,000	4,000,667

15.2 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.

16. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2018 Rupees	2017 Rupees
Security deposits	55,250	55,250
Short term prepayments		
Software maintenance fee	2,989,800	1,391,554
Insurance	2,212,022	2,082,457
	5,201,822	3,474,011
	5,257,072	3,529,261

17. INTEREST ACCRUED

	2018 Rupees	2017 Rupees
Interest accrued on:		
Bank deposits	23,715,421	24,184,954
Term deposit receipts	286,888,338	269,145,206
Interest accrued on long term loan to PLL	503,411,391	-
Interest accrued on long term loan to PLTL	11,609,597	-
	825,624,747	293,330,160

18. SHORT TERM INVESTMENTS

	2018 Rupees	2017 Rupees
Investment in TDRs - held to maturity	12,719,529,035	32,000,000,000

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

Banks	Credit rating	Rating agency	Rate p.a	2018 Rupees	2017 Rupees
ABL	A1+	PACRA	6.03%	6,000,000,000	6,000,000,000
UBL	A1+	PACRA	5.95%	4,000,000,000	12,000,000,000
NBP	A1+	PACRA	5.95% & 6.00%	2,719,529,035	14,000,000,000
				12,719,529,035	32,000,000,000

18.2 Please refer to Note 29.1.3 which explains the lien has been created on these term deposit receipts for issuing guarantee on behalf of subsidiaries.

18.3 All these investments are maturing within one year from the year end.

19. CASH AND BANK BALANCES

	Note	2018 Rupees	2017 Rupees
Cash:			
- In hand		48,564	40,446
- At banks - savings accounts	19.1	2,605,571,693	3,464,052,658
		2,605,620,257	3,464,093,104

19.1 These carry mark-up at the rate ranging between 3.75% and 5.95% p.a (2017: 3.75% and 6.25% p.a).

20. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2018 (Number of shares)	2017		2018 Rupees	2017 Rupees
2,025,000,002	2,025,000,002	Ordinary shares of Rs. 10 each, fully paid in cash	20,250,000,020	20,250,000,020

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

20.2 The Economic Coordination Committee (ECC) of the Federal Cabinet in its meeting held on December 18, 2015 approved 5% (estimated at US$ 200 million) equity injection as equity share of Government of Pakistan (GoP) through the ISGS in Turkmenistan-Afghanistan-Pakistan-Indian (TAPI) Gas Pipeline Project. Accordingly, during the year ended June 30, 2016, GoP provided funds of US$ 2.65 million to the ISGS for subscription of 265,000 Class 'A' shares in TAPI Pipeline Company Limited (TPCL).

Ministry of Finance (MoF) via letter no. F.4(2) CF-V/2007 dated October 24, 2017 directed the ISGS to issue shares to the Company for the related amount received from GoP and directed the Company to issue shares to the President of Pakistan through secretary petroleum Ministry of Energy (Petroleum Division). In pursuance of these directives, subsequent to the year end, the ISGS issued 27,957,500 shares of Rs.10 each to the Company for the related amount received from GoP and accordingly company has issued 27,957,500 shares of Rs. 10 each to the President of Pakistan through secretary petroleum Ministry of Energy (Petroleum Division).

21. RESERVES

	Note	2018 Rupees	2017 Rupees
General Reserve	21.2	2,284,626,436	2,284,626,436
Other Reserves			
Committed Outlay Reserve	21.3	20,946,247,416	20,946,247,416
Asset Insurance Reserve	21.4	3,000,000,000	3,000,000,000
Assets Acquisition Reserve	21.5	5,000,000,000	5,000,000,000
LNG Project Reserve	21.6	25,000,000,000	25,000,000,000
		53,946,247,416	53,946,247,416
		56,230,873,852	56,230,873,852

21.1 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.

21.2 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.

21.3 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.

21.4 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.

21.5 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.

21.6 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).

22. LONG TERM LIABILITY

	Note	2018 Rupees	2017 Rupees
Due to the Joint Venture Operators	22.2	4,942,651,795	4,545,017,446
Current portion shown under current liabilities		(1,344,242,108)	(644,504,311)
		3,598,409,687	3,900,513,135

22.1 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	2018 Rupees	2017 Rupees
22.2	Opening Balance		4,545,017,446	4,290,361,351
	Payments		(297,223,841)	(308,913,494)
	Additions / adjustments during the year		74,969,744	541,244,125
	Discounting of long term liability	22.3	(107,624,546)	(77,022,458)
	Exchange loss on revaluation		727,512,992	99,347,922
			4,942,651,795	4,545,017,446

22.3 Long term liability have been discounted using 2.76% (2017: 1.73%) rate of interest as required by IAS39, 'Financial Instrument: Recognition and Measurement.

23. DEFERRED TAXATION

	Note	2018 Rupees	2017 Rupees
Deferred taxation	23.1	7,418,962,398	7,183,451,535

23.1 **Movement in the deferred tax liability:**

	Note	2018 Rupees	2017 Rupees
Opening balance		7,183,451,535	5,913,277,737
Debited to the statement of profit and loss	37	236,167,400	1,273,172,395
Credited to statement of other comprehensive income		(656,537)	(2,998,597)
		7,418,962,398	7,183,451,535

23.2 **Deferred tax in respect of taxable/(deductible) temporary differences:**

	2018 Rupees	2017 Rupees
Accelerated depreciation on property, plant and equipment	5,671,866,281	5,222,904,191
Impairment of stores, spares and loose tools	(221,959,460)	(200,977,850)
Long term liability	(347,276,691)	(385,774,950)
Development and production expenditure	5,129,567,674	5,083,919,922
Provision for doubtful debts	(1,841,859,014)	(1,841,859,014)
Expenditure of exploration and evaluation, development and production assets	(970,719,855)	(691,762,167)
Remeasurement of employees' retirement benefits	(656,537)	(2,998,597)
	7,418,962,398	7,183,451,535

23.3 Deferred tax has been calculated at the current effective tax rate of 40% (June 30, 2017: 40%). The effective tax rate is reviewed annually.

24. PROVISION FOR DECOMMISSIONING COST

	Note	2018 Rupees	2017 Rupees
Provision for decommissioning cost	24.1	6,142,566,167	5,111,694,282

24.1 Provision for decommissioning cost

	Note	2018 Rupees	2017 Rupees
Opening balance		5,111,694,282	5,411,180,671
Provision/(reversal) made during the year		119,404,225	(383,339,042)
Revaluation exchange loss		815,911,238	15,617,350
Unwinding of decommissioning cost	36	95,556,422	68,235,303
		6,142,566,167	5,111,694,282

25. DEFERRED EMPLOYEE BENEFITS

	Note	2018	2017
Accumulating compensated absences	25.1	23,049,731	19,084,349
Employees' gratuity fund	25.2	13,234,975	20,046,923
		36,284,706	39,131,272

25.1 Accumulating compensated absences

25.1.1 Amounts recognized in statement of financial position:

	Note	2018	2017
Present value of defined benefit obligation	25.1.2	23,049,731	18,710,761
Fair value of plan assets		-	-
Payables		-	373,588
Net liability at end of the year		23,049,731	19,084,349

25.1.2 Movement in the present value of obligation:

	2018	2017
Balance at beginning of the year	19,084,349	16,444,290
Expense for the year	4,338,971	4,126,090
Payment made during the year	(373,589)	(1,486,031)
	23,049,731	19,084,349

25.1.3 Amounts recognized in statement of profit and loss:

	2018	2017
Current service cost	636,722	1,400,947
Interest expense	1,713,467	1,550,226
	2,350,189	2,951,173

25.1.4 Amounts recognized in statement of other comprehensive income:

	2018	2017
	1,988,782	1,174,917

25.1.5 Principle actuarial assumptions:

	2018	2017
Valuation discount rate (%)	10.00%	9.25%
Salary increase rate (%)	9.00%	8.25%

25.1.6 Weighted average assumptions to determined defined benefit costs

	2018	2017
Discount rate	9.25%	9.00%
Rate of salary increase	8.25%	8.00%

25.1.6 Weighted average assumptions to determined defined benefit costs

	2018	2017
Discount rate	9.25%	9.00%
Rate of salary increase	8.25%	8.00%

25.1.7 Sensitivity Analysis

	Note	2018 Rupees	2017 Rupees
Defined Benefit Obligation		23,049,731	18,710,760
1% increase in discount rate		20,243,355	16,295,350
1% decrease in discount rate		26,357,931	21,580,251
1% increase in salary rate		26,338,788	21,563,451
1% decrease in salary rate		20,212,216	16,268,634

25.2 Employees' gratuity fund

25.2.1 Amounts recognized in balance sheet:

	Note	2018 Rupees	2017 Rupees
Present value of defined benefit obligation	25.2.2	64,733,331	55,081,745
Fair value of plan assets	25.2.3	(51,498,356)	(35,719,937)
Payables		-	685,115
Net liability at end of the year		13,234,975	20,046,923

25.2.2 Movement in the present value of obligation:

	2018 Rupees	2017 Rupees
Balance at beginning of the year	55,081,745	36,246,816
Current service cost	12,416,441	12,913,899
Interest cost	4,824,589	3,178,819
Benefits paid	(5,848,080)	(1,859,901)
Benefit payable	-	(685,115)
Remeasurement of defined benefit obligation	(1,741,364)	5,287,227
	64,733,331	55,081,745

25.2.3 Movement in the fair value of plan assets:

	2018 Rupees	2017 Rupees
Balance at beginning of the year	35,719,937	20,080,911
Contributions by employers	13,513,714	14,306,018
Payment by employer on behalf of plan	6,533,195	1,859,901
Expected return on plan assets	3,658,630	2,367,357
Benefits paid	(6,533,195)	(1,859,901)
Remeasurement of plan assets	(1,393,925)	(1,034,349)
	51,498,356	35,719,937

25.2.4 Amounts recognized in statement of profit and loss:

	2018 Rupees	2017 Rupees
Current service cost	12,416,441	12,913,899
Net interest cost	1,165,959	811,462
	13,582,400	13,725,361

25.2.5 Amounts recognized in statement of other comprehensive income:

	2018 Rupees	2017 Rupees
Remeasurement loss recognized	(347,439)	6,321,576

25.2.6 Principle actuarial assumptions:

	2018	2017
Valuation discount rate (%)	10.00%	9.25%
Salary increase rate (%)	9.00%	8.25%
Expected return on plan assets (%)	9.00%	9.00%

25.2.7 Weighted average assumptions to determined defined benefit costs

	2018	2017
Discount rate	9.25%	9.00%
Rate of salary increase	8.25%	8.00%

25.2.8 Sensitivity Analysis

	2018 Rupees	2017 Rupees
Defined Benefit Obligation	64,733,345	49,233,379
1% increase in discount rate	57,446,505	43,465,256
1% decrease in discount rate	75,208,376	57,519,371
1% increase in salary rate	75,257,049	57,562,868
1% decrease in salary rate	57,090,184	43,185,018

25.2.9 Description of risks to the Company

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

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what was assumed.

Withdrawal risk - The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

Medical escalation risk - The risk that the cost of post retirement medical benefits will increase.

26 TRADE AND OTHER PAYABLES

	2018	2017
Trade creditors - due to joint venture operators	6,137,031,924	6,155,132,351
Other payables		
Accrued liabilities	18,341,375	139,428,129
Payable to provident fund	1,220,511	2,165,135
Sales tax payable	81,230,370	288,084,272
FED payable	10,532,722	177,760
Interest payable	-	22,260,274
Royalty payable	644,974,437	904,625,840
	756,299,415	1,356,741,410
	6,893,331,339	7,511,873,761

27 The running finance facilities from National Bank of Pakistan (2017: Rs. 11.5 billion) and United Bank Limited (2017: Rs. 1.5 billion) have been settled and discontinued during the year.

28. PROVISION FOR TAXATION

	Note	2018 Rupees	2017 Rupees
Provision for taxation at beginning of the year		856,505,488	313,759,140
Income tax paid during the year		(12,295,870,769)	(10,089,642,005)
Provision for current taxation for the year - statement of profit and loss	37	14,445,033,495	10,597,319,167
Provision for taxation - prior years	37	(123,419,477)	35,069,186
Income tax - payable at end of the year		2,882,248,737	856,505,488

28.1 The Company has various tax litigations pending with the tax authorities in respect of tax years 2003 to 2017. These litigations are pending at different forums of taxation authorities. However, the Company has paid, under protest to avoid penalties under the Income Tax Ordinance 2001, full amount against the demand raised by tax authorities in respect of said years and has charged it to tax expense. The Company based on advise of its tax consultant believes that there will be no future liability expected to arise in respect of said litigations.

29. CONTINGENCIES AND COMMITMENTS

29.1 Contingencies

	Note	2018 Rupees	2017 Rupees
Relating to carried cost liability	29.1.1	837,794,670	750,209,251
Tax contingency	29.1.2	18,177,836,600	18,177,836,600
		19,015,631,270	18,928,045,851

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

29.1.2 This represents tax contingencies in respect of show cause notice issued by FBR regarding non - applicability of Zero percent sales tax on crude/condensate supplies by the Company from 2009-10 to 2013-14 as per SRO No. 549(1)/2008 dated 11.06.2008 with the condition of "Import and supplies thereof" 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.

29.1.3 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).

