OIL AND GAS DEVELOPMENT COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019	2018
		-------------(Rupees '000)-------------	
SHARE CAPITAL AND RESERVES			
Share capital	5	43,009,284	43,009,284
Reserves	6	14,614,483	13,366,622
Unappropriated profit		567,741,481	494,180,516
		625,365,248	550,556,422
NON CURRENT LIABILITIES			
Deferred taxation	7	23,571,884	19,980,119
Deferred employee benefits	8	22,154,000	21,280,694
Provision for decommissioning cost	9	22,862,587	19,465,075
		68,588,471	60,725,888
CURRENT LIABILITIES			
Trade and other payables	10	49,477,743	36,705,914
Unpaid dividend	11	22,951,943	18,169,267
Unclaimed dividend		213,785	319,706
		72,643,471	55,194,887
		766,597,190	666,477,197
CONTINGENCIES AND COMMITMENTS	12		

	Note	2019	2018
		-------------(Rupees '000)-------------	
NON CURRENT ASSETS			
Property, plant and equipment	13	117,787,033	124,063,611
Development and production assets - intangible	14	91,958,684	94,403,553
Exploration and evaluation assets	15	15,216,824	6,525,579
		224,962,541	224,992,743
Long term investments	16	22,895,586	27,617,446
Long term loans and receivable	17	8,085,201	7,344,145
Long term prepayments		868,036	664,958
		256,811,364	260,619,292
CURRENT ASSETS			
Stores, spare parts and loose tools	18	18,751,790	17,984,525
Stock in trade		446,645	346,829
Trade debts	19	242,731,940	163,691,820
Loans and advances	20	9,669,299	17,300,931
Deposits and short term prepayments	21	1,329,883	1,339,343
Other receivables	22	7,762,428	452,987
Income tax - advance	23	20,027,510	37,278,361
Current portion of long term investments	16.2	113,770,186	95,957,967
Other financial assets	24	74,726,436	67,834,662
Cash and bank balances	25	20,569,709	3,670,480
		509,785,826	405,857,905
		766,597,190	666,477,197

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

Chief Financial Officer **Chief Executive** **Director**

OIL AND GAS DEVELOPMENT COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	------------(Rupees '000)------------	
Profit for the year	118,385,788	78,736,295
Other comprehensive income / (loss) for the year		
Items that will not be reclassified to profit or loss:		
Remeasurement gain / (loss) on employee retirement benefit plans	8,042,941	(625,359)
Current tax (charge) / credit related to remeasurement gain/ (loss) on employee retirement benefit plans	(4,278,845)	339,945
Share of other comprehensive loss of the associate - net of taxation	(30,274)	(18,369)
	3,733,822	(303,783)
Total comprehensive income for the year	122,119,610	78,432,512

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

Chief Financial Officer **Chief Executive** **Director**

OIL AND GAS DEVELOPMENT COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

		Reserves						
		Capital reserves				Other reserves		
	Share capital	Capital reserve	Self insurance reserve	Share of capital redemption reserve fund in associated company	Share of self insurance reserve in associated company	Share of undistributed percentage return reserve in associated company	Unappropriated profit	Total equity
	-----------------	-----------------	-----------------	-----------------	(Rupees '000)	-----------------	-----------------	-----------------
Balance as at 1 July 2017	43,009,284	836,000	8,920,000	2,118,000	120,000	99,287	457,881,766	512,984,337
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	78,736,295	78,736,295
Other comprehensive income / (loss) for the year	-	-	-	-	-	-	(303,783)	(303,783)
Total comprehensive income for the year	-	-	-	-	-	-	78,432,512	78,432,512
Transfer to self insurance reserve	-	-	1,051,607	-	-	-	(1,051,607)	-
Charged to self insurance reserve	-	-	(1,607)	-	-	-	-	(1,607)
Transfer to undistributed percentage return reserve by an associated company	-	-	-	-	-	23,335	(23,335)	-
Transfer to self insurance reserve by an associated company	-	-	-	-	200,000	-	(200,000)	-
Transactions with owners of the Company								
Distributions								
Final dividend 2017: Rs 2.00 per share	-	-	-	-	-	-	(8,601,857)	(8,601,857)
First interim dividend 2018: Rs 1.75 per share	-	-	-	-	-	-	(7,526,625)	(7,526,625)
Second interim dividend 2018: Rs 3.00 per share	-	-	-	-	-	-	(12,902,785)	(12,902,785)
Third interim dividend 2018: Rs 2.75 per share	-	-	-	-	-	-	(11,827,553)	(11,827,553)
Total distributions to owners of the Company	-	-	-	-	-	-	(40,858,820)	(40,858,820)
Balance as at 30 June 2018	43,009,284	836,000	9,970,000	2,118,000	320,000	122,622	494,180,516	550,556,422
Balance as at 1 July 2018	43,009,284	836,000	9,970,000	2,118,000	320,000	122,622	494,180,516	550,556,422
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	118,385,788	118,385,788
Other comprehensive income / (loss) for the year	-	-	-	-	-	-	3,733,822	3,733,822
Total comprehensive income for the year	-	-	-	-	-	-	122,119,610	122,119,610
Transfer to self insurance reserve	-	-	1,050,572	-	-	-	(1,050,572)	-
Charged to self insurance reserve	-	-	(572)	-	-	-	-	(572)
Transfer from undistributed percentage return reserve by an associated company	-	-	-	-	-	(2,139)	2,139	-
Transfer to self insurance reserve by an associated company	-	-	-	-	200,000	-	(200,000)	-
Transactions with owners of the Company								
Distributions								
Final dividend 2018: Rs 2.50 per share	-	-	-	-	-	-	(10,752,321)	(10,752,321)
First interim dividend 2019: Rs 2.75 per share	-	-	-	-	-	-	(11,827,553)	(11,827,553)
Second interim dividend 2019: Rs 3.00 per share	-	-	-	-	-	-	(12,902,785)	(12,902,785)
Third interim dividend 2019: Rs 2.75 per share	-	-	-	-	-	-	(11,827,553)	(11,827,553)
Total distributions to owners of the Company	-	-	-	-	-	-	(47,310,212)	(47,310,212)
Balance as at 30 June 2019	43,009,284	836,000	11,020,000	2,118,000	520,000	120,483	567,741,481	625,365,248

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

Chief Financial Officer **Chief Executive** **Director**

OIL AND GAS DEVELOPMENT COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019	2018
		-----------(Rupees '000)-----------	
Cash flows from operating activities			
Profit before taxation		176,599,413	112,626,761
Adjustments for:			
Depreciation		11,022,070	10,558,188
Amortization of development and production assets		17,947,440	15,910,719
Royalty		29,335,927	21,970,947
Workers' profit participation fund		9,294,706	5,927,724
Provision for employee benefits		4,059,978	4,380,003
Decommissioning cost		87,248	90,790
Un-winding of discount on provision for decommissioning cost		1,686,425	1,722,384
Reversal due to change in decommissiomg cost estimates		(284,169)	(1,173,102)
Interest income		(15,905,773)	(10,984,022)
Un-realized loss on investments at fair value through profit or loss		88,309	44,904
Exchange gain on foreign currency investment and deposit accounts		(11,577,789)	(3,079,506)
Dividend income		(10,579)	(20,431)
Loss/ (gain) on disposal of property, plant and equipment		1,449	(59,445)
Provision for slow moving, obsolete and in transit stores		112,090	(19,618)
Share of profit in associate		(4,865,418)	(3,074,868)
Stores inventory written off		60,599	421,200
		217,651,926	155,242,628
Changes in:			
Stores, spare parts and loose tools		(939,954)	56,740
Stock in trade		(99,816)	29,561
Trade debts		(79,040,120)	(45,117,352)
Deposits and short term prepayments		9,460	218,096
Advances and other receivables		6,759,224	(3,587,712)
Trade and other payables		5,790,762	1,432,270
Cash generated from operations		150,131,482	108,274,231
Royalty paid		(28,452,352)	(19,279,507)
Employee benefits paid		(7,639,977)	(10,471,443)
Long term prepayments		(203,078)	187,733
Payment from self insurance reserve		(572)	(1,607)
Decommissioning cost paid		(182,690)	(296,202)
Receipt from/ (payment to) workers' profit participation fund-net		172,276	(7,391,445)
Income taxes paid		(41,649,854)	(20,885,846)
		(77,956,247)	(58,138,317)
Net cash from operating activities		72,175,235	50,135,914
Cash flows from investing activities			
Capital expenditure		(24,992,654)	(17,491,305)
Interest received		8,343,562	8,649,210
Dividends received		161,457	145,069
Encashment of investments		9,327,104	50,809,086
Purchase of investments- net		(10,170,987)	(2,519,766)
Proceeds from disposal of property, plant and equipment		91,263	96,970
Net cash (used in)/ generated from investing activities		(17,240,255)	39,689,264
Cash flows from financing activities			
Dividends paid		(42,633,457)	(36,809,433)
Net cash used in financing activities		(42,633,457)	(36,809,433)
Net increase in cash and cash equivalents		12,301,523	53,015,745
Cash and cash equivalents at beginning of the year		71,169,841	15,074,591
Effect of movements in exchange rate on cash and cash equivalents		11,577,789	3,079,506
Cash and cash equivalents at end of the year	37	95,049,153	71,169,842

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

Chief Financial Officer **Chief Executive** **Director**

1 LEGAL STATUS AND OPERATIONS

Oil and Gas Development Company Limited (OGDCL), 'the Company', was incorporated on 23 October 1997 under the Companies Ordinance, 1984 (now the Companies Act, 2017). The Company was established to undertake exploration and development of oil and gas resources, including production and sale of oil and gas and related activities formerly carried on by Oil and Gas Development Corporation, which was established in 1961. The registered office of the Company is located at OGDCL House, Plot No. 3, F-6/G-6, Blue Area, Islamabad, Pakistan. The shares of the Company are quoted on Pakistan Stock Exchange Limited. The Global Depository Shares (1GDS = 10 ordinary shares of the Company) of the Company are listed on the London Stock Exchange.

Geographical location and addresses of all other business units of the Company have been disclosed in note 43.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

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

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

2.1.1 The Securities and Exchange Commission of Pakistan (SECP) through its S.R.O 888(I)/2019 dated 29 July 2019 notified certain amendments in disclosure requirements of fourth schedule to the Companies Act, 2017. The S.R.O has been notified to be applicable on companies preparing financial statements as on 30 June 2019 and onwards by SECP through S.R.O 961(I)/2019 dated 23 August 2019. Accordingly, the financial statements have been prepared to reflect the amendments of the said S.R.O. The amendment resulted in deletion of certain disclosures related to taxation, loan to employees, investment in related parties, field/ plants employees and significant events and transactions during the year as disclosed in financial statements for the year ended 30 June 2018.

2.2 BASIS OF MEASUREMENT

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

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

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

2.3 ADOPTION OF NEW ACCOUNTING STANDARDS

IFRS 9 'Financial Instruments' became effective from 30 June 2019 and IFRS 15 'Revenue from Contracts with Customers' became effective from 1 July 2018. SECP through S.R.O. 985 (I)/2019 dated 02 September 2019 has notified that in respect of companies holding financial assets due from the Government of Pakistan (GoP), the requirements contained in IFRS 9 with respect to application of expected credit loss (ECL) model shall not be applicable till 30 June 2021, provided that such companies shall follow relevant requirements of IAS 39 'Financial Instruments: Recognition and Measurement' in respect of above referred financial assets during the exemption period. SECP vide letter No. EMD/IACC/9/2009-174 dated 05 September 2019 has clarified to the Company that financial assets due from GoP include those that are directly due from GoP and that are ultimately due from GoP in consequence of the circular debt. IFRS 9 introduces the ECL model, which replaces the incurred loss model of IAS 39 whereby an allowance for doubtful debt was required only in circumstances where a loss event has occurred. By contrast, the ECL model requires the Company to recognize an allowance for doubtful debt on all financial assets measured at amortised cost, irrespective of whether a loss event has occurred. In accordance with the exemption granted by SECP, ECL has not been assessed in respect of financial assets due directly / ultimately from GoP which includes trade debts amounting to Rs 241,506 million from customers on account of Inter-Company circular debt and principal and interest due on Term Finance Certificates (TFCs) outstanding from Power Holding (Private) Limited (PHPL) amounting to Rs 82,000 million and Rs 31,732 million respectively. Impact of ECL on financial assets not covered under exemption was not material and accordingly has not been included in these financial statements. Related changes in accounting policies and impact on Company's financial statements are explained in note 3 and note 4 to these financial statements.

2.4 FUNCTIONAL AND PRESENTATION CURRENCY

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

2.5 SIGNIFICANT ACCOUNTING ESTIMATES

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

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

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

2.5.1 Property, plant and equipment

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

2.5.2 Exploration and evaluation expenditure

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

2.5.3 Development and production expenditure

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

2.5.4 Provision for decommissioning cost

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

2.5.5 Estimation of oil and natural gas reserves

Oil and gas reserves are an important element in calculation of amortization charge and for impairment testing of development and production assets of the Company. Estimates of oil and natural gas reserves are inherently imprecise, require the application of judgement and are subject to future revision. Proved reserves are estimated with reference to available reservoir and well information, including production and pressure trends for producing reservoirs and, in some cases, subject to definitional limits, to similar data from other producing reservoirs. All proved reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans.