29.2 Commitments

	Note	2018 Rupees	2017 Rupees
Minimum work commitment	29.2.1	5,805,736,763	7,172,721,803

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

30. SALES - NET

	Note	2018 Rupees	2017 Rupees
Natural gas - gross sales		42,087,756,787	34,984,660,316
Sales tax		(6,119,923,636)	(5,098,355,088)
Excise duty		(822,824,435)	(806,978,317)
Natural gas - net sales		35,145,008,716	29,079,326,911
Crude oil		23,470,321,818	17,000,942,030
Liquefied petroleum gas - gross sales		3,907,713,745	2,311,731,126
Sales tax		(601,528,251)	(335,870,151)
Excise duty		(5,679,506)	(3,950,916)
Liquefied petroleum gas - net sales		3,300,505,988	1,971,910,059
		61,915,836,522	48,052,179,000

31. OPERATING EXPENSES

	Note	2018 Rupees	2017 Rupees
Joint venture operating expenses		6,352,546,102	5,615,200,554
Depreciation	5.4	2,754,969,655	2,854,100,758
Amortization of development and production assets	8.2	2,117,196,769	2,075,009,478
Impairment	31.1	827,572,156	2,110,043,271
		12,052,284,682	12,654,354,061

31.1 Impairment

	Note	2018 Rupees	2017 Rupees
Impairment on property, plant and equipment	5.5	521,649,272	1,378,403,487
Impairment on development and production assets	8.3	253,468,329	574,473,914
Impairment on inventory	12.1	52,454,555	157,165,870
		827,572,156	2,110,043,271

31.1.1 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.

31.1.2 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, 2018, 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.

31.1.3 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.

31.1.4 The recoverable amount of the joint venture investment is based on 'value-in-use' computations. In assessing the value in use, estimated future cash flows are discounted to their present value, using a pre-tax discount rate that is based on the existing policy rate prevailing within the country. The pre-tax discount rate applied to cash flow projections is 8.50% (June 30, 2017: 7.75 %).

	Note	2018 Rupees	2017 Rupees
32. OTHER INCOME			
Income from financial assets			
Return on bank deposits		157,163,186	550,480,285
Return on term deposit receipts		1,414,526,333	1,474,680,295
Interest on loan to subsidiaries		599,696,640	-
		2,171,386,159	2,025,160,580
Income from non financial assets			
Disposal of fixed assets		71,886	7,404,070
Signature bonus		8,540,000	184,777,777
Others	32.1	141,609,051	1,364,836,000
		2,321,607,096	3,582,178,427

32.1 It includes receipt against late payment surcharge received from M/s AROL on settlement of their outstanding balance in Gambat South Joint Venture as per Settlement Agreement dated March 2017. The amount was credited to the Company advance account in Gambat South Joint Venture amounting to Rs. 164,588,020. Amount of Rs. 25,895,241 on account of security related to opex against sale receipts of Rehmat Gas Plant in November 2016 have been adjusted against other income for the year.

	Note	2018 Rupees	2017 Rupees
33. EXPLORATION AND PROSPECTING EXPENDITURE			
Cost of dry and abandoned wells	7	149,752,749	141,423,572
Prospecting expenditure		937,501,387	947,620,821
		1,087,254,136	1,089,044,393

34. GENERAL AND ADMINISTRATIVE EXPENSES

Salaries, wages and benefits	34.1	177,762,964	239,417,666
Travelling and conveyance		3,720,909	6,100,931
Repairs and maintenance		7,365,876	3,203,303
Rent		14,526,676	9,953,025
Communications		1,303,221	1,141,335
Utilities		4,702,915	4,994,495
Training and seminars		482,000	1,486,970
Printing and stationery		874,142	569,133
Advertisement		5,481,895	5,213,792
Entertainment		1,145,199	800,423
Legal and professional charges		18,696,155	2,819,940
Auditors' remuneration	34.5	1,377,650	973,050
Fee and subscription		3,940,010	2,666,002
Software maintenance fee		4,141,473	5,447,811
Insurance		4,026,346	5,308,307
Donations	34.6	500,000	3,000,000
Amortization of intangible assets	6	546,292	328,365
Depreciation	5.4	7,041,652	4,507,554
Office relocation expenditure		2,191,595	2,393,629
Security services		817,037	2,555,741
Others		1,378,484	3,222,488
		262,022,491	306,103,960

34.1 It includes Rs. 21.791 million (2017: Rs.33.262 million) in respect of post employment benefits.

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

	Chief Executive		Executives	
	2018	2017	**2018**	2017
	---------Rupees---------			
Managerial remuneration	**11,893,997**	84,503,164	**103,144,247**	111,550,270
Bonus	**-**	8,644,586	**-**	7,711,355
Post employment benefits	**454,669**	10,392,771	**17,995,896**	16,211,421
	12,348,666	103,540,521	**121,140,143**	135,473,046
Number of persons	**1**	1	**17**	12

34.3 Fee paid to non-executive directors for attending the Board of Directors meetings amounted to Rs 6,887,500 (2017: Rs. 1,812,500).

34.4 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. 9,740,824.

	2018 **Rupees**	2017 Rupees
34.5 Auditors' remuneration		
Statutory audit fee	**1,050,000**	875,000
Report on compliance of Public Sector Companies (Corporate Governance) Rules 2013	**60,000**	50,000
Out of pocket expenses	**267,650**	48,050
	1,377,650	973,050

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

	Note	**2018** **Rupees**	2017 Rupees
35 OTHER EXPENSES			
Loss on sale of fixed assets		**-**	315,272
Exchange loss	35.1	**1,570,141,641**	237,839,302
		1,570,141,641	238,154,574

35.1 Exchange gain/loss at year end arises on revaluation of financial assets and liabilities which mainly include Trade Debts and Joint venture liabilities. Closing exchange rate used for year end revaluation is Rs. 121.5/USD(2017: Rs. 105/USD).

36. FINANCE (INCOME)/COST

	Note	2018 Rupees	2017 Rupees
Unwinding of discount on provision for decommissioning cost	24.1	95,556,422	68,235,303
Discount of long term loan	10.1	-	(21,010,904)
Discount of long term liability	22.2	(107,624,547)	(77,022,458)
Interest on running finance	27	250,168,862	22,260,274
Bank charges		208,416	135,323
		238,309,153	(7,402,462)

37. TAXATION

	2018 Rupees	2017 Rupees
Current		
Current	14,445,033,495	10,597,319,167
Prior	(123,419,477)	35,069,186
	14,321,614,018	10,632,388,353
Deferred	236,167,400	1,273,172,395
	14,557,781,418	11,905,560,748

37.1 Reconciliation of tax charge for the year:

	2018 Rupees	2017 Rupees
Accounting profit	42,101,621,972	32,218,878,895
Tax rate	40%	40%
Tax at the applicable rate of 40% (June 2017: 40%)	16,840,648,789	12,887,551,558
Tax effect of:		
Inadmissible expenditure for tax purposes	3,326,916,347	3,262,945,367
Tax incentives allowable for petroleum business	(2,868,634,884)	(2,207,809,645)
Accelerated tax depreciation for tax purposes	(3,659,715,159)	(3,825,406,360)
Adjustable non-petroleum income chargeable @ 30% (June 2017: 31%)	(217,138,616)	(278,852,092)
Super Tax @ 3% (June 2017: 3%)	1,022,957,018	758,890,339
Tax effect of prior years	(123,419,477)	35,069,186
Tax impact of deferred tax charged at effective tax rate	236,167,400	1,273,172,395
	(2,282,867,371)	(981,990,810)
	14,557,781,418	11,905,560,748

38 EARNINGS PER SHARE - BASIC AND DILUTED

	2018 Rupees	2017 Rupees
Profit for the year	27,543,840,554	20,313,318,147
Average number of shares outstanding during the year	2,025,000,002	2,025,000,002
Earnings per share - basic	13.60	10.03

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

39. 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

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

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

39.1 Credit risk

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

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

Exposure to credit risk

The Company's maximum exposure to credit risk for the components of statement of financial position at June 30, 2018 and 2017 is equal to the carrying amounts of financial assets as given below:

	2018 Rupees	2017 Rupees
Long term loan	19,495,137	126,537,080
Long term investment in subsidiary	2,343,700,000	2,343,700,000
Trade debts - net	53,437,102,477	28,801,942,669
Loans and other receivables	4,000,667	1,628,529
Security deposits and advances to suppliers	1,745,816	4,799,302
Interest accrued	825,624,747	293,330,160
Short term investments - restricted	12,719,529,035	32,000,000,000
Bank balances	2,605,571,693	3,464,052,658
	71,956,769,572	67,035,990,398

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	
2018	12,029,815,445	9,838,438,051	7,726,447,214	23,842,401,767	4,604,647,534	58,041,750,011
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

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

2018	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	1,580,105,951	1,643,511,285	1,728,604,787	5,997,060,172	357,740,638	11,307,022,833
SSGCL	4,653,227,619	6,899,378,590	6,158,433,881	17,952,947,473	4,245,171,044	39,909,158,607
ARL	3,342,100,760	1,024,911,901	1,026,013	(5,336,671)	-	4,362,702,003
NRL	366,312,883	(6,498,216)	4,417,138	45,755,618	1,735,852	411,723,275
PARCO	674,791,850	(4,911,058)	-	11,233,850	-	681,114,642
ENAR	27,916,980	-	-	-	-	27,916,980
OPI	96,380,440	6,533,305	(36,494,177)	(43,157,630)	-	23,261,938
PRL	441,977,808	-	-	-	-	441,977,808
FON GAS	2,597,923	2,944,689	-	-	-	5,542,612
ENGRO	61,832,355	-	-	6,310,824	-	68,143,179
OGDCL	122,116,788	-	-	-	-	122,116,788
UEPL	301,222,915	-	-	-	-	301,222,915
Burshane	25,992,325	43,059,192	(59,601,312)	(16,825,022)	-	(7,374,817)
POL	61,155,227	7,063,268	5,879,127	(83,624,606)	-	(9,526,984)
Bukhari Gas	41,110,962	34,523,472	(75,818,243)	(21,962,241)	-	(22,146,050)
Hi-Tech Pipe	1,484,225	-	-	-	-	1,484,225
Jakhro-LPG	2,031,083	2,102,378	-	-	-	4,133,461
Sinjhoro-LPG	73,577,044	79,968,596	-	-	-	153,545,640
TAY-LPG	63,553,756	50,289,878	-	-	-	113,843,634
NASHPA	74,774,976	42,477,541	-	-	-	117,252,517
PARCO PEARL	3,351,739	-	-	-	-	3,351,739
PYRAMID GAS	3,530,579	7,157,465	-	-	-	10,688,044
EGAS	8,669,257	5,925,765	-	-	-	14,595,022
	12,029,815,445	9,838,438,851	7,726,447,214	23,842,401,767	4,604,647,534	58,041,750,011

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-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 Company believes that the recovery of receivable balances of Rs. 4,604,647,534 (2017: 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:

		2018 Rupees	2017 Rupees
A 1+	PACRA	2,466,358,855	2,466,358,855
A-1+	JCR-VIS	997,672,104	997,672,104
		3,464,030,959	3,464,030,959

39.2 Liquidity risk

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

The maturity profile of the Company's financial assets and liabilities based on 30 June 2018, is summarized below:

2018	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	-	-	5,992,848	5,992,848
Trade debts - net	-	-	53,437,102,477	53,437,102,477
Current maturity of long term loan	-	-	-	-
Loans and other receivables	-	-	5,691,233	5,691,233
Loan to subsidiaries	KIBOR+2	5,558,092,044	-	5,558,092,044
Deposits	-	-	55,250	55,250
Interest accrued	-	-	825,624,747	825,624,747
Short-term investments	5.95-6.03	12,719,529,035	-	12,719,529,035
Bank balances	3.75-5.95	2,605,571,693	-	2,605,571,693
Cash in hand			48,564	48,564
Maturity after one year:				
Long-term loan	-	1,964,168,325	13,502,289	1,977,670,614
Interest accrued on long term loan		-	84,675,652	84,675,652
		22,847,361,097	54,372,693,060	77,220,054,157

2018	Effective yield/ Interest Rate	Markup/ Interest bearing	Non markup/ Interest bearing	Total
Financial liabilities				
Maturity up to one year				
Trade and other payables	-	-	-	-
Current portion of long term liabili	-	-	1,344,242,108	1,344,242,108
		-	1,344,242,108	1,344,242,108
Maturity after one year:				
Long term liability	-	-	3,598,409,687	3,598,409,687
		-	3,598,409,687	3,598,409,687
OFF BALANCE SHEET ITEMS				
Capital expenditure commitments	-	-	5,805,736,763	5,805,736,763

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
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	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

2017	Effective yield/ Interest Rate	Markup/ Interest bearing	Non markup/ Interest bearing	Total
	%	---------------Rupees---------------		
Financial liabilities				
Maturity up to one year				
Trade and other payables	-	-	-	-
Current portion of long term liabil	-	-	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

39.3 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 17.1. 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 statement of financial position, the net foreign currency exposure aggregates to USD 42.65 million (2017: USD 70.24 million).

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

	2018 (USD)	2017 (USD)
Financial assets		
Short term exposure		
Trade debts	**48,539,241**	31,663,779
Financial liabilities		
Short term exposure		
Due to joint venture operators	**(50,510,551)**	(58,620,308)
Current portion shown under current liabilities	**(11,063,721)**	(6,138,136)
Long term exposure		
Due to the joint venture operators	**(29,616,541)**	(37,147,744)
	(91,190,813)	(101,906,188)
Net exposure to foreign currency risk	**(42,651,572)**	(70,242,409)

	2018 Rupees	2017 Rupees
Financial assets		
Short term exposure		
Trade Debts	**5,897,517,728**	3,318,364,007
Financial liabilities		
Short term exposure		
Due to joint venture operators	**(6,137,031,924)**	(6,155,132,351)
Current portion shown under current liabilities	**(1,344,242,108)**	(644,504,311)
Long term exposure		
Due to the joint venture operators	**(3,598,409,687)**	(3,900,513,135)
	(11,079,683,719)	(10,700,149,797)
Net exposure to foreign currency risk	**(5,182,165,991)**	(7,381,785,790)

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

The following significant exchange rates applied during the year:

Average rate		Reporting date spot rate	
June 30, 2018	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
(Pak Rupees)			
110.07	103.75	**121.50**	104.80

Foreign currency sensitivity

A 10% strengthening of the functional currency against USD at 30 June, 2018 would have increased profit and loss by Rs. 518.22 million (2017: Rs. 738.18 million). A 10% weakening of the functional currency against USD at 30 June 2018 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

39.4 Financial instruments by categories

	Note	Rupees 2018	Rupees 2017
Financial assets			
Held to maturity investments			
Short term investment - held to maturity	18	**12,719,529,035**	32,000,000,000
Loans and receivables			
Long-term loan	10	**19,495,137**	30,733,058
Loan to subsidiaries	13	**5,558,092,044**	306,929,635
Trade debts- net	14	**53,437,102,477**	28,801,942,669
Loan, advances and other receivables	15-16	**4,000,667**	1,628,529
Deposits	16	**1,745,816**	4,799,302
		59,020,436,141	29,146,033,193
Other financial assets at amortized cost			
Cash and bank balances	19	**2,605,571,693**	3,464,052,658
Interest accrued	17	**825,624,747**	293,330,160
		3,431,196,440	3,757,382,818
		75,171,161,616	64,903,416,011

	Note	2018 Rupees	2017 Rupees
Financial liabilities - at amortized cost			
Long term liability	22	3,598,409,687	3,900,513,135
Running Finance	27	-	13,000,000,000
Trade and other payables	26	6,874,989,964	7,372,445,632
		10,473,399,651	24,272,958,767

39.5 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying amounts of all the financial instruments reflected in these financial statements approximate their fair value.

39.6 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.

40. TRANSACTIONS WITH RELATED PARTIES

The Company is wholly owned subsidiary of Government of Pakistan. Therefore, all entities owned and controlled by the Government of Pakistan are related parties of the Company. Other related parties comprise subsidiaries and associated companies, directors, companies with common directorship, key management personnel and employees pension trust. The Company in normal course of business pays for electricity, gas and telephone to entities controlled by Government of Pakistan which are not material, hence not disclosed in these financial statements. Transactions of the Company with related parties and balances outstanding at the year end are as follows:

Subsidiary companies	Note	2018 Rupees	2017 Rupees
Shares held in subsidiary companies as at year end	9	2,343,700,000	2,343,700,000
Pakistan LNG Limited			
Loan as at 30 June		5,316,346,884	131,184,475
Loan obtained during the year		5,185,162,409	131,184,475
Interest expense and payable		503,084,093	-
Pakistan LNG Terminal Limited			
Loan as at 30 June		241,745,160	175,745,160
Loan obtained during the year		241,745,160	175,745,160
Interest expense and payable		11,609,597	-
Interstate Gas Systems (Private) Limited			
Advance against issue of shares received from Government of Pakistan		432,129,610	-
Loan as at 30 June		1,964,168,325	667,000,000
Loan obtained during the year		1,297,168,325	270,500,000
Current account with ISGS		1,992,431	4,400,941
Interest expense and payable		84,675,652	-

43. EVENTS AFTER THE BALANCE SHEET DATE

43.1 The Board of Directors in its meeting held on 27 Nov 18 proposed a final cash dividend of Rs. Nil per share (2017: Rs. Nil per share) for the year ended June 30, 2018. The appropriation will be approved by the members in forthcoming Annual General Meeting. These financial statements do not include the effect of these appropriations.

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

These financial statements have been authorized for issue by the Board of Directors of the Company in its meeting held on Nov. 27, 2018

46. GENERAL

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

Chief Executive Officer

Director

GOVERNMENT HOLDINGS (PRIVATE) LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the members of Government Holdings (Private) Limited

Opinion

We have audited the annexed consolidated financial statements of **Government Holdings (Private) Limited** and its subsidiary, **Inter State Gas Systems (Private) Limited, Pakistan LNG Limited** and **Pakistan LNG Terminals Limited** (herein collectively referred to as "the Group") which comprise the consolidated statement of financial position as at June 30, 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other consolidated explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Emphasis of Matter

We draw attention to the following matters;

- as disclosed in note 8.1 to the financial statements that the Company assigned 2.5% working interest each in Block 22 and Zarghun South petroleum concessions to Petroleum Exploration (Private) Limited (PEL) and Mari Petroleum Company Limited (MPCL) respectively upon commercial discovery. Such assignments were not in accordance with the governing Petroleum Concession Agreements. The Board of Directors of the Company has referred the matter to Ministry of Energy (MOE) for advice. The matter is also under consideration at the Public Accounts Committee. Pending the ultimate outcome of the matter, no adjustments have been made in the accompanying financial statements.

- as disclosed in note 14 to the financial statements, trade debts of Rs. 58,041 million include Rs. 46,012 million which are overdue as at June 30, 2018. 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. Management of Holding Company has made aggregate provision of Rs. 4,605 million against said long outstanding debts.

- note 30.1.4 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 & Pipeline project to the IP-Project approved by ECC.

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Deloitte Yousuf Adil

Chartered Accountants
Islamabad
Date: November 27, 2018

GOVERNMENT HOLDINGS (PRIVATE) LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018 (Rupees)	2017 (Rupees)
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	31,123,228,456	30,756,715,910
Intangible assets	6	7,379,526	6,472,181
Exploration and evaluation assets	7	2,881,818,774	2,899,652,251
Development and production assets	8	17,486,414,909	16,648,076,695
Long term loan	9	13,502,289	120,552,632
Investment in associate	10	156,780,846	-
Advance for shares in associate	11	152,554,610	432,129,610
		51,821,679,409	50,863,599,279
CURRENT ASSETS			
Stores, spares & loose tools - share in joint ventures' inventory	12	2,846,519,031	2,889,140,498
Stock in trade	13	3,466,199,810	-
Trade debts - net	14	67,224,778,620	28,801,942,669
Loans, advances and other receivables	15	2,036,541,822	18,027,490
Trade deposits and short term prepayments	16	7,172,572	5,757,114
Interest accrued	17	327,219,581	295,599,418
Short term investments	18	12,719,529,035	32,050,000,000
Cash and bank balances	19	10,171,852,897	3,674,534,828
		98,799,813,368	67,735,002,017
TOTAL ASSETS		150,821,492,777	118,598,601,296
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
4,500,000,000 (2017: 4,500,000,000) ordinary shares of Rs. 10 each		45,000,000,000	45,000,000,000
Issued, subscribed and paid up capital	20	20,250,000,020	20,250,000,020
Reserves			
Reserves	21	56,230,873,852	56,230,873,852
Unappropriated profits		26,094,908,771	3,029,183,955
Foreign currency translation reserve		12,758,071	-
Advance against issue of shares to Government of Pakistan	22	432,129,610	432,129,610
		103,020,670,324	79,942,187,437
NON-CONTROLLING INTEREST		5,262,577	6,803,516
		103,025,932,901	79,948,990,953
NON CURRENT LIABILITIES			
Long term liability	23	3,598,409,687	3,900,513,135
Deferred taxation	24	7,418,962,398	7,183,451,535
Provision for decommissioning cost	25	6,142,566,167	5,111,694,282
Deferred employee benefits	26	95,767,001	69,484,705
		17,255,705,253	16,265,143,657
CURRENT LIABILITIES			
Trade and other payables	27	26,050,820,428	7,896,598,437
Running finance	28	-	13,000,000,000
Current portion of long-term liability	23	1,344,242,108	644,504,311
Provision for taxation	29	2,944,792,087	843,363,938
		30,339,854,623	22,384,466,686
		150,821,492,777	118,598,601,296
CONTINGENCIES AND COMMITMENTS	30		

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

Chief Executive Officer

Director

GOVERNMENT HOLDINGS (PRIVATE) LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 (Rupees)	2017 (Rupees)
SALES - NET	31	135,553,945,718	48,015,837,827
Royalty		(6,925,809,543)	(5,098,882,831)
Operating expenses	32	(82,280,421,839)	(13,302,700,014)
GROSS PROFIT		46,347,714,336	29,614,254,982
Other income	33	1,838,708,776	3,593,521,823
Exploration and prospecting expenditure	34	(1,087,254,137)	(1,089,044,393)
General and administrative expenses	35	(760,839,819)	(495,367,828)
Share of loss from associate - net of taxation	10	(135,696,098)	-
Other expenses	36	(2,418,791,481)	(238,154,574)
OPERATING PROFIT		43,783,939,577	31,385,210,010
Finance income / (cost)	37	(237,981,855)	7,333,147
PROFIT BEFORE TAXATION		43,545,957,722	31,392,543,157
Taxation	38	(15,478,233,854)	(11,894,000,296)
PROFIT FOR THE YEAR		28,067,723,868	19,498,542,861
ATTRIBUTABLE TO:			
Owners of the parent		28,069,308,679	19,501,258,403
Non-controlling interests		(1,584,811)	(2,715,542)
		28,067,723,868	19,498,542,861
EARNINGS PER SHARE - BASIC AND DILUTED	39	13.86	9.63

The annexed notes from 1 to 48 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, 2018

	2018 (Rupees)	2017 (Rupees)
PROFIT FOR THE YEAR	28,067,723,868	19,498,542,861
Other comprehensive income - net of taxation		
Items not to be reclassified subsequently to *statement of profit or loss*		
Remeasurement loss on employees' retirement benefits	(4,240,400)	(10,344,902)
Tax effect of remeasurement loss on employee's retirement benefits	656,537	(1,090,651)
Items that will be reclassified subsequently to *statement of profit or loss*		
Foreign currency translation reserve	12,801,943	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	28,076,941,948	19,487,107,308
ATTRIBUTABLE TO:		
Owners of the parent	28,078,482,887	19,489,852,706
Non-controlling interests	(1,540,939)	(2,745,398)
	28,076,941,948	19,487,107,308

The annexed notes from 1 to 48 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, 2018

	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	Foreign currency translation reserve	Unappropriated Profits	Total	Non-controlling Interest	Total Equity
					Rupees							
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
Balance at July 01, 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
Profit after taxation	-	-	-	-	-	-	-	-	28,069,308,679	28,069,308,679	(1,584,811)	28,067,723,868
Other comprehensive income - net of tax	-	-	-	-	-	-	-	12,758,071	(3,583,863)	9,174,208	43,872	9,218,080
Total comprehensive income for the year	-	-	-	-	-	-	-	12,758,071	28,065,724,816	28,078,482,887	(1,540,939)	28,076,941,948
Transactions with owners, recorded directly in equity												
Interim Dividend 2018: Rs. per share	-	-	-	-	-	-	-	-	(5,000,000,000)	(5,000,000,000)	-	(5,000,000,000)
Balance at June 30, 2018	20,250,000,020	2,284,626,436	20,946,247,416	3,000,000,000	5,000,000,000	25,000,000,000	56,230,873,852	12,758,071	26,094,908,771	102,588,540,714	5,262,577	102,593,803,291

Chief Executive Officer

Director

GOVERNMENT HOLDINGS (PRIVATE) LIMITED
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 (Rupees)	2017 (Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		43,545,957,722	31,392,543,157
Adjustments for:			
Amortization of development and production assets		2,117,196,769	2,075,009,478
Amortization of long term liability		(107,624,547)	(77,022,458)
Depreciation on Joint Ventures' fixed assets		2,754,969,655	2,854,167,364
Impairment		864,784,056	2,597,825,427
Depreciation on owned fixed assets		19,755,770	5,222,866
Amortization of intangible assets		2,260,371	339,183
Provision for employee benefits		51,628,944	25,502,231
Unwinding of discount on provision for decommissioning cost		95,556,422	68,235,303
Discounting of Long term Loan		-	(21,010,904)
Gain on disposal of property, plant and equipment		(1,989,052)	(7,304,923)
Unrealised exchange loss		1,684,102,967	245,079,406
Share of loss from associate		135,596,098	-
Interest income		(1,704,432,670)	(2,024,435,521)
Profit before working capital changes		5,911,804,783	5,741,607,452
		49,457,762,505	37,134,150,609
Changes in working capital			
(Increase)/Decrease in current assets			
Trade debts - net		(38,151,780,005)	4,405,354,318
Stores, spare & loose tools - share in joint ventures' inventory		(3,371,123,788)	(26,844,404)
Loans, advances and other receivables		(2,018,514,332)	(83,854,827)
Trade deposits and short-term prepayments		(1,415,458)	658,987
Increase in current liabilities			
Trade and other payables		17,742,487,308	2,677,447,440
Running finance		(13,000,000,000)	13,000,000,000
		(38,800,346,275)	19,972,761,514
Cash generated from operations		10,657,416,230	57,106,912,123
Interest received		1,672,812,507	1,816,902,911
Income Tax paid		(13,140,638,305)	(10,092,212,444)
Employee benefits paid		(36,392,628)	(30,557,518)
Net cash generated from operating activities		(846,802,196)	(8,305,867,051)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(7,145,563,971)	(8,009,837,066)
Proceeds from disposal of property, plant and equipment		2,162,928	12,225,641
Short term investment		19,330,470,965	(20,300,000,000)
Long-term loan		107,050,343	72,931,118
Net cash used in investing activities		12,294,120,265	(28,224,680,307)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(5,000,000,000)	(20,000,000,000)
Net cash used in financing activities		(5,000,000,000)	(20,000,000,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS		6,447,318,069	576,364,765
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		3,724,534,828	3,148,170,063
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	43	10,171,852,897	3,724,534,828

The annexed notes from 1 to 48 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 - Holding Company ("the Company") was incorporated in Pakistan as a private limited company on January 15, 2000, under the Companies Ordinance, 1984 (Currently Companies Act, 2017). The Company's registered office is situated at 7th Floor, Petroleum House, Ataturk Avenue, G-5/2, Islamabad. The main objectives of the Company are to 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. The Company also hold three subsidiaries namely Inter state Gas Systems (Private) limited (ISGSL), Pakistan LNG Limited (PLL) and Pakistan LNG Terminals Limited (PLTL) as wholly owned companies which are explained in the following paragraphs.