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

2.5.6 Employee benefits

Defined benefit plans are provided for permanent employees of the Company. The employees pension and gratuity plan are structured as separate legal entities managed by trustees. The Company recognizes deferred liability for post retirement medical benefits and accumulating compensated absences. These calculations require assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and pension benefit levels, medical benefit rate and the discount rate used to convert future cash flows to current values. The assumptions used vary for the different plans as they are determined by independent actuaries annually.

Pension or service cost primarily represents the increase in actuarial present value of the obligation for benefits earned on employees service during the year and the interest on the net liability/(asset) in respect of employee's service in previous years. Calculations are sensitive to changes in the underlying assumptions.

2.5.7 Taxation

The Company takes into account the current income tax laws and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and the Company considers that its view on items of material nature is in accordance with law, the amounts are disclosed as contingent liabilities.

2.5.8 Stores and spares

The Company reviews the stores and spares for possible write downs on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores and spares with a corresponding affect on the provision.

2.5.9 Measurement of the expected credit loss allowance

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

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

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

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

2.5.10 Provision against trade debts, advances and other receivables

The Company reviews the recoverability of its trade debts, advances and other receivables that are due from GoP to assess amount of bad debts and provision required there against on annual basis. As referred in note 2.3 the SECP has exempted applicability of ECL model on financial assets due directly / ultimately from GoP.

2.6 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments are not likely to have impact on Company's financial statements.

- Amendments to IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2019) on prepayment features with negative compensation. The amendments allow companies to measure particular prepayable financial assets with so called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met, instead of at fair value through profit or loss. The amendments are not likely to have impact on Company's financial statements.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The Company is currently assessing the requirements of IFRIC 23 to analyze its implications, if any, on the financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future.. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

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

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

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

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

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

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been notified locally by the Securities and Exchange Commission of Pakistan (SECP) as at 30 June 2019:

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

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

- IFRIC 4 – Determining Whether an Arrangement Contains a Lease. Also refer note 44 to the financial statements.
- IFRIC 12 – Service Concession Arrangements
- IFRS 2 – Share based payment in respect of Benazir Employees' Stock Option Scheme. Also refer note 45 to the financial statements.

3 CHANGE IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 9 "Financial Instruments" except for financial assets due directly / ultimately from GoP for which exemption in respect of applicability of ECL model is granted by SECP as explained in note 2.3 and IFRS 15 "Revenue from Contracts with Customers" on the Company's financial statements that have been adopted during the year:

3.1 IFRS 9 Financial Instruments:

IFRS 9 'Financial instruments' replaces IAS 39 "Financial Instruments: Recognition and measurement" and is effective for the year ended 30 June 2019.

IFRS 9 introduces new requirements for:
- the classification and measurement of financial assets and financial liabilities;
- impairment of financial assets; and
- hedge accounting.

IFRS 9 permits either a full retrospective or a modified retrospective approach for adoption. The Company has adopted the standard using the modified retrospective approach for classification, measurement and impairment. This means that the cumulative impact, if any, of the adoption is recognized in unappropriated profit as of 01 July 2018 and comparatives are not restated. Details of these new requirements as well as their impact on the Company's financial statements are described below:

3.1.1 Classification and measurement of financial assets and financial liabilities

IFRS 9 requires the Company to assess the classification of financial assets in its statement of financial position in accordance with the cash flow characteristics of the financial assets and the relevant business model that the Company has for a specific class of financial assets.

IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. IFRS 9 has different requirements for debt and equity financial assets.

Debt instruments should be classified and measured at either:

- amortised cost, where the effective interest rate method will apply;
- fair value through other comprehensive income (FVTOCI), with subsequent recycling to the profit or loss upon disposal of the financial asset; or
- fair value through profit or loss (FVTPL).

Investment in equity instruments, other than those to which consolidation or equity accounting applies should be classified and measured at:

- fair value through other comprehensive income (FVTOCI), with no subsequent recycling to the profit or loss upon disposal of the financial asset; or
- fair value through profit or loss (FVTPL).

The adoption of IFRS 9 has no significant effect on the Company's accounting policies related to financial liabilities.

3.1.2 The effect of adopting IFRS 9 on the classification, measurement and carrying amounts of financial assets at 01 July 2018 is as follows:

	Classification category		Measurement category		Carrying amount		
	New (IFRS 9)	Original (IAS 39)	New (IFRS 9)	Original (IAS 39)	New (IFRS 9)	Original (IAS 39)	Difference
					------------------(Rupees '000)------------------		
Current financial assets							
Trade debts	Amortised cost	Loans and receivables	Amortised cost	Amortised cost	163,691,820	163,691,820	-
Loans and advances	Amortised cost	Loans and receivables	Amortised cost	Amortised cost	6,296,256	6,296,256	-
Deposits	Amortised cost	Loans and receivables	Amortised cost	Amortised cost	29,057	29,057	-
Other receivables	Amortised cost	Loans and receivables	Amortised cost	Amortised cost	200,320	200,320	-
Current portion of long term investments	Amortised cost	Held to maturity	Amortised cost	Amortised cost	95,957,967	95,957,967	-
Cash and bank balances	Amortised cost	Loans and receivables	Amortised cost	Amortised cost	3,670,480	3,670,480	-
Other financial assets- carried at amortised cost	Amortised cost	Loans and receivables	Amortised cost	Amortised cost	67,499,361	67,499,361	-
Other financial assets- carried at fair value	FVTPL	FVTPL	FVTPL	FVTPL	335,301	335,301	-
Non-current financial assets							
Long term investments	Amortised cost	Held to maturity	Amortised cost	Amortised cost	19,577,113	19,577,113	-
Long term loans and receivables	Amortised cost	Loans and receivables	Amortised cost	Amortised cost	7,344,145	7,344,145	-
Current financial liabilities							
Trade and other payables	Other financial liabilities	Other financial liabilities	Amortised cost	Amortised cost	24,174,486	24,174,486	-
Unpaid dividend	Other financial liabilities	Other financial liabilities	Amortised cost	Amortised cost	18,169,267	18,169,267	-
Unclaimed dividend	Other financial liabilities	Other financial liabilities	Amortised cost	Amortised cost	319,706	319,706	-

3.1.3 Impairment of financial assets

IFRS 9 introduces the ECL model, which replaces the incurred loss model of IAS 39 whereby an allowance for doubtful debt was required only in circumstances where a loss event has occurred. By contrast, the ECL model requires the Company to recognize an allowance for doubtful debt on all financial assets carried at amortized cost, as well as debt instruments classified as financial assets carried at fair value through other comprehensive income, since initial recognition, irrespective whether a loss event has occurred. For trade debts, the Company applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected loss allowance while general 3-stage approach for all other financial assets i.e to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. The adoption of ECL model has no material impact on the financial assets of the Company to which ECL model is applicable.

As referred in note 2.3, SECP has exempted the applicability of expected credit loss 'ECL' model on financial assets due directly / ultimately from GoP.

3.2 IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. IFRS 15 addresses revenue recognition for contracts with customers as well as treatment of incremental costs incurred in acquiring a contract with a customer.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Specifically, the standard introduces a 5 - step approach to revenue recognition:

Step 1 Identify the contract(s) with a customer.
Step 2 Identify the performance obligations in the contract.
Step 3 Determine the transaction price.
Step 4 Allocate the transaction price to the performance obligations in the contract.
Step 5 Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer.

IFRS 15 permits either a full retrospective or a modified retrospective approach for adoption. The Company has adopted the standard using the modified retrospective approach, which means that the cumulative impact of the adoption, if any, is recognized in unappropriated profit as of 01 July 2018 and comparatives are not restated. The adoption of IFRS 15 did not have any material impact on the Company's financial statements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company except for the changes as disclosed in note 3 to these financial statements:

4.1 EMPLOYEE BENEFITS

Salaries, wages and benefits are accrued in the period in which the associated services are rendered by employees of the Company. The accounting policy for pension, gratuity, post retirement medical benefits and accumulating compensated absences is described below:

4.1.1 Pension, gratuity, post retirement medical benefits and accumulating compensated absences

The Company operates an approved funded pension scheme under an independent trust for its permanent employees regularized before 1 January 2016, as a defined benefit plan. The employees regularized from 1 January 2016 and onwards will be entitled to gratuity, a defined benefit plan and provident benefit, a defined contributory plan instead of pension benefit. In contributory provident fund, the Company shall match the contribution by employees upto one basic salary annually. The contractual officers of the Company are also entitled to gratuity.

The Company also provides post retirement medical benefits to its permanent employees in service prior to 28 April 2004 and their families as a defined benefit plan.

The Company also has a policy whereby its regular/contractual officers and regular staff are eligible to encash accumulated leave balance at the time of retirement in case of officers and at the time of retirement or during the service in case of regular staff.

The Company makes contributions or records liability in respect of defined benefit plans on the basis of actuarial valuations, carried out annually by independent actuaries. The latest actuarial valuations were carried out as of 30 June 2019. The calculations of actuaries are based on the Projected Unit Credit Method, net of the assets guaranteeing the plan, if any, with the obligation increasing from year to year, in a manner that it is proportional to the length of service of the employees.

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

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

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

Past service costs are recognized immediately in profit or loss.

4.2 TAXATION

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

4.2.1 Current tax

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

4.2.2 Deferred tax

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax has been calculated at the tax rate of 31.52% (2018: 29.42%) after taking into account depletion allowance and set offs, where available, in respect of royalty payment to the Government of Pakistan. The tax rate is reviewed annually.

4.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any except for freehold land and capital work in progress, which are stated at cost less impairment loss, if any. Cost in relation to property, plant and equipment comprises acquisition and other directly attributable costs and decommissioning cost as referred in the note 4.4.4 to the financial statements. The cost of self constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to working condition for their intended use. Software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Depreciation is provided on straight line method at rates specified in note 13 to the financial statements so as to write off the cost of property, plant and equipment over their estimated useful life. Depreciation on additions to property, plant and equipment is charged from the month in which property, plant and equipment is acquired or capitalized while no depreciation is charged for the month in which property, plant and equipment is disposed off.

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

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

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

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

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

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

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

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

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

4.4 OIL AND GAS ASSETS

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

4.4.1 Pre license costs

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

4.4.2 Exploration and evaluation assets

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

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

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

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

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

4.4.3 Development and production assets - intangible

Development and production assets are accumulated on a field by field basis and represent the cost of developing the discovered commercial reserves and bringing them into production, together with the capitalized E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets as outlined in accounting policy 4.4.2 above. The cost of development and production assets also includes the cost of acquisition of such assets, directly attributable overheads, and the cost of recognizing provisions for future site restoration and decommissioning.

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

4.4.4 Decommissioning cost

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

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

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

4.4.5 Impairment of oil and gas assets

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

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

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

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

4.5 INVESTMENTS IN ASSOCIATED COMPANIES

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

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

4.6 STORES, SPARE PARTS AND LOOSE TOOLS

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

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

4.7 STOCK IN TRADE

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

4.8 INTANGIBLES

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

4.9 REVENUE RECOGNITION

Policy applicable after 01 July 2018

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

Revenue is measured at the fair value of the consideration received or receivable which the Company expects to be entitled in exchange for transferring goods, net of government levies. Prices of crude oil and gas are specified in relevant agreements and / or as notified by the Government Authorities based on contracts with customers or petroleum policy. Effect of adjustments, if any, arising from revision in sale prices is reflected as and when the prices are finalized with the customers and/or approved by the GoP.

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

The Company collects signature bonus from its customers of liquefied petroleum gas at the time of signing of contracts against the allocation of fixed quantities to be supplied over the contract term. Accordingly performance obligation in case of signature bonus is satisfied overtime and the Company recognizes signature bonus over the term of contract. Previously income in respect of signature bonus was recognized upfront when the amount was received by the Company at the time of signing of contract. This change in policy was not material to the financial statements. The Company recognizes interest, if any, on delayed payments from customers / on investments only to the extent that it is highly probable that a significant reversal in the amount of income recognized will not occur when the uncertainty associated with the interest is subsequently resolved, which is when the interest on delayed payments is received by the Company.

Policy applicable before 01 July 2018

Revenue from sale of goods is recognized when significant risks and rewards of ownership are transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue from the sale of crude oil is recognized at the time of delivery to customers at refineries. Revenue from the sale of gas is recognized on the basis of joint meter reading at respective fields, whereas revenue from liquefied petroleum gas and Sulphur is recognized at the time of delivery to customers at fields.

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

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

4.10 FINANCE INCOME AND EXPENSE

Finance income comprises interest income on funds invested, delayed payments from customers, dividend income, exchange gain and changes in the fair value of financial assets at fair value through profit or loss. Interest income of financial assets at amortized cost is calculated using the effective interest method and is recognized in statement of profit or loss as part of finance income. Interest income is calculated by applying the effective interest rate to gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial assets. Dividend income on equity investments is recognized when the right to receive the payment is established. Foreign currency gains and losses are reported on a net basis.

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

4.11 JOINT OPERATIONS

Investments in joint arrangements are classified as either joint operations or joint ventures depending on contractual rights and obligations of the parties to the arrangement. The Company has assessed the nature of its arrangements and determined them to be joint operations.