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, 2018 (June 30, 2017: 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 (Currently Companies Act, 2017), as a private limited Company. The registered office is situated at 8th Floor, Petroleum House, G/5-2, Ataturk avenue, Islamabad. The main objective of 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 (Currently Companies Act, 2017). 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 (Currently Companies Act, 2017). 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 Liquefied Natural Gas (RLNG), Liquefied Petroleum Gas (LPG) and Natural Gas. 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.

1.5 Merger of PLTL and PLL

During the Financial year, Ministry of Energy (Petroleum Division) vide its letter dated February 08, 2018 has directed to merge PLL with PLTL. In this regard a presentation to Joint Boards of the Company, PLL and PLTL has held about the economics of merger. The Board of directors of the Company sought certain clarifications from the subsidiary companies. Currently, it is being proposed that PLTL should be amalgamated/merged with and vest in PLL. Existing shares of acquiree (PLTL) shall stand cancelled and acquirer (PLL) shall with effect from the Completion Date be entitled to carry out all the business of acquiree in its own right and shall be entitled to all the rights and the benefits thereof. The final scheme of amalgamation/merger and its effective date are not finalized as yet.

1.6 Summary of significant events and transactions in the current reporting period

The following significant events and transactions affecting the Company's financial health occured during the year:

- The Company has provided lien against its short term 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). (Refer to note 30.1.3).

- The Company has repaid and discontinued running finance facilities from National Bank of Pakistan and United Bank Limited during the year (Refer to note 28).

- Major Processing Facilities completed by the Company during the year with capacity of 425 MMSCFD Gas, 18000 BBL/D Oil and 498-533 MT/D LPG on 100% basis.

- PLL and PLTL have achieved Commercial Operation Date (COD) by January 04, 2018 (Refer note 1.3 and 1.4).

- PLTL is in process of merger with PLL, the Company continues to operate and these financial statements have been prepared on going concern basis (Refer to note 1.5).

- The Economic Coordination Committe (ECC) of the Cabinet assigned the Machike-Tarujabba Oil Pipeline Project (MTOPP) to the ISGSL (Refer to note 5.5).

- ISGS has recorded impairment loss against cost incurred on Gwadar-Nawabshah LNG terminal & Pipeline project (GNP) (Refer to note 5.5).

- TAPI Pipeline Company Limited (TPCL) has issued 265,000 Class A shares to ISGS (Refer to note 10).

- The second financial closing of TAPI Gas Pipeline Project under the investement agreement occured on May 31, 2018 and a notice to this effect has been given by TPCL to ISGS (Refer to note 30.2.5)

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 Act, 2017, provisions of and directives issued under the Companies Act, 2017. In case requirements differ, the provisions or directives of the Companies Act, 2017 shall prevail.

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 statement of financial position;

- 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 impairment losses, if any.

The carrying amount of the capital work in progress is reviewed at each reporting date to determine whether there is any indication of 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 statement of profit or loss.

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 statement of profit or loss.

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 reporting date.

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 Group 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 Investment in associate

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

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

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

3.11 Stock-in-trade

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

3.12 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 consolidated 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	January 01, 2018
• IFRS 4 'Insurance Contracts' - Amendments. An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after January 01, 2018.	
• IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	July 01, 2018
• Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
• IFRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018

IFRS 16 'Leases': This standard will supersede IAS 17 'Leases' upon its effective date.	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
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

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 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

The Group is in the process of assessing the impact of following standards at time of their initial application from July 01, 2018.

- IFRS 15 'Revenue from contracts with customers'
- IFRS 9 'Financial Instruments'

Based on their initial assessment , management believes that the aforesaid IFRS, would have no impact on these financial statements.

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, 2018.

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

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.

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 Arrangements

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 Company 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.

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 2018 by Holding and ISGS subsidiary company respectively, using the Projected Unit Credit Method. The detail of the valuation is given in note 26.

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 its subsidiary (ISGS) respectively.

Compensated absences

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

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.

Subsidiary 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. 11,326 million as LPS as of June 30, 2018 (2017: Rs. 8,550 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 profit and loss account, net of any depreciation that would have been charged since the impairment.

4.19 Royalty expense

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

4.20 Dividends

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

4.21 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.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2018 Rupees	2017 Rupees
Owned fixed assets	5.1	2,693,238,953	2,579,205,828
Share in joint ventures' fixed assets	5.2	28,429,989,503	28,177,510,082
		31,123,228,456	30,756,715,910

5.1 Owned fixed Assets

2018		COST				Rate	ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
Particulars	Note	As at 01 July 2017	Additions	(Disposal)	As at 30 June 2018	%	As at 01 July 2017	Charge for the year	(Disposal)	As at 30 June 2018	As at 30 June 2018
		Rupees					Rupees				Rupees
Leasehold improvements		6,467,652	188,949	-	6,656,601	15	80,846	993,706	-	1,074,552	5,582,049
Office equipment		24,472,825	14,007,774	-	38,480,599	15-20	8,586,520	5,349,385	-	13,935,905	24,544,694
Furniture and fixtures		25,972,098	25,417,854	(1,710,947)	49,679,005	15	10,508,677	4,083,680	(1,710,947)	12,881,410	36,797,595
Computer equipment		48,245,981	12,286,737	(1,986,900)	58,545,818	20-33	29,898,536	7,126,402	(1,986,900)	35,038,038	23,507,780
Vehicles		27,219,338	7,203,547	(2,750,948)	31,671,937	15-20	15,415,092	4,852,016	(2,577,072)	17,690,036	13,981,901
Capital work in progress	5.5	2,511,317,605	77,507,329	-	2,588,824,934		-	-	-	-	2,588,824,934
		2,643,695,499	136,612,190	(6,448,795)	2,773,858,894		64,489,671	22,405,189	(6,274,919)	80,619,941	2,693,238,953

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
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	(273,968,584)	(24,980,341)	2,643,695,499		71,820,195	12,729,099	(20,059,623)	64,489,671	2,579,205,828

6.2 Share in joint ventures' fixed assets

2018	COST				Rate	ACCUMULATED DEPRECIATION				ACCUMULATED IMPAIRMENT				WRITTEN DOWN VALUE
Particulars	As at July 01, 2017	Additions/ transfers	Disposal	As at June 30, 2018	%	As at July 01, 2017	Charge for the year	Disposal	As at June 30, 2018	As at July 01, 2017	Charge for the year	Disposal	As at June 30, 2018	As at June 30, 2018
	Rupees					Rupees				Rupees				Rupees
Leasehold land	54,214,896	-	-	54,214,896	4-33	37,260,135	936,610	-	38,196,745	8,626,809	1,126,591	-	9,753,400	6,264,751
Plant and equipment	35,970,197,412	5,167,262,141	-	41,137,459,553	4-33	13,175,164,004	2,243,473,228	-	15,418,637,232	2,773,411,573	353,965,814	-	3,127,377,387	22,591,444,934
Pipelines	6,415,785,327	408,865,704	-	6,824,651,031	4-33	2,557,746,113	512,113,574	-	3,069,859,687	502,632,803	44,415,510	-	547,048,313	3,207,743,031
Office equipment	286,140,743	14,354,111	-	300,494,854	20	221,379,984	29,220,706	-	250,600,690	19,944,205	8,417,716	-	28,361,921	21,532,243
Furniture and fixtures	76,732,158	742,828	-	77,474,986	15	56,517,209	5,421,278	-	61,938,487	4,573,645	155,591	-	4,729,236	10,807,263
Vehicles	163,345,585	9,241,337	-	172,586,922	20	113,012,876	18,450,917	-	131,463,793	4,556,364	425,315	-	4,981,679	36,141,450
Decommissioning cost	1,321,298,919	119,768,477	-	1,441,067,396	4-33	900,974,357	(54,646,688)	-	846,327,669	36,414,924	29,090,161	-	65,505,085	529,234,642
CWIP - Tangible Assets	4,314,352,264	(2,190,863,175)	-	2,123,489,089		-	-	-	-	14,438,427	96,032,373	-	110,470,800	2,013,018,289
CWIP - Decommissioning Cost	2,096,096	(363,074)	-	1,733,022		-	-	-	-	-	-	-	-	1,733,022
	48,604,173,400	3,529,098,345	-	52,133,271,745		17,062,064,676	2,754,969,655	-	19,817,034,333	3,364,598,840	621,849,272	-	3,986,447,912	28,329,789,500

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		As at June 30, 2017	As at July 01, 2016	Charge for the year	Disposal	As at June 30, 2017	As at June 30, 2017
	Rupees					Rupees				Rupees				Rupees
Leasehold land	54,214,896	-	-	54,214,896	4-33	35,741,212	1,518,923	-	37,260,135	6,172,207	2,454,602	-	8,626,809	8,327,952
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	5,763,582,860	652,202,467	-	6,415,785,327	4-33	2,007,870,415	549,875,698	-	2,557,746,113	282,519,957	220,112,846	-	502,632,803	3,355,406,411
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	90,748,065	22,264,811	-	113,012,876	3,033,929	1,522,435	-	4,556,364	45,776,345
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	4,550,473,872	(592,893,163)	48,604,173,400		14,722,203,061	2,854,100,758	-	17,062,064,676	2,064,849,175	1,378,403,487	(78,654,022)	3,364,598,840	28,177,510,082

	Note	2018	2017
		Rupees	
6.3 Allocation of depreciation			
Operating expenses	32	2,754,969,655	2,854,100,758
General and administrative expens	33	19,755,770	5,222,866
		2,774,725,425	2,859,323,624
6.4 Allocation of impairment			
Operating expenses	32	621,849,272	1,378,403,487

	Note	2018 Rupees	2017 Rupees

5.5 Capital Work in progress

	Note	2018 Rupees	2017 Rupees
Iran Pakistan Gas Pipeline Project	5.5.1	**2,511,317,605**	2,511,317,605
Machike Tarujabba Oil Pipeline Project	5.5.2	**77,507,329**	-
		2,588,824,934	2,511,317,605

5.5.1 Iran Pakistan Gas Pipeline Project

	Note	2018 Rupees	2017 Rupees
Consultancy services	5.5.1.1	**2,546,569,184**	2,546,569,184
Travelling and transportation expenses		**63,901,225**	63,576,882
Field security expenses		**25,345,440**	25,345,440
Tendering expenses		**19,227,149**	19,219,109
Rent, rates and utilities		**28,288,486**	26,112,350
Personnel costs and benefits		**246,580,466**	215,116,476
Training and capacity building		**5,059,501**	5,059,501
Insurance		**2,918,854**	2,918,854
Repairs and maintenance		**27,781,884**	27,781,884
Legal and professional services		**11,175,751**	11,120,101
Depreciation		**39,409,071**	38,399,525
Amortization		**8,893,242**	8,420,942
Others		**11,161,408**	9,459,513
Impairment loss	5.5.1.3	**(524,994,056)**	(487,782,156)
		2,511,317,605	2,511,317,605

5.5.1.1 Consultancy services

Engineering and Project Management (E&PM) consultancy

	2018 Rupees	2017 Rupees
Stage I		
Bankable Feasibility Study	**409,863,982**	409,863,982
Development of Front End Engineering Design (FEED)	**527,429,543**	527,429,543
Detailed Route Survey	**308,450,498**	308,450,498
Social and Environmental Impact Assessment (SEIA)	**146,485,311**	146,485,311
Project Management	**233,472,276**	233,472,276
Other costs	**130,840,318**	130,840,318
	1,756,541,928	1,756,541,928
Stage II		
Project Management	**362,351,471**	362,351,471
Procurement Services of Long Lead Items (LLI's) and - - Engineering, Procurement Construction (EPC) Contract	**86,960,169**	86,960,169
Engineering Support LLI's/ EPC Tender	**216,370,701**	216,370,701
Other cost	**104,562,875**	104,562,875
	770,245,216	770,245,216
Other consultancy services	**19,782,040**	19,782,040
	2,546,569,184	2,546,569,184

5.5.1.2 The Governments of Pakistan and Iran signed an Inter-Governmental Framework Declaration (IGFD) for the Iran Pakistan Gas Pipeline Project (IP-Project) on May 24, 2009. The Group has entered via ISGS then entered into a Iran Pakistan Gas Sale Purchase Agreement (IP-GSPA) with NIOC on June 5, 2009 which became effective on June 13, 2010 upon completion of all conditions precedent to IP-GSPA. The commitments under IP-GSPA are backed by a sovereign guarantee issued by the GoP on May 26, 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

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

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

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

The IP Project faced constraints, as a consequence of the international sanctions imposed on Iran by United Nations, United States of America and the European Union. Iran's association with the Project and risk of violating sanctions was considered to affect potential financiers, reputable international suppliers of crucial equipment and contractors. The Group 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 the Company do not constitute any ground for the occurrence of Force Majeure or Excusing Events under the GSPA. The Group 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. Further, it is also apparent that NIOC has also not completed reasonable component of its required segment of the gas pipeline, which further weakens their case to invoke penalty clause of GSPA. Moreover, NIOC has neither levied nor contended to levy penalty on the Group.

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

During the visit of President of China to Pakistan on April 20, 2015, National Energy Administration of China and Ministry of Energy (MoE) of Pakistan signed Framework Agreement at Islamabad in relation to GNP. In this respect, Chinese nominated entity i.e. China Petroleum Pipeline Bureau (CPP) submitted the technical and financial bid to ISGS for Engineering, Procurement, Construction and Financing (EPCF) under G to G framework agreement, which was being negotiated. However, the Cabinet Committee on Energy (CCE) through its decision take in its meeting dated June 6, 2017 directed MoE to drop the GNP forthwith. As per said direction, the Group 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, impairment loss has been recorded against aggregate cost incurred on GNP during the year ended June 30, 2017 and for the subsequent cost incurred on closure activities during the current year.

	Note	2018 Rupees	2017 Rupees
5.5.2 Machike Tarujabba Oil Pipeline Project			
Consultancy services	5.5.2.1	19,250,000	-
Travelling and transportation expenses		3,164,029	-
Tendering expenses		766,040	-
Rent, rates and utilities		4,350,409	-
Personnel costs and benefits		46,879,557	-
Legal and professional services		3,497,408	-
Depreciation		1,639,556	-
Amortization		774,162	-
Investment income		(5,418,137)	-
Others		2,604,305	-
		77,507,329	-

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

ISGS has conducted the techno-economic feasibility study and the Consultant in the detailed techno-economic feasibility report opined that the Project is financially viable and will result in significant savings to the Government exchequer over the life of the Project when compared with the prevailing road freight besides ensuring safe and steady oil supply from Karachi to Peshawar.

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

6. INTANGIBLE ASSETS

2018	COST			Rate	ACCUMULATED AMORTIZATION			WRITTEN DOWN VALUE
Particulars	As at July 01, 2017	Additions	As at June 30, 2018	%	As at July 01, 2017	Charge for the year	As at June 30, 2018	As at June 30, 2018
		Rupees				Rupees		Rupees
Software	49,776,216	4,414,178	54,190,394	20-33	43,304,035	3,506,833	46,810,868	7,379,526

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

7. EXPLORATION & EVALUATION ASSETS

	2018 (Rupees)	2017 (Rupees)
Opening balance	2,899,652,251	2,580,911,830
Expenditure incurred during the year	511,290,541	800,232,919
Transfer to development & production assets	(379,371,268)	(340,068,926)
Dry hole wells	(149,752,750)	(141,423,572)
	2,881,818,774	2,899,652,251

7.1 Total capitalized cost includes asset decommissioing cost amounting to Rs. 36,420,020 at June 30, 2018 (2017: Rs. 40,584,321)

8. DEVELOPMENT AND PRODUCTION ASSETS

2018		COST			ACCUMULATED AMORTIZATION			ACCUMULATED IMPAIRMENT			WRITTEN DOWN VALUE
Particulars	Working Interest	As at July 01, 2017	Additions / (adjustments)	As at June 30, 2018	As at 01 July 2017	Charge for the year	As at June 30, 2018	As at 01 July 2017	Charge for the year	As at June 30, 2018	As at June 30, 2018
		Rupees									
Intangibles											
Producing fields-Joint Ventures											
Badin III	25.00%	305,387,623	1,404,083	306,791,706	269,149,610	-	269,149,610	-	-	-	37,642,096
Block-22 (all fields)	22.50%	275,406,398	11,265	275,417,663	155,722,674	22,489,697	178,212,371	-	6,002,493	6,002,493	91,202,799
Ahmedal/Pariwali	17.50%	757,424,537	16,059,464	773,484,001	423,410,526	10,897,789	434,308,315	-	-	-	339,175,686
Minwal	17.50%	7,578,417	121,190	7,699,607	672,580	83,015	755,594	-	-	-	6,944,013
Mazarani	12.50%	136,360,605	158,299	136,518,904	84,182,167	18,397,916	102,580,083	14,022,629	-	14,022,629	19,916,192
Sawan	22.50%	3,342,278,279	9,467,742	3,351,746,021	2,074,143,546	49,916,335	2,124,059,881	757,036,576	140,579,762	897,616,338	330,069,802
Zamzama	25.00%	4,005,981,087	3,408,381	4,009,389,468	3,061,104,881	168,525,462	3,229,630,343	444,814,067	82,774,598	527,588,665	252,170,460
Mubarak	25.00%	1,215,260,880	18,866,078	1,234,126,958	125,195,578	-	125,195,578	1,090,065,302	-	1,090,065,302	18,866,078
Nim	22.50%	105,549,779	983,113	106,532,892	53,623,553	1,209,557	54,833,110	-	-	-	51,699,782
Mehran	25.00%	69,203,189	-	69,203,189	1,933,209	-	1,933,209	67,269,980	-	67,269,980	-
Chanda	17.50%	931,747,255	107,101,771	1,038,849,026	439,916,197	49,328,462	489,244,659	-	-	-	549,604,367
Gambat	22.50%	377,471,786	1,017,727	378,489,513	176,747,434	2,383,356	179,130,790	163,812,122	-	163,812,122	35,546,601
Tal (all fields)	15.00%	4,660,630,900	317,842,004	4,978,472,904	1,928,574,499	526,517,634	2,455,092,133	-	-	-	2,523,380,771
Khipro (all fields)	25.00%	2,362,305,573	410,635,920	2,772,941,493	1,176,838,506	361,888,053	1,538,726,559	-	-	-	1,234,214,934
MirpurKhas (all fields)	25.00%	3,330,403,553	783,916,751	4,114,320,304	1,240,451,445	473,573,762	1,714,025,207	-	-	-	2,400,295,097
Chachar	25.00%	257,891,437	-	257,891,437	132,241,667	5,894,490	138,136,157	101,845,101	-	101,845,101	17,910,179
Nashpa	15.00%	2,636,425,697	521,251,895	3,157,677,592	754,678,971	166,301,625	920,980,596	-	-	-	2,236,696,996
Sinjhoro	22.50%	334,791,180	42,041,596	376,832,776	63,023,484	30,196,018	93,219,502	-	-	-	283,613,274
Mehar	25.00%	1,354,087,904	877,051,735	2,231,139,639	303,362,465	72,702,426	376,064,891	-	-	-	1,855,074,748
Jhakro	22.50%	10,790,390	(683,261)	10,107,129	8,929,493	162,817	9,092,310	-	-	-	1,014,819
Guddu	22.50%	139,339,827	(1,816,897)	137,522,930	47,265,969	5,565,528	52,831,497	-	-	-	84,691,433
Bobi	17.50%	318,833,822	(20,530,627)	298,303,195	37,257,765	24,749,652	62,007,417	-	-	-	236,295,778
Gambat South	25.00%	819,686,315	338,979,639	1,158,665,954	76,336,749	48,077,363	124,414,112	-	-	-	1,034,251,842
Tando Allah Yar (all fields)	22.50%	243,843,344	-	243,843,344	13,798,836	46,119,050	59,917,886	-	-	-	183,925,458
Decommissioning cost		2,313,817,124	116,822,502	2,430,639,626	1,187,651,729	31,215,762	1,218,867,491	87,461,183	-	87,461,183	1,124,310,952
		30,312,496,801	3,544,110,370	33,856,607,171	13,835,212,533	2,117,196,768	15,952,409,301	2,726,326,960	229,356,853	2,955,683,813	14,948,514,057

2018		COST			ACCUMULATED AMORTIZATION			ACCUMULATED IMPAIRMENT			WRITTEN DOWN VALUE
Particulars	Working Interest	As at July 01, 2017	Additions / (adjustments)	As at June 30, 2018	As at July 01, 2017	Charge for the year	As at June 30, 2018	As at July 01, 2017	Charge for the year	As at June 30, 2018	As at June 30, 2018
						Rupees					
Developing fields-Joint Ventures											
Mehar	25.00%	320,711,090	(320,711,090)	-	-	-	-	-	-	-	-
Ahmadal/Pariwali	17.50%	-	1,842,907	1,842,907	-	-	-	-	-	-	1,842,907
Tando Allah Yar (all fields)	22.50%	-	-	-	-	-	-	-	-	-	-
Kandra	25.00%	3,577,000	-	3,577,000	-	-	-	-	3,577,000	3,577,000	-
Nim	22.50%	88,153,044	(2,806,214)	85,346,830	-	-	-	-	-	-	85,346,830
Kotra	20.00%	79,191,140	4,413,494	83,604,634	-	-	-	-	20,534,476	20,534,476	63,070,158
Mubarak	25.00%	-	-	-	-	-	-	-	-	-	-
Tal	15.00%	502,226,451	(134,871,289)	367,355,162	-	-	-	-	-	-	367,355,162
MirpurKhas (all fields)	25.00%	239,728,609	(145,724,809)	94,003,800	-	-	-	-	-	-	94,003,800
Khipro (all fields)	25.00%	-	7,032,096	7,032,096	-	-	-	-	-	-	7,032,096
Sawan	22.50%	-	574,799	574,799	-	-	-	-	-	-	574,799
Nashpa	15.00%	267,468,312	95,850,488	363,318,800	-	-	-	-	-	-	363,318,800
Mazarani	12.50%	-	-	-	-	-	-	-	-	-	-
Badin III	25.00%	-	-	-	-	-	-	-	-	-	-
Gambat South	25.00%	1,136,063,057	39,302,342	1,175,365,399	-	-	-	-	-	-	1,175,365,399
Block-22	22.50%	15,533,960	-	15,533,960	-	-	-	-	-	-	15,533,960
Zamzama	25.00%	63,774,976	201,555,036	265,330,012	-	-	-	22,750,751	-	22,750,751	242,579,261
Sinjhoro	22.50%	12,142,929	31,084,559	43,227,488	-	-	-	-	-	-	43,227,488
Decommissioning cost		191,299,570	(112,649,378)	78,650,192	-	-	-	-	-	-	78,650,192
		2,919,870,138	(335,107,059)	2,584,763,079	-	-	-	22,750,751	24,111,476	46,862,227	2,537,900,852
		33,232,366,939	3,209,003,311	36,441,370,250	13,835,212,533	2,117,196,768	15,952,409,301	2,749,077,711	253,468,329	3,002,546,040	17,486,414,909

8. **DEVELOPMENT AND PRODUCTION ASSETS**

2017		COST			ACCUMULATED AMORTIZATION			ACCUMULATED IMPAIRMENT			WRITTEN DOWN VALUE
Particulars	Working Interest	As at July 01, 2016	Additions / (adjustments)	As at June 30, 2017	As at July 01, 2016	Charge for the year	As at June 30, 2017	As at July 01, 2017	Charge for the year	As at June 30, 2017	As at June 30, 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	-
Chande	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%	636,698,988	182,987,327	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
		25,905,678,206	4,406,818,595	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 July 01, 2016	Additions / (adjustments)	As at June 30, 2017	As at July 01, 2016	Charge for the year	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		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

8.1 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 settlement of dispute and open a joint account where MPCL was to deposit its working interest share of sale proceeds to the extent of 2.5% of working interest in joint account; and the Company was required to deposit the amount of 2.5% proportionate share of total amount of cash calls raised by operator in joint account since date of grant of Zarghun South Development and Production lease. However, the joint account could not be opened due to legal requirements of Banks. The interim agreement between the Company and MPCL expired on December 20, 2016.

The Board of Directors of the Company referred the matter to Ministry of Energy (Petroleum Division) for advice. The matter is also under consideration at Public Accounts Committee 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).

9. LONG TERM LOAN

	Note	2018 (Rupees)	2017 (Rupees)
Considered good - unsecured	9.1	-	95,804,022
Current portion of long term loan			
Long Term Vehicle Loans to staff			
Considered good - unsecured		19,495,137	30,733,058
Current portion of long term loan		(5,992,848)	(5,984,448)
		13,502,289	120,552,632

9.1 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 was Rs. 106.45 Million. The Company has disbursed Rs.95.8 million as full and final loan to NHA, which was fuly repaid during the year.

Movement in Break up	Note	2018 (Rupees)	2017 (Rupees)
Opening balance		95,804,022	74,793,118
Payments		(95,804,022)	-
Unwinding/discounting of loan		-	21,010,904
		-	95,804,022

10. INVESTMENT IN ASSOCIATE

TAPI Pipeline Company Limited (TPCL)		
Cost of investment (265,000 class A shares (2017: Nil)		
fully paid ordinary shares of USD 10 each	279,575,000	-
Share of loss for the period - net of taxation	(135,596,098)	-
Foreign exchange translation gain	12,801,943	-
	(122,794,155)	
Balance at the end of the year	156,780,845	-

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

The tables below provides summarized financial statements of TPCL that is material to ISGS. The information disclosed reflects the amounts presented in the latest available unaudited management accounts of TPCL for the quarter ended March 31, 2018 and annual audited financial statements for the year ended December 31, 2017 (2016: year ended December 31, 2016), not ISGS's share of those amounts.