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

4.12 FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated into PKR at the rate of exchange ruling on the statement of financial position date and exchange differences, if any, are charged to statement of profit or loss for the year.

4.13 FINANCIAL INSTRUMENTS

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

4.13.1 Initial recognition

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

4.13.1.1 Classification of financial assets - policy applicable from 01 July 2018

The Company classifies its financial instruments in the following categories:

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

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

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

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

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

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

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

4.13.1.2 Classification of financial liabilities - policy applicable from 01 July 2018

The Company classifies its financial liabilities in the following categories:

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

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

4.13.1.3 Subsequent measurement - policy applicable from 01 July 2018

- **Financial assets and liabilities at amortised cost**

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

- **Financial assets and liabilities at FVTPL**

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

- **Financial assets at FVTOCI**

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

4.13.1.4 Impairment of financial assets - policy applicable from 01 July 2018

The Company recognizes loss allowance for ECL on financial assets measured at amortised cost except for debts due directly / ultimately from GoP which includes certain trade debts and investment in TFCs issued by PHPL in respect of which exemption is granted by SECP as explained in note 2.3. For trade debts other than subject to aforesaid exemption of SECP, the Company applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected allowance. The Company uses General 3-stage approach for loans and advances, deposits, long term investments other than TFCs which is subject to aforeseaid exemption of SECP, other receivables, other financial assets and cash and bank balances i.e. to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instruments has not increased significantly since initial recognition.

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

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

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

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

4.13.1.5 Derecognition - policy applicable from 01 July 2018

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

- **Financial assets**

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

- **Financial liabilities**

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

4.13.1.6 Classification of financial assets - policy applicable before 01 July 2018

- **Investments held to maturity**

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

- **Loans and receivables**

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

- **Investments at fair value through profit or loss**

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

4.13.1.7 Impairment of financial assets - policy applicable before 01 July 2018

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

4.13.1.8 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if the Company has legally enforceable right to set-off the recognized amounts and the Company intends to settle on a net basis or realize the asset and settle the liability simultaneously.

4.14 TRADE DEBTS AND OTHER RECEIVABLES

Trade debts and other receivables are stated at original invoice amount as reduced by appropriate provision for impairment. Trade debts are amount receivable from customer for goods transferred for services performed in the ordinary course of business. Other receivables generally arise from the transactions outside the usual operating activities of the Company. If collection is expected in one year or less, they are classified as current assets. If not, presented as non-current assets.

4.15 TRADE AND OTHER PAYABLES

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

4.16 CASH AND CASH EQUIVALENTS

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

4.17 DIVIDEND

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

4.18 SELF INSURANCE SCHEME

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

4.19 OPERATING SEGMENTS

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

5 SHARE CAPITAL

Authorized share capital

2019	2018		2019	2018
------(Number of shares)---------			-----------(Rupees '000)-----------	
5,000,000,000	5,000,000,000	Ordinary shares of Rs 10 each	50,000,000	50,000,000

Issued, subscribed and paid up capital

1,075,232,100	1,075,232,100	Ordinary shares of Rs 10 each issued for consideration other than cash (note 5.1)	10,752,321	10,752,321
3,225,696,300	3,225,696,300	Ordinary shares of Rs 10 each issued as fully paid bonus shares	32,256,963	32,256,963
4,300,928,400	4,300,928,400		43,009,284	43,009,284

5.1 In consideration for all the properties, rights, assets, obligations and liabilities of Oil and Gas Development Corporation vested in the Company, 1,075,232,100 ordinary fully paid shares of Rs 10 each were issued to Government of Pakistan (GoP) on 23 October 1997. Currently, GoP holds 74.97% (2018: 74.97%) paid up capital of the Company.

6 RESERVES

	Note	2019	2018
		------------(Rupees '000)-----------	
Capital reserves:			
Capital reserve	6.1	836,000	836,000
Self insurance reserve	6.2	11,020,000	9,970,000
Capital redemption reserve fund - associated company	6.3	2,118,000	2,118,000
Self insurance reserve - associated company	6.4	520,000	320,000
Other reserves:			
Undistributed percentage return reserve - associated company	6.5	120,483	122,622
		14,614,483	13,366,622

6.1 This represents bonus shares issued by former wholly owned subsidiary - Pirkoh Gas Company (Private) Limited (PGCL) prior to merger. Accordingly, the reserve is not available for distribution to shareholders.

6.2 The Company has set aside a specific capital reserve for self insurance of rigs, buildings, wells, plants, pipelines, workmen compensation, vehicle repair and losses for petroleum products in transit. Refer note 16.2.2 for investments against this reserve. Accordingly, the reserve is not available for distribution to shareholders.

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

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

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

7 DEFERRED TAXATION

The balance of deferred tax is in respect of following temporary differences:

	2019	2018
	-----------(Rupees '000)-----------	
Accelerated depreciation on property, plant and equipment	14,502,834	13,454,728
Expenditure of prospecting, exploration and evaluation and development and production assets	5,516,652	7,223,087
Provision for decommissioning cost	(991,083)	(1,648,647)
Long term investment in associate	1,897,665	1,195,025
Provision for doubtful debts, claims and advances	(87,982)	(87,475)
Provision for slow moving and obsolete stores	(963,052)	(865,912)
Unrealised exchange gain - net	3,576,295	-
Others	120,555	709,313
	23,571,884	19,980,119

8 DEFERRED EMPLOYEE BENEFITS

	Note	2019	2018
		-----------(Rupees '000)-----------	
Post retirement medical benefits	8.1	17,261,231	15,525,380
Accumulating compensated absences	8.2	4,892,769	5,755,314
		22,154,000	21,280,694

8.1 Post retirement medical benefits

	2019	2018
Movement in the present value of defined benefit obligation is as follows:		
Present value of defined benefit obligation at beginning of the year	15,525,380	13,731,726
Current service cost	371,840	340,908
Interest cost	1,530,575	1,255,181
Benefits paid	(439,259)	(324,394)
Remeasurement loss recognized in other comprehensive income	272,695	521,959
Present value of defined benefit obligation at end of the year	17,261,231	15,525,380
Movement in liability recognized in the statement of financial position is as follows:		
Opening liability	15,525,380	13,731,726
Expense for the year	1,902,415	1,596,089
Benefits paid	(439,259)	(324,394)
Remeasurement loss recognized in other comprehensive income	272,695	521,959
Closing liability	17,261,231	15,525,380
Expense recognized is as follows:		
Current service cost	371,840	340,908
Interest cost	1,530,575	1,255,181
	1,902,415	1,596,089
The expense is recognized in the following:		
Operating expenses - profit or loss	1,035,673	856,426
General and administration expenses - profit or loss	257,962	223,498
Technical services	608,780	516,165
	1,902,415	1,596,089

	2019	2018
Significant actuarial assumptions used were as follows:		
Discount rate per annum	14.25%	10.00%
Medical inflation rate per annum - retired	14.25%	10.00%
Medical inflation rate per annum - in service	14.25%	10.00%
Mortality rate	Adjusted SLIC 2001-2005	
Withdrawal rate	Low	Low
Weighted average duration of the obligation	7 years	11 years

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
		-----------(Rupees '000)-----------	
Discount	1%	(2,421,221)	3,046,509
Medical indexation	1%	3,066,929	(2,474,591)
Withdrawal	10%	(1,871)	1,879

	1 year setback	1 year set forward
	-----------(Rupees '000)-----------	
Mortality	(20,721)	20,889

The expected medical expense for the next financial year is Rs 2,727.984 million.

8.2 Accumulating compensated absences

	2019	2018
	-----------(Rupees '000)-----------	
Present value of defined benefit obligation at beginning of the year	5,755,314	5,295,258
Charge for the year - net	1,133,472	2,301,795
Payments made during the year	(1,996,017)	(1,841,739)
Present value of defined benefit obligation at end of the year	4,892,769	5,755,314

The rates of discount at 14.25% per annum (2018: 10%) and salary increase rate of 14.25% per annum (2018: 10%) were assumed. The mortality rate, withdrawal rate and weighted average duration of the obligation is assumed same as disclosed in note 8.1 above.

	Note	2019	2018
		-----------(Rupees '000)-----------	
The expense is recognized in the following:			
Operating expenses - profit or loss		613,576	1,230,561
General and administration expenses - profit or loss		136,339	283,078
Technical services		383,557	788,156
		1,133,472	2,301,795

9 PROVISION FOR DECOMMISSIONING COST

	Note	2019	2018
Balance at beginning of the year		19,465,075	22,027,796
Provision during the year		281,850	894,272
Decommissioning cost incurred during the year		(95,442)	(205,412)
		19,651,483	22,716,656
Revision due to change in estimates		1,524,679	(4,973,965)
Unwinding of discount on provision for decommissioning cost	31	1,686,425	1,722,384
Balance at end of the year		22,862,587	19,465,075

	2019	2018
Significant financial assumptions used were as follows:		
Discount rate per annum	13.68%	8.70%
Inflation rate per annum	9.30%	5.04%

10 TRADE AND OTHER PAYABLES

	Note	2019	2018
Creditors		953,478	1,208,256
Accrued liabilities		12,165,213	10,782,003
Payable to partners of joint operations	10.1	7,194,670	5,974,969
Retention money payable		4,720,986	5,871,359
Royalty payable to Government of Pakistan		4,195,633	3,312,058
Excise duty payable		230,780	-
General sales tax payable		872,919	-
Gas Infrastructure Development Cess (GIDC) payable		4,383,426	3,186,871
Petroleum Levy payable		142,833	121,541
Withholding tax payable		852,897	756,528
Trade deposits	10.2	151,064	127,398
Workers' profit participation fund - net		9,294,706	-
Employees' pension trust	22.1	-	3,475,216
Gratuity fund	10.3	462,452	184,450
Provident fund		-	57,282
Advances from customers		2,103,553	1,437,482
Other payables		1,753,133	210,501
		49,477,743	36,705,914

10.1 This includes payable to related parties amounting to Rs 2,473 million (2018: Rs 2,607 million) as per relevant Petroleum Concession Agreement (PCA).

10.2 The entire amounts is utilisable for purpose of the Company's business.

10.3 Gratuity fund

	2019	2018
	(Rupees '000)	
Opening liability	184,450	122,881
Expense for the year	287,615	72,597
Other comprehensive income	(4,613)	(4,739)
Benefits paid during the year	(5,000)	(6,289)
Closing liability	462,452	184,450

Significant actuarial assumptions used were as follows:

	2019	2018
Withdrawal rate	Low	Low
Mortality rate	Adjusted SLIC 2001-2005	
Discount rate	14.25%	10.00%
Salary increase rate	14.25%	10.00%
Duration	7 years	11 years

The expense is recognized in the following:

	2019	2018
	(Rupees '000)	
Operating expenses - profit or loss	124,461	37,014
General and administration expenses - profit or loss	78,914	10,700
Technical services	84,240	24,883
	287,615	72,597

11 UNPAID DIVIDEND

This includes an amount of Rs 22,110 million (2018: Rs 17,356 million) payable to OGDCL Employees' Empowerment Trust (OEET). The payment of dividend has been withheld since GoP is considering to revamp Benazir Employees' Stock Option Scheme (BESOS) as communicated to the Company by Privatization Commission of Pakistan (PCP). Previously, PCP vide letter no. F. No. 13(4)12/PC/BESOS/OGDCL dated 15 May 2018 had informed that the matter of BESOS, as a scheme, is pending adjudication before the Honorable Supreme Court of Pakistan, hence status quo may be maintained till final decision of Honorable Supreme Court of Pakistan. During the year, Government of Pakistan, Finance Division vide letter No F.No. 2(39)BIU-I/2018-19 dated 15 April 2019 has advised the Company to deposit the GoP share of dividend including interest, if any, lying in OEET account(s) or any other reserve/account till date in the Federal Consolidated Fund pursuant to decision of the Federal Cabinet in its meeting held on 09 April 2019.

Furthermore, PCP vide letter No 1(1)PC/BESOS/F&A/2019 dated 08 May 2019, requested the Company not to remit any amounts on the account of BESOS in view of the decision of the Federal Cabinet. Based on the legal advise, OEET has submitted its response to Petroleum Division on 05 August 2019 that the matter is pending adjudication before the Honourable Supreme Court of Pakistan, the transfer would commit breach of fidiciary duties of the trustees and therefore the directions to be kindly recalled.

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

12.1.1 Claims against the Company not acknowledged as debts amounted to Rs 1,631.581 million at year end (2018: Rs 1,845.976 million). Details of the major legal proceedings disclosed as contingencies are as follows:

Parties involved	Date of institution of the case	Court, agency or authority where proceedings are pending	Facts of the case and relief sought	2019	2018
				---------(Rupees '000)---------	
Commissioner Inland Revenue	25-Oct-18	Islamabad High Court	Alleged default surcharge and penalty on short payment of sales tax for the period of 1999-2000 to 2007-08, in respect of Uch gas field. Islamabad High court passed judgement against OGDCL. OGDCL filed a Civil Petition for Leave to Appeal (CPLA) in Supreme Court against the judgement. Supreme Court vide order dated 25 October 2018 disposed of the matter and referred it back to Islamabad High Court for determination in accordance with law.	515,967	515,967
Commissioner Inland Revenue	3-Dec-18	Islamabad High Court	Alleged short payment of sales tax for the period 2008-2009, mainly relating to inadmissible input tax on account of hotel charges, inventory write off and disallowing adjustment of credit notes. Commissioner Inland Revenue Appeals (CIRA) decided the case in favour of the Company vide order dated 11 June 2012. Being aggreived the Deputy Commissioner inland Revenue (DCIR) filed an appeal before ATIR. The ATIR upheld the decision of the CIRA on account of hotel charges and inventory write off while remanding back the adjustment of credit notes to the assessing officer vide order dated 27 August 2015. The CIR filed refrence before Islamabad High Court on account of hotel charges and inventory write off. Management believes that the Company has rightfully adjusted credit notes and claimed input tax in its returns.	337,364	337,364
Commissioner Inland Revenue	6-Sep-18	Appellate Tribunal Inland Revenue	Alleged short payment of sales tax for the period 2014-2015, relating to inadmissible input tax on account of hotel charges, vehicles and parts and input tax in respect of which out put tax is unverified. During the year, CIRA has upheld charges of Rs 65 million and the Company has filed appeal before ATIR against the decision of CIRA.The case is currently pending before ATIR. Management believes that the Company has rightfully claimed input tax in its returns.	64,667	271,231
M/s Sprint Oil and Gas Service Pakistan	18-Mar-19	Islamabad High Court	OGDCL withheld sales tax on services provided by M/s Sprint Oil and Gas Services Pakistan (Sprint). Sprint filed a petition claiming that it is the responsibility of OGDCL to bear the tax and that Sprint should be paid the amount in full, as per contract. Islamabad High Court vide order dated 01 March 2019 accepted the petition that services provided by Sprint were taxable and consequently the liability to pay sales tax was on the Company. However, the Company has filed an intra court appeal on 18 March 2019 and interim relief has been allowed to the Company. Management believes that the matter will be decided in favour of the Company.	123,020	123,020
				1,041,018	1,247,582
Other immaterial cases				590,563	598,394
				1,631,581	**1,845,976**

12.1.2 Further during the year, Attock Refinery Limited (ARL) has filed a writ petition against the Company before Islamabad High Court on 17 December 2018 and has disputed and withheld amounts invoiced to it on account of adjustment of premium or discount as announced by Saudi Aramco for deliveries to Asian customers/ destinations under the sale agreement signed on 13 March 2018 of Rs. 1,957 million and has also claimed the amounts already paid in this respect during the period 2007 to 2012 amounting to Rs 562 million. Islamabad High Court vide order dated 18 December 2018 granted interim relief to ARL until next hearing. The Company believes that the debit notes/ invoices have been raised in accordance with the sale agreements signed with GoP and no provision is required in this respect.

12.1.3 Oil and Gas Regulatory Authority (OGRA) vide its decision dated 22 June 2018 decided that LPG producers, in public or private sector, cannot charge signature bonus in compliance with LPG Policy 2016. The Company has challenged this decision in Islamabad High Court on 23 July 2018. During the year, the Company has recorded income in respect of signature bonus amounting to Rs 584.391 million. Management believes that the matter will be decided in favour of the Company.

12.1.4 Certain banks have issued guarantees on behalf of the Company in ordinary course of business aggregating Rs 1.281 million (2018: Rs 1.281 million), refer note 25.1 to the financial statements.

12.1.5 For contingencies related to tax matters, refer note 23.1 to 23.3 and note 32.2.

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

12.1.7 For matter relating to conversion of certain blocks to Petroleum Policy 2012, refer note 26.4.

12.2 Commitments

12.2.1 Commitments outstanding at year end amounted to Rs 56,073.030 million (2018: Rs 34,262.915 million). These include amounts aggregating to Rs 28,608.883 million (2018: Rs 22,048.770 million) representing the Company's share in the minimum work commitments under Petroleum Concession Agreements.

12.2.2 Letters of credit issued by various banks on behalf of the Company in ordinary course of the business, outstanding at year end amounted to Rs 6,689.964 million (2018: Rs 5,106.050 million).

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

	2019	2018
	---------(Rupees '000)---------	
Capital expenditure:		
Share in joint operations	2,053,910	1,036,518
Others	560,886	349,020
	2,614,796	1,385,538

OIL AND GAS DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

13 PROPERTY, PLANT AND EQUIPMENT

(Rupees '000)

Description	Freehold land	Leasehold land	Buildings, offices and roads on freehold land	Buildings, offices and roads on leasehold land	Plant and machinery	Rigs	Pipelines	Office and domestic equipment	Office and technical data computers	Furniture and fixtures	Vehicles	Decom-missioning cost	Capital work in progress (Note 13.4)	Stores held for capital expenditure	Total
Cost															
Balance as at 1 July 2017	264,326	54,039	4,453,540	6,636,605	152,151,379	5,111,227	19,548,760	1,265,705	2,039,099	160,057	5,650,220	2,296,513	14,156,074	2,268,000	216,055,544
Additions during the year	-	-	54,599	265,939	16,856,552	143,776	613,712	44,599	115,400	7,328	64,922	350,219	2,767,510	2,746,601	24,031,157
Revision due to change in estimate	-	-	(16,200)	-	(1,003,049)	-	(18,511)	-	-		-	(698,282)	-	-	(1,736,042)
Disposals/transfers during the year	-	-	(19,086)	(8,886)	(310,155)	(68,324)	-	(7,159)	(105,121)	(58)	(260,989)	-	(14,559,847)	(426,908)	(15,766,533)
Balance as at 30 June 2018	264,326	54,039	4,472,853	6,893,658	167,694,727	5,186,679	20,143,961	1,303,145	2,049,378	167,327	5,454,153	1,948,450	2,363,737	4,587,693	222,584,126
Balance as at 1 July 2018	264,326	54,039	4,472,853	6,893,658	167,694,727	5,186,679	20,143,961	1,303,145	2,049,378	167,327	5,454,153	1,948,450	2,363,737	4,587,693	222,584,126
Additions during the year	-	-	125,513	588,048	3,764,323	15,401	814,644	24,218	240,292	55,550	87,383	21,157	3,388,482	879,602	10,004,613
Revision due to change in estimate	-	-	-	(8,426)	(188,645)	-	(1,261)	-	-	-	-	172,896	-	-	(25,436)
Disposals/transfers during the year	-	-	-	-	(72,437)	(96,823)	-	(1,796)	(36,696)	(40)	(195,454)	-	(3,411,468)	(790,978)	(4,605,692)
Balance as at 30 June 2019	264,326	54,039	4,598,366	7,473,280	171,197,968	5,105,257	20,957,344	1,325,567	2,252,974	222,837	5,346,082	2,142,503	2,340,751	4,676,317	227,957,611
Depreciation															
Balance as at 1 July 2017	-	54,036	2,403,976	2,145,735	59,482,101	2,573,263	11,671,567	881,774	1,880,098	112,432	4,964,825	1,123,708	-	90,965	87,384,480
Charge for the year	-	-	198,327	320,605	8,810,245	413,833	1,219,973	93,502	124,308	8,391	266,560	89,718	-	(2,220)	11,543,242
On disposals	-	-	(10,752)	(8,886)	(308,988)	(68,287)	-	(6,882)	(103,692)	(56)	(234,710)	-	-	-	(742,253)
Balance as at 30 June 2018	-	54,036	2,591,551	2,457,454	67,983,358	2,918,809	12,891,540	968,394	1,900,714	120,767	4,996,675	1,213,426	-	88,745	98,185,469
Balance as at 1 July 2018	-	54,036	2,591,551	2,457,454	67,983,358	2,918,809	12,891,540	968,394	1,900,714	120,767	4,996,675	1,213,426	-	88,745	98,185,469
Charge for the year	-	-	194,925	340,449	9,141,860	399,618	1,264,383	90,805	246,184	13,847	186,752	82,565	-	(791)	11,960,597
On disposals	-	-	-	-	(37,213)	(53,975)	-	(1,484)	(35,835)	(36)	(181,991)	-	-	-	(310,534)
Balance as at 30 June 2019	-	54,036	2,786,476	2,797,903	77,088,005	3,264,452	14,155,923	1,057,715	2,111,063	134,578	5,001,436	1,295,991	-	87,954	109,835,532
Impairment															
Balance as at 1 July 2017	-	-	61,204	128,386	143,717	-	333	-	-	-	1,079	327	-	-	335,046
Charge for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2018	-	-	61,204	128,386	143,717	-	333	-	-	-	1,079	327	-	-	335,046
Balance as at 1 July 2018	-	-	61,204	128,386	143,717	-	333	-	-	-	1,079	327	-	-	335,046
Charge for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2019	-	-	61,204	128,386	143,717	-	333	-	-	-	1,079	327	-	-	335,046
Carrying amount - 30 June 2018	264,326	3	1,820,098	4,307,818	99,567,652	2,267,870	7,252,088	334,751	148,664	46,560	456,399	734,697	2,363,737	4,498,948	124,063,611
Carrying amount - 30 June 2019	264,326	3	1,750,686	4,546,991	93,966,246	1,840,805	6,801,088	267,852	141,911	88,259	343,567	846,185	2,340,751	4,588,363	117,787,033
Rates of depreciation (%)	-	3.3~4	2.5~8	2.5~8	4~20	10	10	15	33.33	10	20	2.5~10	-	-	

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

Particulars of land and buildings	Field/ Location	District	Area of land in Acres
Dakhni plant residential colony	Dakhni	Attock	65.58
Dakhni (expansion of plant)	Dakhni	Attock	7.04
Sadqal road	Sadqal	Attock	1.33
I-9 workshop/ Store/ OGTI Islamabad	Base Store I-9	Islamabad	10.95
Head office blue area Islamabad	Head Office	Islamabad	0.73
Masood Mansion	F-8 Markaz	Islamabad	0.33
Plot	Kuri Road	Islamabad	10.00
Plant residential colony	Nandpur	Multan	21.54
Plant residential colony	Dhodhak Plant	Taunsa	381.82
Dhodak colony	Regional office	Multan	31.92
Kot Adu	Logistic base	Taunsa	29.74
Regional office	Quetta (Mastung)	Quetta	40.99
Filling point	Tando Alam	Hyderabad	20.28
Officers residential colony	Tando Alaom	Hyderabad	11.02
Plant residential colony	Bobi	Sanghar	46.00
Plant residential colony	Qadirpur	Ghotki	389.63
Uch pipe line	Uch	Dera Bugti	107.00
Mela to Naspha flow line	Mela	Karak	15.84
Rajian well-1	Rajian	Chakwal	0.71
Tabular yard	Korangi	Karachi	2.53
Base store/ Workshop	Korangi	Karachi	15.60
Bungalow No. JM-298	Medical Center	Karachi	0.15
Lodge , D-35	Clifton	Karachi	0.20
Computer Center	Fateh Jang	Attock	0.50
Security check post	Nashpa Plant	Karak	14.99
Base Store	Khadeje	Karachi	61.00
Base Store	Chak Naurang	Chakwal	2.46
Dhuliyan Guest House	Pindi Gheb	Attock	0.25

13.2 Cost and accumulated depreciation as at 30 June 2019 include Rs 53,058 million (2018: Rs 51,131 million) and Rs 36,796 million (2018: Rs 33,288 million) respectively being the Company's share in property, plant and equipment relating to joint operations operated by other working interest owners and are not in possession and control of the Company.

Operator wise breakup is summarised below:

	2019	2018	2019	2018
	Cost		Accumulated depreciation	
	(Rupees '000)			
Pakistan Petroleum Limited	8,999,934	8,812,232	3,701,306	3,229,947
Eni Pakistan Limited	20,050,918	19,658,084	16,258,781	14,258,271
Pakistan Oilfields Limited	822,452	819,865	821,768	819,031
United Energy Pakistan Limited	2,905,270	2,837,472	2,841,382	2,636,580
Spud Energy Ptv Limited	118,649	118,649	118,648	118,604
Ocean Pakistan Limited	340,231	339,532	275,528	267,230
MOL Pakistan Oil and Gas B.V.	14,572,614	13,371,917	8,553,350	7,952,538
OMV (Pakistan) Exploration	5,153,422	5,079,667	4,136,083	3,918,515
Petroleum Exploration (Pvt) Limited	94,042	93,138	89,554	87,151
	53,057,532	51,130,556	36,796,400	33,287,867

	Note	2019	2018
		(Rupees '000)	
13.3 The depreciation charge has been allocated to:			
Operating expenses	27	10,820,698	10,346,292
General and administration expenses	30	201,372	211,896
Technical services		938,527	985,054
		11,960,597	11,543,242

13.4 Capital work in progress

	2019	2018
Production facilities and other civil works in progress:		
Wholly owned	379,486	880,146
Joint operations	1,939,092	1,396,354
	2,318,578	2,276,500
Construction cost of field offices and various bases/offices owned by the Company	22,173	87,237
	2,340,751	2,363,737

13.5 Details of property, plant and equipment sold:

	Cost	Book value	Sale proceeds	Gain/ (loss)
	(Rupees '000)			
Vehicles sold to following in-service/retiring employees as per Company's policy:				
Mr. Rafiq Ahmed Mughal	2,017	1,211	1,211	-
Ms. Shabina Anjum Elahi	2,017	1,110	1,110	-
Mr. Muhammad Saeed Khan	1,972	855	855	-
Mr. Abdullah Bajir	1,807	1,230	1,230	-
Mr. Muhammad Arif Bhutto	1,807	1,235	1,235	-
Mr. Khalid Anis	1,807	1,175	1,175	-
Mr. Zafar Ullah	1,772	798	798	-
Mr. Shoaib Khan	1,772	650	650	-
Mr. Mohammad Arif	1,772	591	591	-
Mr. Syed Ahmad Naeem	1,752	147	175	28
Mr. Mohammad Abid	1,752	1	175	174
Mr. Mansoor Ahmed Khan	1,752	1	175	174