	Un-audited Mar 31, 2018 Rupees	Audited Dec 31, 2017 Rupees	Audited Dec 31, 2016 Rupees
Summarized statement of financial position			
Current assets	2,614,224,431	2,891,702,138	3,900,686,634
Non-current assets	1,459,504,036	1,395,277,010	-
Current liabilities	(246,343,355)	(608,473,524)	(3,026,453)
Non- current liabilities	-	-	(626,476,085)
Net assets	3,827,385,112	3,678,506,624	3,271,184,096
Reconciliation to carrying amounts:			
Opening net assets	3,017,179,361	3,271,184,097	5,591,500,000
Total comprehensive loss for the year	(19,683,413)	(416,285,795)	(2,275,952,752)
Foreign exchange translation gain/(loss)	138,120,958	162,281,060	(44,363,151)
Closing net assets	3,135,616,906	3,017,179,362	3,271,184,097
ISGS's percentage shareholding in the associate	5%	5%	5%
ISGS's share in carrying value of net assets	156,780,845	150,858,968	163,559,205
Summarized statement of comprehensive income			
Revenue for the year	Nil	Nil	Nil
Loss for the year	(19,683,413)	(416,285,795)	(2,275,952,752)

11. ADVANCE FOR SHARES IN ASSOCIATE

It represents advance amounting to US$ 1.5 million paid by ISGS to Asian Development Bank (ADB) (Transaction Advisor) under TASA agreement as agreed between the partner countries including Turkmenistan, Afghanistan, Pakistan and India which was agreed to be treated as equity injection in TPCL.

	Note	2018 (Rupees)	2017 (Rupees)
12. STORES, SPARES & LOOSE TOOLS - SHARE IN JOINT VENTURES' INVENTORY			
Store, Spares & Loose Tools		3,401,417,681	3,391,584,593
Impairment for slow moving and obsolete stores, spares	12.1	(554,898,650)	(502,444,095)
		2,846,519,031	2,889,140,498
12.1 Opening balance		502,444,095	345,278,225
Impairment for the year		52,454,555	157,165,870
Closing balance		554,898,650	502,444,095

12.2 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 32.1 to these financial statements.

	Note	2018 (Rupees)	2017 (Rupees)
13. STOCK-IN-TRADE			
LNG held with third party	13.1	3,449,105,105	-
RLNG held in pipeline		17,094,705	-
		3,466,199,810	-

13.1 Amount relates to closing stock of LNG inventory held with Pakistan Gas Port Consortium Limited at the Floating Storage and Regassification Unit (FSRU) as at June 30, 2018.

13.2 Amount relates to Regasified Liquid Natural Gas (RLNG) held in 14 km pipeline between Floating Storage and Regasification Unit (FSRU) to Custody Transmission System (CTS).

	Note	2018 (Rupees)	2017 (Rupees)
14. TRADE DEBTS - NET			
Unsecured - considered good		67,224,778,620	28,801,942,669
Unsecured - considered doubtful			
Unsecured - considered doubtful	14.1	4,604,647,534	4,604,647,534
Less: Provision for Doubtful debts	14.3	(4,604,647,534)	(4,604,647,534)
		-	-
		67,224,778,620	28,801,942,669

14.1 The trade debts include Rs. 46,011,934,566 (2017: Rs. 24,253,345,383) 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 had estimated the amount of Rs. 4,604,647,534 (2017: Rs. 4,604,647,534) as provision for doubtful debts.

14.2 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. 11,326 million as of June 30, 2018 (2017: Rs. 8,550 million) which is not recognized, based on the premise that it has not been received yet.

	Note	2018 (Rupees)	2017 (Rupees)
14.3 Opening Balance		4,604,647,534	4,604,647,534
Provision for the year		-	-
		4,604,647,534	4,604,647,534

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

Advances against salary to staff	15.1	4,954,456	2,467,002
Current portion of vehicle loan to staff		5,992,848	5,984,448
Advances to suppliers - considered good		5,181,761	8,921,266
General sales tax- refundable		1,815,642,754	-
Other receivable	15.2	204,770,003	654,774
		2,036,541,822	18,027,490

15.1 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.

15.2 It includes the cost incurred and paid by PLL on commissioning cargo due to delay caused in unloading of ship at Floating Storage and Regasification Unit (FSRU). It will be recovered from Sui Northern Gas Pipelines Limited (SNGPL) after the actualization of provisional price by Oil and Gas Regulatory Authority (OGRA) on completion of first fiscal year of terminal operations (i.e. January 03, 2019).

	Note	2018 (Rupees)	2017 (Rupees)
16. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Security deposits		717,037	720,250
Short term prepayments			
Software maintenance fee		2,989,800	1,391,554
Insurance		2,212,022	2,082,457
Others		1,253,713	1,562,853
		6,455,535	5,036,864
		7,172,572	5,757,114

17. INTEREST ACCRUED

Interest accrued on:			
Bank deposits		40,331,243	26,454,212
Term Deposit Receipts		286,888,338	269,145,206
		327,219,581	295,599,418

18. SHORT TERM INVESTMENTS

Investment in TDRs - held to maturity	18.1	12,719,529,035	32,050,000,000

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

Bank	Credit rating	Rating agency	Maturity	Rate p.a.	2018 (Rupees)	2017 (Rupees)
ABL	A1+	PACRA	36 months	6.03%	6,000,000,000	6,000,000,000
UBL	A1+	PACRA	12 months	5.95%	4,000,000,000	12,000,000,000
NBP	A1+	PACRA	12 months	5.95% & 6.00%	2,719,529,035	14,050,000,000
					12,719,529,035	32,050,000,000

		Note	2018 (Rupees)	2017 (Rupees)
19.	**CASH AND BANK BALANCES**			
	Cash:			
	- In hand		103,561	84,516
	- At banks			
	Deposits accounts			
	Local currency accounts	19.1	10,167,843,061	3,660,343,752
	Foreign currency accounts US$ 385.97 (2017 US$ 385.97)		48,322	39,848
	Current accounts		3,857,953	14,066,712
			10,171,852,897	3,674,534,828

19.1 These carry mark-up at the rate ranging between 3.75% and 5.95% p.a (2017: 3.75% and 6.25% p.a).

20. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2018	2017		2018	2017
(Number of shares)			(Rupees)	(Rupees)
2,025,000,002	2,025,000,002	Ordinary shares of Rs. 10 each, fully paid in cash	20,250,000,020	20,250,000,020

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

		Note	2018 (Rupees)	2017 (Rupees)
21.	**RESERVES**			
	General Reserve	21 2	2,284,626,436	2,284,626,436
	Other Reserves			
	Committed Outlay Reserve	21.3	20,946,247,416	20,946,247,416
	Asset Insurance Reserve	21.4	3,000,000,000	3,000,000,000
	Assets Acquisition Reserve	21 5	5,000,000,000	5,000,000,000
	LNG Project Reserve	21.6	25,000,000,000	25,000,000,000
			53,946,247,416	53,946,247,416
			56,230,873,852	56,230,873,852

21.1 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 18 to these financial statements. Further necessary accumulation of funds for these Reserves will be made over the next few years.

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

21.3 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.

21.4 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.

21.5 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.

21.6 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).

22. ADVANCE AGAINST ISSUE OF SHARES

The Economic Coordination Committee (ECC) of the Federal Cabinet in its meeting held on December 18, 2015 approved 5% (estimated at US$ 200 million) equity injection as equity share of Government of Pakistan (GoP) through the ISGS in Turkmenistan-Afghanistan-Pakistan-Indian (TAPI) Gas Pipeline Project. Accordingly, during the year ended June 30, 2016, GoP provided funds of US$ 2.65 million to ISGS 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 ISGS 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.

Ministry of Finance (MoF) via letter no. F.4(2) CF-V/2007 dated October 24, 2017 directed the ISGS to issue shares to the Company for the related amount received from GoP and directed the Company to issue shares to the President of Pakistan through secretary petroleum Ministry of Energy (Petroleum Division). In pursuance of these directives, subsequent to the year end, the ISGS issued 27,957,500 shares of Rs.10 each to the Company for the related amount received from GoP and accordingly company has issued 27,957,500 shares of Rs. 10 each to the President of Pakistan through secretary petroleum Ministry of Energy (Petroleum Division).

23. LONG TERM LIABILITY

	Note	2018 (Rupees)	2017 (Rupees)
Due to the Joint Venture operators	23.2	4,942,651,795	4,545,017,446
Current portion shown under current liabilities		(1,344,242,108)	(644,504,311)
		3,598,409,687	3,900,513,135

23.1 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	2018 (Rupees)	2017 (Rupees)
23.2	Opening Balance		4,545,017,446	4,290,361,351
	Payments		(297,223,841)	(308,913,494)
	Additions / adjustments during the year		74,969,744	541,244,125
	Discounting of Long Term Liability	23.2.1	(107,624,546)	(77,022,458)
	Exchange loss on revaluation		727,512,992	99,347,922
			4,942,651,795	4,545,017,446

23.2.1 Long term liability have been discounted using 2.76% (2017: 1.73%) rate of interest as required by IAS39, 'Financial Instrument: Recognition and Measurement.

24. DEFERRED TAXATION

	Note	2018 (Rupees)	2017 (Rupees)
Deferred taxation	24.1	7,418,962,398	7,183,451,535

24.1 Movement in the deferred tax liability:

	Note	2018 (Rupees)	2017 (Rupees)
Opening balance		7,183,451,535	5,920,748,941
Debited/ (Credited) to the statement of profit or loss account	38	236,167,400	1,261,611,943
Tax effect of remeasurement loss on employee's retirement benefits		(656,537)	1,090,651
		7,418,962,398	7,183,451,535

		Note	2018 (Rupees)	2017 (Rupees)
24.2	**Deferred tax in respect of taxable/ (deductible) temporary differences:**			
	Accelerated depreciation on property, plant and equipment		5,671,866,281	5,222,904,191
	Impairment of stores, spares and loose tools		(221,959,460)	(200,977,850)
	Long term liability		(347,276,691)	(385,774,950)
	Development and production expenditure		5,129,567,674	5,083,919,922
	Provision for doubtful debts		(1,841,859,014)	(1,841,859,014)
	Expenditure of exploration and evaluation, development and production assets		(970,719,855)	(691,762,167)
	Remeasurement of employees' retirement benefits		(656,537)	(2,998,597)
			7,418,962,398	7,183,451,535

24.3 Deferred tax has been calculated at the current effective tax rate of 40% (2017: 40%) in case of Holding Company and 29% (2017: 30%) in case of the subsidiary. The effective tax rate is reviewed annually.

24.4 In view of the uncertainty of taxable profits in the foreseeable future against which the tax losses could be utilized, the subsidiary companies (PLTL and ISGS) has not recognized net deferred tax asset of Rs. 167.94 million (2017: Rs 91.32 million).

Unrecognized deferred tax asset representing tax benefit relating to business losses aggregating to Rs 160.65 million, and deductible temporary differences on account of provisions aggregating Rs 8.99 million as at June 30, 2018. The aggregate tax losses available to the group for set off against future taxable profits at June 30, 2018 amounted to Rs 545.87 million. Business losses expire as follows:

Tax Losses	Tax Year	Rs in million
	2024	216.00
	2023	274.18
	2022	55.69

		Note	2018 (Rupees)	2017 (Rupees)
25.	**PROVISION FOR DECOMMISSIONING COST**			
	Provision for decommissioning cost	25.1	6,142,566,167	5,111,694,282
25.1	**Provision for decommissioning cost**			
	Opening balance		5,111,694,282	5,411,180,671
	Provision/ (reversal) made during the year		119,404,225	(383,339,042)
	Revaluation exchange loss		815,911,238	15,617,350
	Unwinding of decommissioning cost	37	95,556,422	68,235,303
			6,142,566,167	5,111,694,282
26.	**DEFERRED EMPLOYEE BENEFITS**			
	Accumulating compensated absences	26.1	74,590,997	46,850,266
	Employees' gratuity fund	26.3	21,176,004	22,634,439
			95,767,001	69,484,705

	2018 (Rupees)	2017 (Rupees)
26.1 Actuarial liability as at June 30, 2018		
Actuarial liability	74,590,997	46,850,266
Fair value of plan assets	-	-
Deficit	74,590,997	46,850,266
Closing liability provision	(46,850,266)	(43,962,577)
Under provision	27,740,731	2,887,689
Liability provision as at July 01	46,850,266	43,962,577
Expense for the year	32,373,514	5,800,286
Benefits paid for the year	(4,632,783)	(2,912,597)
Liability provision as at June 30	74,590,997	46,850,266
26.1.1 Amounts recognized in statement of profit and loss:		
Current service cost	636,722	1,400,947
Interest expense	27,148,953	1,550,226
	27,785,675	2,951,173
26.1.2 Amounts recognized in statement of other comprehensive income:	1,988,782	1,174,917

26.2 The rates of discount and salary increase were assumed at 9.25% p.a. (2017: 9.25% p.a.) and 8.25% p.a. (2017: 8.25%p.a.) for holding company and 10% p.a (2017: 9.25% p.a.) for subsidiary respectively.

	Note	2018 (Rupees)	2017 (Rupees)
26.3 Amounts recognized in statement of financial position:			
Present value of defined benefit obligation	26.3.1	124,853,311	107,455,976
Fair value of plan assets	26.3.2	(103,677,307)	(84,821,537)
Net liability at end of the year		21,176,004	22,634,439
26.3.1 Movement in the present value of obligation:			
Balance as at beginning of the year		107,455,976	78,898,477
Current service cost		24,333,934	19,560,475
Interest cost		9,215,353	6,928,315
Benefits paid		(14,975,979)	(3,841,057)
Actuarial loss		(1,175,973)	5,909,766
		124,853,311	107,455,976
26.3.2 Movement in the fair value of plan assets:			
Balance as at beginning of the year		84,821,537	58,064,600
Contributions		8,225,687	6,213,292
Expected Return on Plan Assets		29,033,653	27,644,921
Benefits paid		(14,975,979)	(3,841,057)
Remeasurement of plan assets		(3,427,591)	(3,260,219)
		103,677,307	84,821,537

26.3.3 Amounts recognized in statement of profit or loss account:

	Note	2018 (Rupees)	2017 (Rupees)
Current service cost		24,333,934	19,560,475
Interest cost		9,215,353	6,928,315
Expected return on plan asset		(29,033,653)	(27,644,921)
		4,515,634	(1,156,131)

26.3.4 Principle actuarial assumptions:

	2018	2017
Valuation discount rate (%)	9.25% - 10%	8%-9%
Salary increase rate (%)	8.25% - 10%	8%-9%
Expected return on plan assets (%)	10%	9%

26.3.5 These assumptions have been developed by management with assistance of independent actuarial appraisers. Discount rate is determined by reference to market yields (at reporting 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.