	Cost	Book value	Sale proceeds	Gain/ (loss)
	-----------------------------(Rupees '000)-----------------------------			
Vehicles sold to following in-service/retiring employees as per Company's policy- continued				
Mr. Qamar Ud Din	1,727	1	173	172
Mr. Tanveer Anjum	1,727	1	173	172
Mr. Syed Aftab Hussain Andrabi	1,727	1	173	172
Mr. Muhammad Iqbal Memon	1,727	1	173	172
Mr. Riaz Mirza	1,727	1	173	172
Mr. Mahmood UL Hassan	1,727	1	173	172
Mr. Mohammad Essa Solangi	1,727	87	173	86
Mr. Amin UL Wahab	1,727	1	173	172
Mr. Syed Nasir Uddin Nadeem	1,727	1	173	172
Mr. Ihsanullah Khan	1,727	1	173	172
Mr. Muhammad Azim	1,727	1	173	172
Mr. Shaukat Ali	1,727	1	173	172
Mr. Altaf Nasib	1,727	1	173	172
Mr. Saeed Akhtar	1,727	1	173	172
Mr. Mohammad Younas Mako	1,707	1	171	170
Mr. Muhammad Abid Tufail	1,707	1	171	170
Mr. Ehsan Ellahi	1,707	1	171	170
Mr. Munsif Hussain Channa	1,707	1	171	170
Mr. Muhammad Hanif	1,707	1	171	170
Mr. Masood UL Hassan	1,707	1	171	170
Mr. Tariq Mahmood	1,707	1	171	170
Mr. Anis Ashraf	1,691	1	169	168
Mr. Muhammad Ashfaq	1,691	1	169	168
Mr. Muhammad Arif	1,691	1	169	168
Mr. Ashraf Ali Pathan	1,691	1	169	168
Mr. Khalid Iqbal Malik	1,691	1	169	168
Mr. Mohammad Arshad Ansari	1,691	1	169	168
Mr. Hafiz Muhammad Aslam	1,691	1	169	168
Mr. Saleem Ahmad	1,691	1	169	168
Mr. Abdul Rehman	1,124	768	768	-
Mr. Nawab Ali Khan	1,073	144	144	-
Mr. Nasir Mahmood	1,053	159	159	-
Mr. Javed Iqbal	1,053	159	159	-
Mr. Syed Tanveer Ahmed (late)	1,053	404	404	-
Mr. Siraj Ahmed	1,053	89	105	16
Mr. Sayed Shah	1,053	282	282	-
Mr. Muhammad Qasim	1,053	1	105	104
Mr. Akbar Din	1,053	1	105	104
Mr. Muhammad Haider	1,053	1	105	104
Mr. Muhammad Asghar	1,034	512	512	-
Mr. Javed Iqbal Chaudhary	1,033	35	103	68
Mr. Muhammad Shahid	1,033	35	103	68
Mr. Gul Rasool Khan	1,033	1	103	102
Mr. Zahoor Khan	1,033	1	103	102
Mr. Shahzad Ahmad Khan	1,033	1	103	102
Mr. Mohammad Muaz	1,033	1	103	102
Mr. Abdul Rashid	1,024	1	102	101
Mr. Muhammad Arshad	1,024	1	102	101
Mr. Muhammad Muqeem Baig	1,024	1	102	101

	Cost	Book value	Sale proceeds	Gain/ (loss)
	--------	--------(Rupees '000)	--------	--------
Vehicles sold to following in-service/retiring employees as per Company's policy- continued				
Mr. Najeebullah Khan	1,024	1	102	101
Mr. Amir Ahmed	1,024	1	102	101
Mr. Khalid Pervez	1,024	1	102	101
Mr. Majid Kaleem	1,024	1	102	101
Mr. Imtiaz Khaliq	1,024	1	102	101
Mr. Mumtaz Ahmed Khan	1,024	1	102	101
Mr. Muhammad Nawaz Khan	1,024	1	102	101
Mr. Khalid Mehmood	1,023	1	102	101
Mr. Karamat Ali	1,023	1	102	101
Mr. Mohammad Ikram	1,023	1	102	101
Mr. Ishwar K. Khemani	1,003	1	100	99
Mr. Syed Imtiaz Hussain	1,003	1	100	99
Mr. Mohammad Zafar Rehan	1,003	1	100	99
Mr. Tariq Maqbool Ahmad	1,003	1	100	99
Mr. Safdar Ali Channa	1,003	1	100	99
Mr. Babar Iftikhar	965	1	97	96
Mr. Abdul Qayyum Qureshi	891	1	89	88
Mr. Jamshad Hayat	818	1	82	81
Mr. Mohammad Yunus	811	1	81	80
	111,316	11,735	19,992	8,257
Computers/mobile phones, with individual book value not exceeding Rs 500,000, sold to employees as per Company's policy	32,270	814	3,384	2,570
Property, plant and equipment sold through public auction:				
Diesel Engine to bidder, M/s Akram Trading	2,396	578	122	(456)
Diesel Engine to bidder, M/s Akram Trading	2,396	793	122	(671)
Diesel Engine to bidder, M/s Akram Trading	10,039	3,752	511	(3,241)
Diesel Engine to bidder, M/s Akram Trading	10,039	3,752	511	(3,241)
Electromagnetic Induction Break to bidder, M/s Akram Trading	28,138	25,793	1,432	(24,361)
Diesel Engine to bidder, M/s Akram Trading	27,623	21,408	1,405	(20,003)
Diesel Engine to bidder, M/s Akram Trading	27,622	21,408	1,405	(20,003)
Items with individual book value not exceeding Rs 500,000	148,869	303	62,379	62,076
	257,122	77,787	67,887	(9,900)
Items written off:				
Car Toyota Corolla Registration No. ZB-751	1,707	1,653	-	(1,653)
Items with individual book value not exceeding Rs 500,000	831	723	-	(723)
	2,538	2,376	-	(2,376)
30 June 2019	**403,246**	**92,712**	**91,263**	**(1,449)**
30 June 2018	779,778	37,525	96,970	59,445

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

14 DEVELOPMENT AND PRODUCTION ASSETS - intangible

(Rupees '000)

Description	Producing fields		Shut-in fields		Wells in progress (Note 14.1)	Sub total	Decom-missioning cost	Total
	Wholly owned	Joint operations	Wholly owned	Joint operations				
Cost								
Balance as at 1 July 2017	76,468,899	113,481,326	11,850,835	25,982,831	6,777,932	234,561,823	3,784,703	238,346,526
Adjustment	236,818	3,983,068	(236,818)	(3,983,068)	-	-	-	-
Additions during the year	-	-	-	-	11,068,387	11,068,387	544,052	11,612,439
Revision due to change in estimate	(1,094,447)	(758,011)	(20,723)	(11,583)	-	(1,884,764)	(180,057)	(2,064,821)
Transfer from exploration and evaluation assets during the year	1,745,812	1,019,517	626,964	2,214,511	-	5,606,804	-	5,606,804
Transfers in/(out) during the year	2,431,727	8,873,836	3,026,508	857,805	(15,189,876)	-	-	-
Balance as at 30 June 2018	79,788,809	126,599,736	15,246,766	25,060,496	2,656,443	249,352,250	4,148,698	253,500,948
Balance as at 1 July 2018	79,788,809	126,599,736	15,246,766	25,060,496	2,656,443	249,352,250	4,148,698	253,500,948
Adjustment	8,703,432	1,844,974	(8,703,432)	(1,844,974)	-	-		-
Additions during the year	-	-	-	-	12,116,815	12,116,815	260,693	12,377,508
Revision due to change in estimate	(131,399)	(137,288)	(1,120)	(1,936)	-	(271,743)	2,106,027	1,834,284
Transfer from exploration and evaluation assets during the year	-	-	-	1,290,779	-	1,290,779	-	1,290,779
Transfers in/(out) during the year	1,224,585	7,210,519	48,976	141,998	(8,626,078)	-	-	-
Balance as at 30 June 2019	89,585,427	135,517,941	6,591,190	24,646,363	6,147,180	262,488,101	6,515,418	269,003,519
Amortization								
Balance as at 1 July 2017	51,932,291	80,241,310	887,196	1,754,168	-	134,814,965	2,524,184	137,339,149
Adjustment	529,961	(229,892)	(529,961)	229,892	-	-	-	-
Charge for the year	6,286,035	9,384,604	45,102	(2,919)	-	15,712,822	197,897	15,910,719
Balance as at 30 June 2018	58,748,287	89,396,022	402,337	1,981,141	-	150,527,787	2,722,081	153,249,868
Balance as at 1 July 2018	58,748,287	89,396,022	402,337	1,981,141	-	150,527,787	2,722,081	153,249,868
Adjustment	(296,838)	(497,945)	296,838	497,945	-	-	-	-
Charge for the year	7,732,935	9,876,656	1,065	(1,469)	-	17,609,187	338,253	17,947,440
Balance as at 30 June 2019	66,184,384	98,774,733	700,240	2,477,617	-	168,136,974	3,060,334	171,197,308
Impairment								
Balance as at 1 July 2017	1,691,534	1,004,360	966,035	1,920,296	-	5,582,225	265,302	5,847,527
Charge for the year	-	-	-	-	-	-	-	-
Balance as at 30 June 2018	1,691,534	1,004,360	966,035	1,920,296	-	5,582,225	265,302	5,847,527
Balance as at 1 July 2018	1,691,534	1,004,360	966,035	1,920,296	-	5,582,225	265,302	5,847,527
Charge for the year	-	-	-	-	-	-	-	-
Balance as at 30 June 2019	1,691,534	1,004,360	966,035	1,920,296	-	5,582,225	265,302	5,847,527
Carrying amount - 30 June 2018	19,348,988	36,199,354	13,878,394	21,159,059	2,656,443	93,242,238	1,161,315	94,403,553
Carrying amount - 30 June 2019	21,709,509	35,738,848	4,924,915	20,248,450	6,147,180	88,768,902	3,189,782	91,958,684

14.1 Wells in progress at year end represent:

	2019	2018
	---------------(Rupees '000)---------------	
Wholly owned	2,343,994	1,428,411
Joint operations	3,803,186	1,228,032
	6,147,180	2,656,443

15 EXPLORATION AND EVALUATION ASSETS

	Note	2019	2018
		-----------(Rupees '000)-----------	
Balance at beginning of the year		6,329,728	8,720,362
Additions during the year		16,182,738	13,302,297
		22,512,466	22,022,659
Cost of dry and abandoned wells during the year	29	(6,091,795)	(10,086,127)
Cost of wells transferred to development and production assets during the year		(1,290,779)	(5,606,804)
		(7,382,574)	(15,692,931)
		15,129,892	6,329,728
Stores held for exploration and evaluation activities		86,932	195,851
Balance at end of the year		15,216,824	6,525,579

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

	Note	2019	2018
Liabilities related to exploration and evaluation		2,177,466	2,272,618
Exploration and prospecting expenditure	29	12,499,324	16,190,496

16 LONG TERM INVESTMENTS

	Note	2019	2018
Investment in related party - associate, quoted	16.1	12,724,599	8,040,333
Investments at amortised cost	16.2	10,170,987	19,577,113
		22,895,586	27,617,446

16.1 Investment in related party - associate, quoted

	2019	2018
Mari Petroleum Company Limited (MPCL)		
Cost of investment (24,255,000 (2018: 22,050,000) fully paid ordinary shares of Rs 10 each including 16,905,000 (2018: 14,700,000) bonus shares)	73,500	73,500
Post acquisition profits brought forward	7,966,833	5,034,972
	8,040,333	5,108,472
Share of profit for the year - net of taxation	4,865,418	3,074,868
Share of other comprehensive loss of the associate - net of taxation	(30,274)	(18,369)
Dividend received	(150,878)	(124,638)
	4,684,266	2,931,861
	12,724,599	8,040,333

16.1.1 MPCL is a listed company incorporated in Pakistan and is principally engaged in exploration, production and sale of hydrocarbons. The Company has 20% (2018: 20%) holding in the associate. The market value of the investment in associate as of the year end is Rs 24,481 million (2018: Rs 33,211 million). During the year, MPCL issued 10% bonus shares i.e 2,205,000 shares, increasing the total number of shares held by the Company to 24,255,000 shares (2018: 22,050,000 shares).

16.1.2 The tables below provides summarized financial statements for the associate. The information disclosed reflects the amounts presented in the annual audited financial statements of the associate for the year ended 30 June 2019 (2018: year ended 30 June 2018) and not the Company's share of those amounts.

	2019	2018
	-----------(Rupees '000)-----------	
Summarized statement of financial position		
Current assets	183,654,952	114,405,530
Non-current assets	36,407,254	29,760,170
Current liabilities	(146,397,515)	(96,021,626)
Non-current liabilities	(10,057,962)	(7,952,336)
Net assets	63,606,729	40,191,738

	2019	2018
	-----------(Rupees '000)-----------	
Reconciliation to carrying amounts:		
Opening net assets	40,191,738	25,537,670
Total comprehensive income for the year	24,175,716	15,282,493
Dividends paid	(760,725)	(628,425)
Closing net assets	63,606,729	40,191,738
Company's percentage shareholding in the associate	20%	20%
Company's share in carrying value of net assets	12,721,346	8,038,348
Others	3,253	1,985
Carrying amount of investment	12,724,599	8,040,333
Summarized statement of comprehensive income		
Revenue for the year - Gross	117,542,103	100,042,839
Profit for the year	24,327,088	15,374,340
Other comprehensive loss for the year	(151,372)	(91,847)
Total comprehensive income for the year	24,175,716	15,282,493

16.1.3 Effective 1 July 2014, the cost plus wellhead gas pricing formula was replaced with a crude oil price linked formula which provides a discounted wellhead gas price to be gradually achieved in five (5) years from 1 July 2014. The revised formula provides dividend distribution to be continued for next ten years, from 2014, in line with the previous cost plus formula. Accordingly, the shareholders are entitled to a minimum or maximum return of 30%, net of all taxes, on shareholders' funds which is to be escalated in the event of increase in MPCL's gas or equivalent oil production beyond the level of 425 MMSCFD at the rate of 1%, net of all taxes, on shareholders' funds for each additional 20 MMSCFD of gas or equivalent oil produced, prorated for part thereof on annual basis, subject to a maximum of 45%. Any residual profits for the next ten years, from 2014, are to be reinvested for exploration and development activities in Mari as well as outside Mari field.

	Note	2019	2018
		-----------(Rupees '000)-----------	
16.2 Investments at amortised cost			
Term Deposit Receipts (TDRs)	16.2.1	-	9,513,663
Treasury Bills (T-Bills) - Government of Pakistan	16.2.2	10,209,629	-
Investment in Term Finance Certificates (TFCs)	16.2.3	113,731,544	106,021,417
		123,941,173	115,535,080
Less: Current portion shown under current assets			
Term Deposit Receipts (TDRs)		-	(186,559)
Treasury Bills (T-Bills) - Government of Pakistan		(38,642)	-
Investment in Term Finance Certificates (TFCs)		(113,731,544)	(95,771,408)
	16.2.4	(113,770,186)	(95,957,967)
		10,170,987	19,577,113

16.2.1 This represents investments in local currency TDRs. Face value of these investments is Rs Nil (2018: Rs 9,327 million) and carried effective interest rate of 6.70% (2018: 6.70%) per annum.

16.2.2 This represents investment in T-Bills carrying effective yield of 12.61% (2018: Nil) per annum. This investment has maturity of less than 12 months, however, this has been classified as non-current assets based on the management's intention to reinvest in the like investment for a longer term. This investment is earmarked against self insurance reserve as explained in note 6.2 to the financial statements.

16.2.3 This represents investment in Privately Placed TFCs amounting to Rs 82 billion. In 2013, the Government of Pakistan, for partial resolution of circular debt issue prevailing in the energy sector, approved issuance of TFCs amounting to Rs 82 billion by PHPL, which is government owned entity and a related party. These TFCs were subscribed by the Company in order to settle its overdue receivables from oil refineries and gas companies.

As per original terms of investor agreement between the Company and PHPL, TFCs are for a period of seven (7) years including grace period of three (3) years carrying interest rate of KIBOR + 1%, payable semi-annually. The principal portion of these TFCs shall be paid in eight (8) equal installments starting from 42nd month of date of transaction. National Bank of Pakistan executed the transaction on 10 September 2012 as Trustee. These TFCs are secured by Sovereign Guarantee, covering the principal, markup, and/or any other amount becoming due for payment in respect of investment in TFCs. As per original terms, principal repayment amounting to Rs 71,750 million (2018: Rs 51,250 million) was past due as at 30 June 2019. Further, interest due as of 30 June 2019 was Rs 31,732 million (2018: Rs 24,021 million) of which Rs 28,723 million (2018: Rs 22,125 million) was past due at year end. The Company considers the principal and interest to be fully recoverable as these are backed by Sovereign Guarantee of Government of Pakistan.

On 23 October 2017, PHPL has communicated to the Company that a proposal was submitted by the Ministry of Energy (Power Division) to Economic Coordination Committee (ECC) of the Cabinet for extension in the tenure of TFCs of Rs 82 billion from 07 years to 10 years including extension in grace period from 03 years to 06 years. The ECC of the Cabinet considered and approved the proposal of Ministry of Energy (Power Division) subject to the condition that a revised term sheet, based on above, with the Company shall be agreed by PHPL. Pursuant to the approval, the principal installment payments shall be deferred till March 2019. PHPL has requested the Company to prepare revised term sheet for onward submission to Finance Division for approval. The Company has not yet agreed on the deferment plan and has requested Ministry of Energy to address the Company's point of view on overdue markup, etc. and also define a mechanism of payments under the facility. As of 30 June 2019, the Company expects to realise the TFCs in accordance with the original terms of the investor agreement and accordingly adjustments, if any, in the financial statements will be made on finalization of the matter. As referred in note 2.3, SECP has exempted the applicability of expected credit loss ECL model on financial assets due directly / ultimately from GoP.

16.2.4 Current portion includes Rs Nil (2018: Rs 275 million), Rs 38.642 million (2018: Nil) and Rs 31,732 million (2018: Rs 24,021 million) representing accrued markup on TDRs, T-Bills and TFCs respectively.

		Note	2019	2018
			-----------(Rupees '000)-----------	
17	**LONG TERM LOANS AND RECEIVABLE**			
	Long term loans:			
	Secured	17.1	8,085,201	7,344,145
	Unsecured		-	-
			8,085,201	7,344,145
17.1	**Long term loans - secured**			
	Considered good:			
	Loans to employees	17.1.1	9,613,346	8,647,829
	Current portion shown under loans and advances	20	(1,528,145)	(1,303,684)
			8,085,201	7,344,145
17.1.1	Movement of carrying amount of loans to executives and other employees:			
	Balance at beginning of the year		8,647,829	7,726,096
	Disbursements		2,423,836	2,273,648
	Repayments		(1,458,319)	(1,351,915)
	Balance at end of the year		9,613,346	8,647,829

17.1.2 The loans are granted to the employees of the Company in accordance with the Company's service rules. House building and conveyance loans are for maximum period of 15 and 5 years respectively. These loans are secured against the underlying assets. Included in these are loans of Rs 8,592.898 million (2018: Rs 7,526.808 million) which carry no interest. The balance amount carries an effective interest rate of 6.62% (2018: 6.54%) per annum. Interest free loans to employees have not been discounted as required by IFRS 9 "Financial Instruments" as its effect is immaterial.

17.1.3 Loans to employees include an amount of Rs 23.125 million (2018: Rs 5.266 million) receivable from key management personnel disclosed in note 39.1. Maximum aggregate amount outstanding at any time during the year was Rs 23.125 million (2018: Rs 10.917 million).

		Note	2019	2018
			-----------(Rupees '000)-----------	
18	**STORES, SPARE PARTS AND LOOSE TOOLS**			
	Stores, spare parts and loose tools		20,205,683	19,980,453
	Stores and spare parts in transit		1,601,474	947,349
			21,807,157	20,927,802
	Provision for slow moving, obsolete and in transit stores	18.1	(3,055,367)	(2,943,277)
			18,751,790	17,984,525
18.1	Movement of provision for slow moving, obsolete and in transit stores			
	Balance at beginning of the year		2,943,277	2,962,895
	Provision/ (reversal) for the year		112,090	(19,618)
	Balance at end of the year		3,055,367	2,943,277
19	**TRADE DEBTS**			
	Un-secured, considered good		242,741,558	163,691,820
	Un-secured, considered doubtful		101,113	110,730
			242,842,671	163,802,550
	Provision for doubtful debts		(101,113)	(110,730)
	Trade debts written off		(9,618)	-
			242,731,940	163,691,820

19.1 Trade debts include overdue amount of Rs 194,179 million (2018: Rs 121,313 million) on account of Inter-Corporate circular debt, receivable from oil refineries and gas companies out of which Rs 99,653 million (2018: Rs 70,969 million) and Rs 72,165 million (2018: Rs 38,111 million) is mainly overdue from related parties, Sui Southern Gas Company Limited and Sui Northern Gas Pipeline Limited respectively. The Government of Pakistan (GoP) is committed, hence continuously pursuing for satisfactory settlement of Inter-Corporate Circular debt issue, however, the progress is slower than expected resulting in accumulation of Company's trade debts. The Company considers this amount to be fully recoverable because the Government of Pakistan has been assuming the responsibility to settle the Inter-corporate circular debt in the Energy sector. As referred in note 2.3, SECP has exempted the applicability of expected credit loss ECL model on financial assets due directly / ultimately from GoP.

19.2 Total amount due from related parties as on 30 June 2019 is Rs 199,113 million (2018: Rs 130,787 million) and maximum amount due at the end of any month during the year was Rs 199,113 million (2018: Rs 130,787 million). For party wise details refer note 39.

19.3 Included in trade debts is an amount of Rs 5,032 million (2018: Rs 4,177 million) receivable from three Independent Power Producers and a fertilizer company on account of Gas Infrastructural Development Cess (GIDC) and related sales tax paid/payable thereon.

19.4 For aging of amount due from related parties, refer note 36.1.3.

20 LOANS AND ADVANCES

	Note	2019	2018
		(Rupees '000)	
Advances considered good:			
Suppliers and contractors		148,562	229,678
Partners in joint operations	20.1 to 20.3	3,486,923	4,310,731
Sales tax	20.4 & 20.5	3,568,552	9,884,790
Excise duty		-	890,207
Adhoc salaries and festival advance		911,197	650,954
Others		25,920	30,887
		8,141,154	15,997,247
Current portion of long term loans - secured	17.1	1,528,145	1,303,684
		9,669,299	17,300,931
Advances considered doubtful		187,835	187,835
		9,857,134	17,488,766
Provision for doubtful advances		(187,835)	(187,835)
		9,669,299	17,300,931

20.1 Total amount due from related party and associated companies as partner in joint operations in accordance with terms of related Petroleum Concession Agreement (PCA) in relation to operational activities of the Concessions as on 30 June 2019 is Rs 1,947 million (2018: Rs 3,087 million) and maximum amount due at the end of any month during the year was Rs 3,486 million (2018: Rs 4,194 million). For name wise details refer note 39.

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

Partners in Joint operations	Jurisdiction	2019	2018	2019	2018
		(US $)		(Rupees '000)	
Ocean Pakistan Limited	Texas, USA	1,539	2,965	251,406	360,650
IPR Transoil Corporation	Texas, USA	348	725	56,778	88,191
Tullow Pakistan (Development) Limited	Dublin, Ireland	410	592	66,958	71,993
Spud Energy Pty Limited	Sydney, Australia	1,371	1,295	223,948	157,543
United Energy Pakistan Limited	Mauritius, East Africa	115	128	18,708	15,545
PKP Exploration Limited	London, England	94	27	15,426	3,276
KUFPEC Pakistan B.V.	Amsterdam, The Netherlands	262	-	42,778	-
PKP Exploration 2 Limited	Bedfordshire, United Kingdom	94	-	15,393	-
		4,233	5,732	691,395	697,198

20.3 For aging of amount due from related parties, refer note 36.1.3.

20.4 This includes an amount of Rs 3,180 million (2018: Rs 3,180 million) paid under protest to Federal Board of Revenue (FBR) on account of sales tax demand raised in respect of capacity invoices from Uch Gas Field for the period July 2004 to March 2011. Based on Sales Tax General Order (STGO) 1 of 2000 dated 24 January 2000, the matter was argued before various appellate forums, however, the Supreme Court of Pakistan finally decided the issue against the Company on 15 April 2013. The FBR granted time relaxation to the Company for issuance of debit note for an amount of Rs 750 million for the period April 2011 to May 2012, accounted for as trade debt. Uch Power Limited (UPL) challenged the grant of time relaxation to the Company by FBR before Islamabad High Court. On 27 December 2013, the Honorable Court decided the matter in favor of the Company. In light of the Islamabad High Court decision, the Company has applied to FBR for obtaining condonation of time limit for issuing debit notes to UPL/revision of sales tax returns for the remaining amount of Rs 3,180 million for the period July 2004 to March 2011 and currently the matter is pending with FBR.

UPL filed an Intra Court appeal against the decision of the Islamabad High Court (IHC). IHC through its order dated 17 November 2016 dismissed the intra court appeal in favour of the Company. In January 2017, UPL filed Civil Petition for Leave to Appeal (CPLA) against the Company and others, before the Honorable Supreme Court of Pakistan against the decision of IHC, which is currently pending. FBR has linked the disposal of OGDCL's condonation request with the outcome of UPL's aforementioned CPLA. The Company and its legal advisors are confident that CPLA of UPL before Honorable Supreme Court of Pakistan will also be decided in favour of the Company and required condonations will be obtained and the amount will be recovered from UPL. Accordingly no provision in this respect has been made in these financial statements.