26.3.6 These results and balances related to employees' benefits are based on actuarial calculations carried out for the year ended June 30, 2018 for Holding and subsidiary respectively. The Management believes that any change in market assumptions as of today would not have any material impact on the financial statements.

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

	2018 (Rupees)	2017 (Rupees)	2016 (Rupees)
Present value of obligation	124,853,311	107,455,976	103,119,987
Actuarial (gain) or loss on obligation	(4,603,564)	2,649,547	11,955,644

27. TRADE AND OTHER PAYABLES

	Note	2018 (Rupees)	2017 (Rupees)
Trade creditors			
Due to Joint Venture operators		6,137,031,924	6,125,999,697
Due to vendors for services acquired		191,364,248	220,197,019
Payable against regasification charges	27.1	1,022,746,470	-
Payable to LNG suppliers	27.2	17,704,968,724	-
Other		-	29,132,654
Advances from			
Sui Northern Gas Pipelines Limited		25,877,918	25,877,918
Sui Southern Gas Company Limited		27,710,691	27,710,691
Other payables			
Accrued liabilities		141,087,019	241,120,486
Payable to provident fund		1,220,510	2,165,135
Sales tax payable		95,853,723	288,243,680
Royalty payable		644,974,437	904,625,840
Interest payable		-	22,260,274
Withholding tax payable		10,612,003	5,560,235
FED payable		10,532,723	177,760
Other payable		36,840,038	3,527,048
		941,120,453	1,467,680,458
		26,050,820,428	7,896,598,437

27.1 This amount represents payable to Pakistan Gas Port Consortium Limited (PGPCL) on account of regasification charges. i.e. Capacity , utilization and flexibility charges

27.2 It represents payable to LNG suppliers namely M/s. Gunvor International B.V, M/s ENI SPA and BB Energy amounting to Rs. 10,767.67 million, 3,264.38 million and 3,667.22 million respectively.

28. The running finance facilities from National Bank of Pakistan (2017: Rs. 11.5 billion) and United Bank Limited (2017: Rs. 1.5 billion) have been settled and discontinued during the year.

29. PROVISION FOR TAXATION

	Note	2018 (Rupees)	2017 (Rupees)
Provision for taxation at beginning of the year		843,363,938	305,505,891
Income tax paid during the year		(13,140,638,305)	(10,092,212,444)
Provision for current taxation for the year		15,365,485,931	10,595,001,305
Provision for taxation - prior years		(123,419,477)	35,069,186
		2,944,792,087	843,363,938

29.1 The Group has various tax litigations pending with the tax authorities in respect of tax years 2003 and 2017. These litigations are pending at different forums of taxation authorities. However, the Group has paid, under protest to avoid penalties under the Income Tax Ordinance 2001, full amount against the demand raised by tax authorities in respect of said years. The Group based on his tax advisor believes that there will be no future liability expected to arise in respect of said litigations. Accordingly, no further provisions are provided in these financial statements.

30. CONTINGENCIES AND COMMITMENTS

30.1 Contingencies

The Holding Company

	Note	2018 (Rupees)	2017 (Rupees)
Relating to carried cost liability	30.1.1	837,784,670	750,209,251
Tax contingency	30.1.2	18,177,836,600	18,177,836,600
		19,015,631,270	18,928,045,851

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

30.1.2 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.

30.1.3 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).

30.1.4 The Subsidiaries-ISGS

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

(b) An appeal has been filed by ISGS 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.

Based on tax advisor's view, the management of ISGS has assessed that the ultimate outcome of this case is expected to be favorable. Accordingly, no provision has been made in the financial statements of ISGS.

30.1.5 The Subsidiaries-PLL

The 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. The 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 Gunver and M/s ENI respectively. Aforementioned SBLC will be expired on November 02, 2018 and November 18, 2018 respectively. The Holding company on behalf of the PLL has provided the security for issuance of SBLC in favor of the sellers.

30.1.6 The Subsidiaries-PLTL

(a) The PLTL has provided standby letter of credit to PGPCL (the Operator) equivalent to three (03) months capacity charge (i.e. Rs. 2,266 million), including any replacement thereof.

(b) The 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 Company's legal counsel. The Terminal Operator has disputed demand of the Company 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.

The 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 the Company @ 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 the PLTL is not liable to pay any amount of liquidated damages to PLL, until PGPCL makes such payment to the PLTL under the OSA. Therefore, management believes that the PLTL carries no exposure in respect of Liquidated Damages under TURA.

30.2	Commitments	Note	2018 (Rupees)	2017 (Rupees)
	The Holding Company			
	Minimum work commitment	30.2.1	5,805,736,763	7,172,721,803

30.2.1 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.

The Subsidiaries

30.2.2 In accordance with the provisions of OSA, the PLTL shall pay to the Operator a capacity charge of USD 245,220 per day subject to the capped availability factor of each year and a flexibility charge at the rate of 25% of the applicable capacity fee subject to the utilization of more than guaranteed availability factor of 96%, from the date of commencement of commercial start date. Further, the PLTL has also provide standby letter of credit to the Operator equivalent to three (03) months capacity charge, including any replacement thereof.

30.2.3 In accordance with the provisions of the TURA, the PLL shall pay to the PLTL a capacity charge of USD 245,220 per day subject to capped availability factor and a flexibility charge at the rate of 25% of the applicable capacity fee, from the commencement of commercial operation date.

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

30.2.5 The ISGS has entered into an investment agreement in respect of which it shall be subscribing for 940,000 shares in TAPI Pipeline Company Limited at a consideration of US$ 10 per share.

Milestone \ stages	No of shares	Class of shares	Investment in USD	Current status
First closing	265,000	Class A shares	2,650,000	Subscribed, fully paid
Second closing	145,000	Class A shares	1,450,000	Due, not yet paid
Third closing	265,000	Class A shares	2,650,000	Not yet due
Fourth closing	265,000	Class A shares	2,650,000	Not yet due
Total	940,000		9,400,000	

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

31.	SALES - NET	Note	2018 (Rupees)	2017 (Rupees)
	Natural gas - gross sales		42,087,756,787	34,976,302,883
	Sales tax		(6,119,923,636)	(5,095,302,026)
	Excise duty		(822,824,435)	(801,673,946)
	Natural gas - net sales		35,145,008,716	29,079,326,911
	Crude oil		23,470,321,818	17,000,942,030
	Liquefied petroleum gas - gross sales		3,641,043,483	2,312,447,554
	Sales tax		(338,923,213)	(338,923,213)
	Excise duty		(1,614,282)	(1,614,282)
	Liquefied petroleum gas - net sales		3,300,505,988	1,971,910,059
	Regasified Liquid Natural Gas (RLNG)	31.1	86,156,587,759	-
	Sales tax		(12,518,478,563)	-
			73,638,109,196	-
			135,553,945,718	48,052,179,000

31.1 RLNG sales include sales to SNGPL and SSGCL invoiced on provisional prices. There may be adjustment in revenue upon issuance of final prices notification by OGRA, impact of which cannot be determined at this stage and impact will be adjusted prospectively, if any.

32. OPERATING EXPENSES

	Note	2018 (Rupees)	2017 (Rupees)
Operating expenses	32.2	76,543,471,359	5,615,200,554
Depreciation	5.3	2,754,969,655	2,854,100,758
Amortization of development and production assets	8	2,117,196,769	2,075,009,476
Impairment	32.1	864,784,056	2,597,825,427
Cost of services		-	160,563,797
		82,280,421,839	13,302,700,014

32.1 Impairment

	Note	2018 (Rupees)	2017 (Rupees)
Impairment on property, plant and equipment	5.4	521,649,272	1,378,403,487
Impairment on development and production assets	8.6	253,468,329	574,473,914
Impairment on inventory	12.1	52,454,555	157,165,870
Impairment on CWIP		37,211,900	487,782,156
		864,784,056	2,597,825,427

32.2 It includes cost amounting to Rs. 68,764.24 million related to purchase of LNG and cost amounting to Rs. 4,892.56 million related to capacity, utilization and flexibility charges for regasification of LNG.

32.2.1 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.

32.2.2 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, 2018, 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.

32.2.3 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.

32.2.4 The recoverable amount of the Joint Venture investment is based on 'value-in-use' computations. In assessing the value in use, estimated future cash flows are discounted to their present value, using a pre-tax discount rate that is based on the existing policy rate prevailing within the country. The pre-tax discount rate applied to cash flow projections is 8.50% (2017: 7.75 %).

33. OTHER INCOME

	Note	2018 (Rupees)	2017 (Rupees)
Income from financial assets			
Return on bank deposits		289,906,337	561,092,281
Return on term deposit receipts		1,414,526,333	1,474,680,295
Exchange loss		(18,517,891)	(597,904)
		1,685,914,779	2,035,174,672
Income from non financial assets			
Disposal of fixed assets		1,989,052	7,404,070
Signature bonus		8,540,000	184,777,777
Others	33.1	142,262,945	1,366,165,304
		1,838,706,776	3,593,521,823

33.1 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 Group disposed the assets in November 2016.

	Note	2018 (Rupees)	2017 (Rupees)
34. EXPLORATION AND PROSPECTING EXPENDITURE			
Cost of dry and abandoned wells	7	149,752,750	141,423,572
Prospecting expenditure		937,501,387	947,620,821
		1,087,254,137	1,089,044,393
35. GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	35.1	491,254,421	476,589,020
TAPI-Project expenditure	35.5	6,207,636	3,817,219
RLNG/LNG-Project expenditure		8,778,675	-
North South Gas (NSG) Pipeline Project expenditure		3,696,909	3,168,159
Travelling and conveyance		13,097,829	18,632,702
Repairs and maintenance		13,672,510	6,742,118
Rent		30,821,698	25,398,706
Communications		1,303,221	1,141,335
Utilities		8,987,592	6,208,336
Training and seminars		3,492,214	5,058,448
Boarding and lodging		2,078,099	1,550,794
Printing and stationery		2,942,687	2,274,882
Advertisement		10,244,461	8,457,609
Entertainment		2,515,441	1,737,407
Legal and professional charges		89,675,778	50,209,982
Auditors' remuneration	35.6	4,207,650	2,173,050
Fee and subscription		3,940,010	2,668,002
Software maintenance fee		4,141,473	6,447,811
Insurance		6,743,816	6,514,421
Donations		500,000	3,000,000
Amortization of intangible assets		2,260,371	339,183
Depreciation	5.3	19,755,770	5,222,866
Security services		6,373,521	10,913,129
Others		24,148,137	8,670,446
		760,839,819	655,931,625
Less: Allocated to cost of sales		-	(160,563,797)
		760,839,819	495,367,828

35.1 Includes therein Rs. 21.791 million (2017: Rs.24.979 million) in respect of post employment benefits.

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

	Chief Executive		Executives		Total	
	2018	2017	2018	2017	2018	2017
	Rupees					
Managerial remuneration	11,893,997	84,503,164	282,078,290	242,969,900	293,972,287	327,473,064
Bonus	-	8,644,586	-	9,671,372	-	18,315,958
Retirement benefits	454,669	10,392,771	44,663,067	35,782,887	45,117,736	46,175,658
	12,348,666	103,540,521	326,741,357	288,424,159	339,090,023	391,964,680
	1	1	49	70		

35.3 Fee paid to non-executive directors for attending the Board of Directors meetings amounted to Rs 6,887,500 (2017: Rs. 1,812,500). The Ex-Chief Executive had also been provided with fully maintained Company car in accordance with the entitlement.

35.4 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. 9,740,824.

35.5 **TAPI Project Expenditure**	Note	2018 (Rupees)	2017 (Rupees)
Consultancy services			
- Local		2,274,529	593,000
Travelling expenses			
- Foreign		3,715,144	2,743,097
- Local		70,498	435,288
Advertisement and promotional conferences		147,465	45,834
		6,207,636	3,817,219

35.6 Auditors' remuneration

Holding Company		
Statutory audit fee	1,110,000	925,000
Out of pocket expenses	267,650	48,050
	1,377,650	973,050
Subsidiaries		
Statutory audit fee	2,780,000	1,160,000
Out of pocket expenses	50,000	40,000
	2,830,000	1,200,000
	4,207,650	2,173,050

36. OTHER EXPENSES

Loss on sale of fixed asset		-	315,272
Exchange loss - Net	36.1	2,418,791,481	237,839,302
		2,418,791,481	238,154,574

36.1 Exchange gain/loss at year end arises on revaluation of financial assets and liabilities which mainly include Trade Debts and Joint venture liabilities. Closing exchange rate used for year end revaluation is Rs. 121.5/USD(2017: Rs. 105/USD).