20.5 This also includes recoveries of Rs 317 million (2018: Rs 317 million) made by the tax department during the year ended 30 June 2016, against Sales Tax and Federal Excise Duty (FED) demand of Rs 7,373 million (2018: Rs 7,373 million) relating to periods July 2011 to June 2015. The Honorable Appellate Tribunal Inland Revenue (ATIR) has accepted the companies appeals for the period 2011-12, 2012-13 and 2013-14 and annulled the demands of Rs 260 million, Rs 1,821 million and Rs 4,887 million respectively, passed by the tax authorities being void ab-intio and without jurisdiction respectively. The Commissioner Inland Revenue (CIRA) has filed sales tax reference before Islamabad High Court (IHC) against judgments of ATIR for the period 2012-13 and 2013-14 on 9 February 2018. The Company has filed appeal before ATIR against the order of CIRA for the period 2014-15 on 7 September 2018, which is currently pending before ATIR and the ATIR vide order dated 27 August 2019 has granted stay against recovery till 25 October 2019. These demands were raised by tax authorities due to difference between computation of sales/ production reported by the Company in its sales tax return and sales/ production based on other sources of data. The Company believes that these demands were raised without legal validity and will be decided by IHC and ATIR in its favour as already decided by ATIR for the years 2011-2014.

		Note	2019	2018
			-----------(Rupees '000)-----------	
21	**DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Security deposits		28,582	29,057
	Short term prepayments		1,301,301	1,310,286
			1,329,883	1,339,343
22	**OTHER RECEIVABLES**			
	Development surcharge		80,666	80,391
	Employees' pension trust	22.1	7,350,365	-
	Claims receivable		64,039	55,873
	Workers' profit participation fund - net		-	172,276
	Others		267,358	144,447
			7,762,428	452,987
	Claims considered doubtful		9,637	9,637
			7,772,065	462,624
	Provision for doubtful claims		(9,637)	(9,637)
			7,762,428	452,987
22.1	**Employees' pension trust**			
	The amount recognized in the statement of financial position is as follows:			
	Present value of defined benefit obligation		(80,335,095)	(85,457,981)
	Fair value of plan assets		87,685,460	81,982,765
	Asset / (liability) at end of the year		7,350,365	(3,475,216)
	The movement in the present value of defined benefit obligation is as follows:			
	Present value of defined benefit obligation at beginning of the year		(85,457,981)	(85,239,047)
	Current service cost		(2,597,606)	(2,872,823)
	Interest cost		(8,223,800)	(7,598,534)
	Benefits paid		6,439,966	6,185,462
	Past service cost		-	474,085
	Remeasurement gain recognized in other comprehensive income		9,504,326	3,592,876
	Present value of defined benefit obligation at end of the year		(80,335,095)	(85,457,981)

	2019	2018
	(Rupees '000)	
The movement in the fair value of plan assets is as follows:		
Fair value of plan assets at beginning of the year	81,982,765	76,405,053
Expected return on plan assets	8,136,263	7,165,219
Contributions	5,199,701	8,299,022
Benefits paid	(6,439,966)	(6,185,462)
Remeasurement loss recognized in other comprehensive income	(1,193,303)	(3,701,067)
Fair value of plan assets at end of the year	87,685,460	81,982,765
The movement in asset / (liability) recognized in the statement of financial position is as follows:		
Opening liability	(3,475,216)	(8,833,994)
Expense for the year	(2,685,143)	(2,832,053)
Remeasurement gain / (loss) recognized in other comprehensive income during the year	8,311,023	(108,191)
Payments to the fund during the year	5,199,701	8,299,022
Closing asset / (liability)	7,350,365	(3,475,216)
Expense recognized is as follows:		
Current service cost	2,597,606	2,872,823
Net interest cost	87,537	433,315
Past service cost	-	(474,085)
	2,685,143	2,832,053
Remeasurement gain / (loss) recognized in other comprehensive income:		
Remeasurement gain on defined benefit obligation	9,504,326	3,592,876
Remeasurement loss on plan assets	(1,193,303)	(3,701,067)
	8,311,023	(108,191)

	2019			2018		
Plan assets comprise:	Quoted	Unquoted	Total	Quoted	Unquoted	Total
	(Rupees '000)					
Regular Income Certificates	-	73,222,216	73,222,216	-	46,445,567	46,445,567
Special Saving Account	-	-	-	-	15,921,598	15,921,598
Mutual funds	1,237,883	-	1,237,883	1,754,233	-	1,754,233
Term Deposit Receipts	-	12,493,870	12,493,870	-	16,485,127	16,485,127
Cash and bank balances	-	731,491	731,491	-	1,376,240	1,376,240
	1,237,883	86,447,577	87,685,460	1,754,233	80,228,532	81,982,765

Quoted plan assets comprise of 1.41% (2018: 2.14%) of total plan assets.

Funds covered were invested within limits specified by regulations governing investment of approved retirement funds in Pakistan. The funds have no investment in the Company's own securities.

The pension plan is a defined benefit final salary plan invested through approved trust fund. The trustees of the fund are responsible for plan administration and investment. The Company appoints the trustees. All trustees are employees of the Company.

The plan exposes the Company to various actuarial risks: investment risk, salary risk and longevity risk from the pension plan.

	2019	2018
	(Rupees '000)	
The expense is recognized in the following:		
Operating expenses - profit or loss	1,338,504	1,277,627
General and administration expenses - profit or loss	474,549	449,466
Technical services	872,090	1,104,960
	2,685,143	2,832,053
Actual return on plan assets	6,942,960	3,464,152

Significant actuarial assumptions used were as follows:

	2019	2018
Discount rate per annum	14.25%	10.00%
Salary increase rate per annum	14.25%	10.00%
Expected rate of return on plan assets per annum	14.25%	10.00%
Pension indexation rate per annum	9.25%	5.50%
Mortality rate	Adjusted SLIC 2001-2005	
Withdrawal rate	Low	Low
Weighted average duration of the obligation	7 years	11 years

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
		-----------(Rupees '000)-----------	
Discount	1%	(6,486,957)	7,662,150
Salary increase	1%	293,146	(64,168)
Pension indexation	1%	5,384,381	(4,659,890)
Withdrawal	10%	2,784	(2,784)

	1 year setback	1 year set forward
	-----------(Rupees '000)-----------	
Mortality	(132,690)	133,097

Due to Pension Fund asset as at year end, no contribution is payable to the Fund in the next financial year, (2018: Rs 3,475 million payable) and the expected expense for the next year amounts to Rs 1,104.009 million.

23 INCOME TAX - ADVANCE

	Note	2019	2018
		-----------(Rupees '000)-----------	
Income tax- advance at beginning of the year		37,278,361	49,601,329
Income tax paid during the year		41,649,854	20,885,846
Provision for current taxation - Profit or loss	32	(54,621,860)	(33,548,759)
Tax (charge) / credit related to remeasurement gain/loss on employee retirement benefit plans for the year - other comprehensive income		(4,278,845)	339,945
Income tax - advance at end of the year	23.1 to 23.3	20,027,510	37,278,361

23.1 This includes amount of Rs 21,785 million (2018: Rs 21,467 million) paid to tax authorities on account of disallowance of actuarial loss amounting to Rs 43,134 million which the Company claimed in its return for the tax years 2014 to 2018. This actuarial loss was recognized in the books as a result of retrospective application of IAS 19 (as revised in June 2011) 'Employee Benefits' from the year ended 30 June 2014 and onwards. The Company has filed appeals against the orders of CIRA in Appellate Tribunal Inland Revenue (ATIR) for tax years 2014, 2015, 2016 and 2017 on 8 January 2016, 8 June 2017, 05 January 2018 and 21 August 2019 respectively, and against order of Additional Commissioner Inland Revenue (ACIR) in CIRA for tax year 2018 on 11 April 2019 which are currently pending. The management, based on opinion of its tax consultant, believes that the actuarial loss is an admissible expense under the tax laws and there is reasonable probability that the matter will be decided in favor of the Company by appellate forums available under the law.

23.2 During the year ended 30 June 2014, tax authorities raised demands of Rs 13,370 million (2018: Rs 13,370 million) by disallowing effect of price discount on sale of crude from Kunnar field and have recovered Rs 5,372 million (2018: Rs 5,372 million) from the Company upto 30 June 2019. During the year ended 30 June 2015, appeal before Appellate Tribunal Inland Revenue (ATIR) against the said demands were decided against the Company. The Company filed a reference application before Islamabad High Court (IHC) against the decision of ATIR. The Islamabad High Court vide order dated 17 February 2016, set aside the order of ATIR and remanded the case back to ATIR with the instructions to pass a speaking order. The case is currently pending before ATIR. Further, IHC vide order dated 14 January 2019 directed ATIR to decide the appeal expeditiously and until seven days after the decision on the Company's appeal, the tax department is restrained from adopting coercive measures for the recovery of the disputed tax liability in the event the appeal is dismissed. Management and its legal advisor are of the view that the price discount is not the income of the Company and hence not liable to tax. Accordingly, management is confident that the matter will be resolved in favor of the Company as the discounted price for Kunnar field was finally determined by the Ministry of Energy (Petroleum Division) and the total amount of price discount amount has been paid to the Government of Pakistan (GoP) upon directions from the Ministry of Finance, to this effect.

23.3 Income tax advance includes Rs 4,388 million (2018: Rs 3,885 million) mainly on account of disallowances made by the Additional Commissioner Inland Revenue (ACIR) in respect of decommissioning cost for tax year 2015 and workers' profit participation fund expense for tax year 2018 claimed by the Company in its return of income for the respective tax years. The Company has filed appeals against the said disallowances with ATIR on 08 June 2017 for tax year 2015 and with CIRA on 11 April 2019 for the tax year 2018, which are currently pending. Management believes that these disallowances are against income tax laws and regulations and accordingly no provision has been made in this respect in these financial statements.

24 OTHER FINANCIAL ASSETS

	Note	2019	2018
		(Rupees '000)	
Investment in Term Deposit Receipt (TDRs)	24.1	48,255,619	24,643,010
Investment in Treasury Bills (T-Bills) - Government of Pakistan	24.2	26,223,825	42,856,351
Investment at fair value through profit or loss - NIT units		246,992	335,301
		74,726,436	67,834,662

24.1 This represent foreign currency TDRs amounting to USD 296.485 million (2018: USD 202.542 million), and accrued interest amounting to USD 0.656 million (2018: USD 0.398 million), carrying interest rate ranging from 4.00% to 7.55% (2018: 3.51% to 3.95%) per annum, having maturities up to six months (2018: six months).

24.2 This represents T-Bills purchased on 20 June 2019 for 48 days at yield of 12.61% per annum (2018: Purchased on 26 June 2018 for 50 days at yield of 6.75 % per annum).

25 CASH AND BANK BALANCES

	Note	2019	2018
		(Rupees '000)	
Cash at bank:			
Deposit accounts	25.1	19,323,754	2,720,704
Current accounts		1,201,184	900,802
		20,524,938	3,621,506
Cash in hand		44,771	48,974
		20,569,709	3,670,480

25.1 These deposit accounts carry interest rate of 0.20% to 12.25% (2018: 0.20% to 6.00%) per annum and include foreign currency deposits amounting to USD 5.242 million (2018: USD 8.604 million). Deposits amounting to Rs 1.281 million (2018: Rs 1.281 million) with banks were under lien to secure bank guarantees issued on behalf of the Company.

26 SALES - NET

	2019	2018
	-----------(Rupees '000)-----------	
Gross sales		
Crude oil	116,750,595	90,670,375
Gas	156,898,084	127,525,920
Liquefied petroleum gas	24,184,391	17,336,322
Sulphur	415,954	335,897
Gas processing	110,791	97,841
	298,359,815	235,966,355
Government levies		
General sales tax	(27,181,586)	(21,393,236)
Gas Infrastructure Development Cess (GIDC)	(5,276,752)	(5,365,237)
Petroleum Levy	(1,373,465)	(824,915)
Excise duty	(3,046,824)	(3,047,967)
	(36,878,627)	(30,631,355)
	261,481,188	205,335,000

26.1 Gas sales include sales from Uch II and Nur-Bagla fields invoiced on provisional prices. There may be adjustment in revenue upon issuance of final wellhead prices notification by Ministry of Energy (Petroleum Division), impact of which cannot be determined at this stage.

26.2 Kunnar Pasahki Deep (KPD) field final prices will be agreed between Sui Southern Gas Company Limited and the Company upon execution of Gas Sale Agreement (GSA) and adjustment, if any, will be incorporated in the books on finalization of GSA.

26.3 In respect of six of its operated concessions, namely, Gurgalot, Sinjhoro, Bitrisim, Khewari, Nim and TAY Blocks and one non-operated Tal Block, Petroleum Concession Agreements (PCAs) were executed under the framework of Petroleum Policies 1994 and 1997. Later on, in pursuance to the option available under Petroleum Policy 2012, the Tal Block working interest owners wherein the Company's working interest is 27.7632% signed the Supplemental Agreement (SA) dated 28 August 2015 with the GoP for conversion of eligible existing and future discoveries under Tal PCA to the Petroleum Policy (PP), 2012. Further for aforementioned operated Concessions the Company also signed the SAs for conversion to PP 2012. Under the said arrangement, price regimes prevailing in PP 2007, PP 2009 and PP 2012 in terms of PP 2012 shall be applicable, correlated with the spud dates of the wells in the respective policies starting from 27 November 2007. The conversion package as defined in the SAs included windfall levy on natural gas only.