37. FINANCE (INCOME) / COST

Unwinding of discount on provision for decommiss	25.1	95,556,422	68,235,303
Discount of long term loan	9.1	-	(21,010,904)
Discount of long term liability	23.2	(107,624,547)	(77,022,456)
Interest on running finance		249,841,564	22,260,274
Bank charges		208,416	204,638
		237,981,855	(7,333,147)

38. TAXATION

Current	15,365,485,931	10,597,319,167
Prior	(123,419,477)	35,069,186
Deferred	236,167,400	1,261,611,943
	15,478,233,854	11,894,000,296

38.1 Reconciliation of tax charge for the year:

	2018 (Rupees)	2017 (Rupees)
Accounting profit	43,645,957,722	31,392,543,157
Tax at the applicable rate of 40% (2017: 40%)	16,840,648,789	12,887,551,558
Tax effect of:		
Inadmissible expenditure for tax purposes	3,326,916,347	3,262,945,367
Tax incentives allowable for petroleum business	(2,868,634,909)	(2,207,809,644)
Accelerated tax depreciation for tax purposes	(3,659,715,159)	(3,825,406,360)
Adjustable non-petroleum income chargeable @ 34% (2017: 34%)	(217,138,616)	(278,852,092)
Tax effect of prior years	(123,419,477)	35,069,186
Super Tax @ 3% (2017: 3%)	1,022,957,018	758,890,339
Tax effect of amounts that are taxable seperately	920,452,461	(23,120,907)
Tax impact of deferred tax charged at effective tax rate	236,167,400	1,284,732,849
	(1,362,414,935)	(993,551,262)
	15,478,233,854	11,894,000,296

39. EARNINGS PER SHARE - BASIC AND DILUTED

Profit after taxation for the year	28,067,723,868	19,498,542,861
Average number of shares outstanding during the year	2,025,000,002	2,025,000,002
Earnings per share - basic (Rupees)	13.86	9.63

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

40. APPLICABILITY OF IFRIC - 4 "DETERMINING WHETHER AN ARRANGEMENT CONTAINS A LEASE"

SECP, through its S.R.O no. 24(I)/2012, dated January 16, 2012, exempted the application of IFRIC - 4 "Determining Whether an Arrangement Contains a Lease" for all companies. However, SECP has made it mandatory to disclose the impact on the results of the application of IFRIC - 4.

Under IFRIC - 4, the consideration required to be made by lessee for the right to use the asset is to be accounted for as finance lease under IAS - 17 "Leases". Had the interpretation been applied, following adjustments to profit and loss account and balance sheet would have been made:

	2018	2017
	Rupees	
Increase in loss for the year - net	4,812,436,889	-
Increase in unappropriated loss	4,812,436,889	-

41. FINANCIAL INSTRUMENTS

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

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

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

41.1 Credit risk

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

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

Exposure to credit risk

The Group's maximum exposure to credit risk for the components of statement of financial position at June 30, 2018 and 2017 is equal to the carrying amounts of financial assets as given below;

	2018 (Rupees)	2017 (Rupees)
Long term loan	13,502,289	120,552,632
Trade debts - net	67,224,778,620	28,801,942,669
Loans and other receivables	209,724,459	3,121,776
Security deposits	905,106	905,106
Interest accrued	327,219,581	295,599,418
Short-term investments - Restricted	12,719,529,035	32,050,000,000
Bank balances	10,171,749,338	3,674,450,312
	90,667,408,428	64,946,571,913

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	
2018	12,029,815,445	23,826,664,194	7,726,447,214	23,842,401,767	4,604,647,534	72,029,876,164
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

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

2018	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	1,580,105,951	1,643,811,286	1,728,604,787	5,997,060,172	357,740,638	11,307,022,833
SSGCL	4,853,227,619	20,887,504,733	6,158,433,881	17,952,947,473	4,246,171,044	53,897,284,750
ARL	3,342,100,760	1,024,911,801	1,026,013	(5,336,571)	-	4,362,702,003
NRL	358,312,883	(5,498,216)	4,417,138	45,765,618	1,735,852	411,723,278
PARCO	674,791,850	(4,911,058)	-	11,233,850	-	681,114,642
ENAR	27,916,980	-	-	-	-	27,916,980
OPI	96,380,440	6,533,305	(36,494,177)	(43,157,630)	-	23,261,938
PRL	441,977,808	-	-	-	-	441,977,808
FON GAS	2,597,923	2,944,689	-	-	-	5,542,612
ENGRO	61,832,355	-	-	6,310,824	-	68,143,179
OGDCL	122,116,788	-	-	-	-	122,116,788
UEPL	301,222,916	-	-	-	-	301,222,916
Burshane	26,992,325	43,059,192	(59,601,312)	(18,825,022)	-	(7,374,817)
POL	61,155,227	7,083,268	5,879,127	(83,624,606)	-	(9,626,984)
Bukhari Gas	41,110,962	34,523,472	(76,818,243)	(21,962,241)	-	(22,146,050)
Hi-Tech Pipe	1,484,225	-	-	-	-	1,484,225
Jakhro-LPG	2,031,083	2,102,378	-	-	-	4,133,461
Sinjhoro-LPG	73,677,044	79,968,596	-	-	-	153,645,640
TAY-LPG	63,553,756	50,289,878	-	-	-	113,843,634
NASHPA	74,774,976	42,477,641	-	-	-	117,252,617
PARCO PEARL	3,351,739	-	-	-	-	3,351,739
PYRAMID GAS	3,530,579	7,157,465	-	-	-	10,688,044
EGAS	8,669,257	5,925,765	-	-	-	14,595,022
	12,029,815,445	23,826,664,194	7,726,447,214	23,842,401,767	4,604,647,534	72,029,876,164

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	1,432,845,468	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	(16,984,764)	(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-LP	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 Group believes that the recovery of receivable balances of Rs. 4,604,647,534 (2017: 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:

		2018 (Rupees)	2017 (Rupees)
A 1+	PACRA	8,978,388,051	2,529,812,297
A-1+	JCR-VIS	1,193,361,285	1,130,571,303
		10,171,749,336	3,660,383,600

41.2 Liquidity risk

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

The maturity profile of the Group's financial assets and liabilities based on at June 30, 2018, is summarized below:

2018	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	-	-	5,992,848	5,992,848
Trade debts - net	-	-	67,224,778,620	67,224,778,620
Loans, advances and other receivables	-	-	209,724,459	209,724,459
Deposits	-	-	905,106	905,106
Interest accrued	-	-	327,219,581	327,219,581
Short-term investments - Restricted	5.95-6.00	12,719,529,035	-	12,719,529,035
Bank balances	3.75~5.95	10,171,852,897	-	10,171,852,897
Maturity after one year:				
Long-term loan	-	-	13,502,289	13,502,289
		22,891,381,932	67,782,122,903	90,673,504,835
Financial liabilities				
Maturity up to one year				
Trade and other payables	-	-	6,137,031,924	6,137,031,924
Current portion of long term liability	-	-	1,344,242,108	1,344,242,108
Maturity after one year:				
Long term liability	-	-	3,598,409,687	3,598,409,687
		-	11,079,683,719	11,079,683,719
Off balance sheet items:				
Capital expenditure commitments	-	-	5,805,736,763	5,805,736,763

2017	Effective yield/ interest Rate	Markup/ Interest bearing	Non markup/ Interest bearing	Total
	%		----------Rupees----------	
Financial assets				
Maturity up to one year				
Long term vehicle loans to staff		-	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
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

41.3 Market risk

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

Interest Rate Risk

Interest / mark-up rate risk management is the risk that the value of a financial instrument will fluctuate due to changes in interest rate. The Group does not have interest bearing financial liability; therefore, it does not have any interest rate/mark-up risk in respect of financial liabilities. The Group has invested in fixed interest bearing securities in the form of term deposit receipts during the year as mentioned in note 16. Further the Group has bank balances in deposit accounts that carry variable interest rates, as mentioned in note 17.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk in changes in foreign exchange rates relates primarily to the trade debts, long term liability in respect of carried interest and payable to Joint Venture Operators. At the date of statement of financial position, the net foreign currency exposure aggregates to USD 462.09 million (2017: USD 172.92 million).

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

Financial assets	2018 (USD)	2017 (USD)
Short term exposure		
Trade Debts - net	553,290,359	274,827,697
Foreign currency deposit accounts	398	390
	553,290,757	274,828,087

	2018 (USD)	2017 (USD)
Financial liabilities		
Short term exposure		
Due to Joint Venture operators	(50,510,551)	(58,620,308)
Current portion shown under current liabilities	(11,063,721)	(6,138,136)
Long term exposure		
Due to the Joint Venture operators	(29,616,541)	(37,147,744)
	(91,190,813)	(101,906,188)
Net exposure to foreign currency risk	462,099,944	172,921,899

	2018 (Rupees)	2017 (Rupees)
Financial assets		
Short term exposure		
Trade Debts - net	67,224,778,620	28,801,942,669
Foreign currency deposit accounts	48,322	39,848
	67,224,826,942	28,801,982,517
Financial liabilities		
Short term exposure		
Due to Joint Venture operators	(6,137,031,924)	(6,155,132,351)
Current portion shown under current liabilities	(1,344,242,108)	(644,504,311)
Long term exposure		
Due to the Joint Venture operators	(3,598,409,687)	(3,900,513,135)
	(11,079,683,719)	(10,700,149,797)
Net exposure to foreign currency risk	56,145,143,223	18,101,832,720

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

The following significant exchange rates applied during the year:

Average rate		Reporting date spot rate	
June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
(Pak Rupees)			
110.07	103.75	121.50	105.00

Foreign currency sensitivity

A 10% strengthening of the functional currency against USD at June 30, 2018 would have increased profit or loss by Rs. 37,618.01 million (2017: Rs. 5,744.78 million). A 10% weakening of the functional currency against USD at 30 June 2018 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

41.4 Financial Instruments by category

	Note	2018 (Rupees)	2017 (Rupees)
Financial assets			
Held to maturity Investments			
Short term investment - held to maturity	18	12,719,529,035	32,050,000,000
Loans and receivables			
Long-term loan	9	13,502,289	120,552,632
Trade debts - net	14	67,224,778,620	28,801,942,669
Loans, advances and other receivables		209,724,459	3,121,776
Deposits	16	905,106	905,106
		67,448,910,474	28,926,522,183

	Note	2018 (Rupees)	2017 (Rupees)
Other financial assets at amortized cost			
Cash and bank balances	19	10,171,852,897	3,674,534,828
Interest accrued	17	327,219,581	295,599,418
		10,499,072,478	3,970,134,246
		90,667,511,987	64,946,656,429
Financial liabilities - at amortized cost			
Long term liability	23	3,598,409,687	3,900,513,135
Trade and other payables	27	6,137,031,924	6,125,999,697
		9,735,441,611	10,026,512,832

41.5 Fair value of financial assets and liabilities

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

41.6 Capital management

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

The Group manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to GoP and/or issue new shares.

42. TRANSACTIONS WITH RELATED PARTIES

The Group is controlled by Government of Pakistan. Therefore, all entities owned and controlled by the Government of Pakistan are related parties of the Group. Other related parties comprise associated company, directors, companies with common directorship, key management personnel and employees pension trust. The Group in normal course of business pays for electricity, gas and telephone to entities controlled by Government of Pakistan which are not material, hence not disclosed in following note. Transactions of the Group with related parties and balances outstanding at the year end are as follows:

Associated company	Note	2018 (Rupees)	2017 (Rupees)
Major shareholders			
Government of Pakistan			
Dividend paid		5,000,000,000	20,000,000,000
Bonus			20,000,000,000
Other related parties			
Remuneration to Chief Executives and Directors	35.2	12,348,666	103,540,521
Post employment benefits		-	-
Receivable\(payable) balance			
Gratuity fund		(24,690,298)	(25,867,575)
Provident fund		(1,220,511)	(2,165,135)

	Note	2018 (Rupees)	2017 (Rupees)
Related parties by virtue of common directorship and GoP holdings			
Pak Arab Refinery Company Limited			
Sale of crude oil		4,339,332,057	3,771,976,487
Trade debts as at 30 June		681,114,642	665,886,102
Sui Northern Gas Pipelines Limited			
Sale of natural Gas / RLNG		84,800,990,703	10,394,320,134
Trade debts as at 30 June		11,307,022,833	5,014,496,895
Sui Southern Gas Company Limited			
Sale of natural Gas / RLNG		25,639,162,020	23,469,744,113
Trade debts as at 30 June		53,897,284,760	24,801,719,901
Enar Petrotech Services Limited			
Sale of crude oil		184,137,452	223,946,018
Trade debts as at 30 June		27,916,980	29,290,713
Oil and Gas Development Company Limited			
Cash calls paid against JV expenses		3,557,833,094	3,934,241,984
Pakistan Petroleum Limited			
Cash calls paid against JV expenses		2,298,201,580	1,953,044,694
Ministry of Energy (Petroleum Division)			
Rent		30,821,698	25,398,706

43. CASH AND CASH EQUIVALENTS

	Note	2018 (Rupees)	2017 (Rupees)
Short term investments	18	-	50,000,000
Cash and bank balances	19	10,171,852,897	3,674,534,828
		10,171,852,897	3,724,534,828

44. NUMBER OF EMPLOYEES

	Holding Company	Subsidiaries	Holding Company	Subsidiaries
	2018		2017	
Number of employees at year end	51	73	42	77
Average number of employees	47	72	42	76

45. STAFF PROVIDENT FUND

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

46. CORRESPONDING FIGURES

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

47. DATE OF AUTHORIZATION OF ISSUE

These financial statements have been authorized for issue by the Board of Directors of the Group in its meeting held on Nov 23, 2018.

48. GENERAL

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

Chief Executive Officer

Director