Oil and Gas Regulatory Authority (OGRA) has been notifying the revised wellhead prices in accordance with the Tal block SA for the period from the commencement of production of the respective discoveries. Accordingly, the financial impacts of the price revision were duly accounted for in the financial statements for the years ended 30 June 2016, 30 June 2017 and 30 June 2018 on completion of the process laid down in the law and in line with the Company's accounting policy.

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

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

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

The cumulative past benefit accrued and recorded in these financial statements by the Company upto 23 November 2017 in the form of revenue and profit after tax is Rs 8,550 million and Rs 4,426 million, respectively. However, without prejudice to the Company's stance in the court case and as a matter of prudence, revenue of Rs 7,695 million related to gas price incentive against the supplemental agreements has been set aside on a point forward basis effective 24 November 2017 (the date of decision of CCI).

27 OPERATING EXPENSES

	Note	2019	2018
		-----------(Rupees '000)-----------	
Salaries, wages and benefits	27.1	19,694,981	19,500,695
Stores and supplies consumed		1,640,805	1,587,361
Contract services		2,177,380	1,909,283
Joint operations expenses		1,472,473	1,474,275
Workover charges		2,110,652	2,039,726
Decommissioning cost		87,248	90,790
Travelling and transportation		663,404	578,335
Repairs and maintenance		1,069,154	1,148,193
Rent, fee and taxes		860,908	852,377
Insurance		273,411	167,942
Communication		38,286	44,459
Utilities		64,704	460,988
Land and crops compensation		482,435	452,392
Desalting, decanting and naphtha storage charges		28,041	82,010
Training, welfare and Corporate Social Responsibility (CSR)		1,191,411	1,036,469
Provision/ (reversal of provision) for slow moving, obsolete and in transit stores		112,090	(19,618)
Stores inventory written off		60,599	421,200
Depreciation	13.3	10,820,698	10,346,292
Amortization of development and production assets	14	17,947,440	15,910,719
Reversal due to change in decommissioning cost estimates		(284,169)	(1,173,102)
Transfer from general and administration expenses	30	3,035,427	3,263,763
Miscellaneous		8,282	9,350
		63,555,660	60,183,899
Stock of crude oil and other products:			
Balance at beginning of the year		346,829	376,390
Balance at end of the year		(446,645)	(346,829)
		63,455,844	60,213,460

27.1 These include charge against employee retirement benefits of Rs 2,499 million (2018: Rs 2,171 million).

28 OTHER INCOME

	Note	2019	2018
		(Rupees '000)	
Income from financial assets			
Interest income on:			
Investments and bank deposits		15,903,187	10,979,511
Delayed payments from customers		2,586	4,511
		15,905,773	10,984,022
Dividend income from NIT units		10,579	20,431
Un-realized loss on investments at fair value through profit or loss		(88,309)	(44,904)
Exchange gain - net		13,023,650	2,993,545
		28,851,693	13,953,094
Income from non financial assets			
Insurance claim received		41,017	-
Signature bonus	28.1	584,391	1,266,238
(Loss)/ gain on disposal of property, plant and equipment		(1,449)	59,445
Gain on disposal of stores, spare parts and loose tools		100,243	100,173
Liquidated demages / penalty imposed on suppliers		2,256,616	350,309
Others		455,738	278,859
		3,436,556	2,055,024
		32,288,249	16,008,118

28.1 This represents income recognized on account of signature bonus in respect of allocation of LPG quota.

29 EXPLORATION AND PROSPECTING EXPENDITURE

	Note	2019	2018
		(Rupees '000)	
Cost of dry and abandoned wells	15	6,091,795	10,086,127
Prospecting expenditure		6,407,529	6,104,369
		12,499,324	16,190,496

30 GENERAL AND ADMINISTRATION EXPENSES

	Note	2019	2018
Salaries, wages and benefits	30.1	6,247,581	6,263,584
Joint operations expenses		1,177,946	908,569
Unallocated expenses of technical services		435,947	921,859
Traveling and transportation		384,317	394,462
Repairs and maintenance		34,450	51,424
Stores and supplies consumed		63,307	21,487
Rent, fee and taxes		240,073	163,586
Communication		51,312	55,448
Utilities		91,613	66,854
Training and scholarships		44,353	44,205
Legal and professional services		45,597	48,466
Contract services		195,820	206,388
Auditors' remuneration	30.2	28,405	30,512
Advertising		52,518	74,904
Insurance		200	207
Depreciation	13.3	201,372	211,896
Miscellaneous		32,982	58,079
		9,327,793	9,521,930
Allocation of expenses to:			
Operations	27	(3,035,427)	(3,263,763)
Technical services		(2,163,117)	(2,170,305)
		(5,198,544)	(5,434,068)
		4,129,249	4,087,862

30.1 These include charge against employee retirement benefits of Rs 811 million (2018: Rs 684 million).

		Note	2019	2018
			(Rupees '000)	
30.2	**Auditors' remuneration**			
	M/s KPMG Taseer Hadi & Co., Chartered Accountants			
	Annual audit fee		2,420	2,420
	Half yearly review		968	968
	Concession/ Joint operations audit fee		3,869	4,075
	Audit fee for claims lodged by employees under BESOS		240	240
	Verification of Central Depository Company record		100	100
	Verification of statement of free float of shares		200	200
	Certification of fee payable to OGRA		200	200
	UCH-II project cost verification		500	500
	Dividend certification		200	300
	Other non audit services		-	605
	Out of pocket expenses		735	757
			9,432	10,365
	M/s A. F. Ferguson & Co., Chartered Accountants			
	Annual audit fee		2,420	2,420
	Half yearly review		968	968
	Concession/ Joint operations audit fee		3,706	3,974
	Verification of Central Depository Company		100	100
	Verification of statement of free float of shares		200	200
	Dividend certification		200	100
	Physical verification - Stores, spare parts & loose tools		2,865	-
	Decommissioning certification		1,008	1,008
	Tax services		6,814	10,674
	Out of pocket expenses		692	703
			18,973	20,147
			28,405	30,512
31	**FINANCE COST**			
	Unwinding of discount on provision for decommissioning cost	9	1,686,425	1,722,384
	Others		6,113	7,502
			1,692,538	1,729,886
32	**TAXATION**			
	Current- charge for the year		54,621,860	33,548,759
	Deferred- charge for the year		3,591,765	341,707
			58,213,625	33,890,466
32.1	**Reconciliation of tax charge for the year:**			
	Accounting profit		176,599,413	112,626,761
	Tax rate		51.20%	51.36%
	Tax on accounting profit at applicable rate		90,418,899	57,845,104
	Tax effect of royalty allowed for tax purposes		(11,506,220)	(8,765,514)
	Tax effect of depletion allowance		(15,770,994)	(11,848,492)
	Tax effect of amount not admissible for tax purposes		45,214	(861,554)
	Tax effect of exempt income		(5,416)	(10,493)
	Tax effect of income chargeable to tax at reduced corporate rate		(6,625,902)	(4,026,359)
	Effect of super tax		2,670,964	2,498,092
	Others		(1,012,920)	(940,318)
			58,213,625	33,890,466

32.2 Various appeals in respect of assessment years 1992-93 to 2002-03, tax years 2003 to 2018 are pending at different appellate forums in the light of the order of the Commissioner of Inland Revenue (Appeals) and decision of the Adjudicator, appointed by both the Company as well as the Federal Board of Revenue (FBR) mainly on the issues of decommissioning cost, depletion allowance, prospecting, exploration and development expenditure, tax rate and super tax. Total amount of tax demand against the major issues, raised in respect of assessment years 1992-93 to 2002-03 and tax years 2003-2018 amounts to Rs 99,302 million out of which an amount of Rs 95,961 million has been paid to tax authorities and has also been provided for in these financial statements. Also refer to note 23.1 to 23.3 of the financial statements.

33 EARNINGS PER SHARE - BASIC AND DILUTED

	2019	2018
Profit for the year (Rupees '000)	118,385,788	78,736,295
Average number of shares outstanding during the year ('000)	4,300,928	4,300,928
Earnings per share - basic (Rupees)	27.53	18.31

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

34 SALARIES, WAGES AND BENEFITS

	Operating expenses	General and administrative expenses	Technical services	Total
	(Rupees '000)			
For year ended 30 June 2019				
Salaries and wages	11,931,162	3,718,501	7,110,984	22,760,647
Awards and bonuses	2,840,268	1,027,406	1,586,664	5,454,338
Charge for accumulating compensated absences	613,576	136,339	383,557	1,133,472
Gratuity expense	124,461	78,914	84,240	287,615
Charge for post retirement medical benefits	1,035,673	257,962	608,780	1,902,415
Charge for employees' pension	1,338,504	474,549	872,091	2,685,144
Other allowances and benefits	1,811,337	553,910	982,087	3,347,334
	19,694,981	6,247,581	11,628,403	37,570,965
For year ended 30 June 2018				
Salaries and wages	11,432,709	3,532,597	7,150,787	22,116,093
Awards and bonuses	3,127,541	1,198,488	1,954,543	6,280,572
Charge for accumulating compensated absences	1,230,561	283,078	788,156	2,301,795
Gratuity expense	37,014	10,700	24,883	72,597
Charge for post retirement medical benefits	856,426	223,498	516,165	1,596,089
Charge for employees' pension	1,277,627	449,466	1,104,960	2,832,053
Other allowances and benefits	1,538,817	565,757	1,172,953	3,277,527
	19,500,695	6,263,584	12,712,447	38,476,726

	Note	2019	2018
		(Rupees '000)	
These salaries, wages and benefits have been allocated as follows:			
Operating expenses	27	19,694,981	19,500,695
General and administration expenses	30	6,247,581	6,263,584
Technical services	34.1	11,628,403	12,712,447
		37,570,965	38,476,726

34.1 Salaries, wages and benefits relating to in-house technical services of the Company are further allocated to various cost centers including wells, projects and prospecting expenditure as per Company's policy.

35 OPERATING SEGMENTS

The financial statements have been prepared on the basis of a single reportable segment. Revenue from external customers for products of the Company is disclosed in note 26.

Revenue from three major customers of the Company constitutes 64% (2018: 61%) of the total revenue during the year ended 30 June 2019.

36 FINANCIAL INSTRUMENTS

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

36.1 Credit risk

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

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

36.1.1 Counterparties

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

Trade debts

Trade debts are essentially due from oil refining companies, gas distribution companies and power generation companies and the Company does not expect these companies to fail to meet their obligations. Majority of sales to the Company's customers are made on the basis of agreements approved by GoP.

Sale of crude oil and natural gas is at prices determined in accordance with the agreed pricing formula as approved by GoP under respective agreements. Prices of liquefied petroleum gas are determined by the Company subject to maximum price notified by OGRA. Sales price of gas is also notified by OGRA.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade debts as disclosed in note 4.13.1.4 to the financial statements.

Bank balances and investments

The Company limits its exposure to credit risk by investing in liquid securities and maintaining bank accounts only with counterparties that have a credit rating of at least A1 and A. In addition to the exposure with Banks, the Company also holds investments in Treasury Bills and Term Finance Certificates issued by the State Bank of Pakistan and Power Holding (Private) Limited respectively. Investment in TFCs and Treasury Bills are secured by GoP guarantee. While bank balances, investments in term deposits and treasury bills are also subject to the requirements of IFRS 9 the identified impairment loss was immaterial as the counter parties have reasonably high credit ratings. The credit rating of the counterparties is as follows:

	2019		**2018**		
	Short term	Long term	Short term	Long term	Credit rating agency
National Bank of Pakistan	A-1+	AAA	A-1+	AAA	PACRA
Allied Bank of Pakistan	A-1+	AAA	A1+	AAA	PACRA
Askari Bank Limited	A-1+	AA+	A1+	AA+	PACRA
Bank Al-Falah Limited	A-1+	AA+	A1+	AA+	JCR-VIS
Bank Al-Habib limited	A-1+	AA+	A1+	AA+	PACRA
Standard Chartered Bank	A-1+	AAA	A1+	AAA	PACRA
Faysal Bank	A-1+	AA	A1+	AA	PACRA
Habib Bank Limited	A-1+	AAA	A-1+	AAA	JCR-VIS
Habib Metropolitan Bank	A-1+	AA+	A1+	AA+	PACRA
Dubai Islami Bank	A-1+	AA	A1	AA-	JCR-VIS
MCB Bank	A-1+	AAA	A1+	AAA	PACRA
Soneri Bank Limited	A-1+	AA-	A1+	AA-	PACRA
United Bank limited	A-1+	AAA	A-1+	AAA	JCR-VIS
Citibank N.A.	P-1	Aa3	P-1	A1	Moody's
Meezan Bank Limited	A-1+	AA+	A-1+	AA+	JCR-VIS

36.1.2 Exposure to credit risk

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

	2019	**2018**
	------------**(Rupees '000)**------------	
Long term investments	10,170,987	19,577,113
Long term loans and receivable	8,085,201	7,344,145
Trade debts - net of provision	242,731,940	163,691,820
Loans and advances	5,952,185	6,296,256
Deposits	28,582	29,057
Other receivables	331,397	200,320
Current portion of long term investments	113,770,186	95,957,967
Other financial assets	74,726,436	67,834,662
Bank balances	20,524,938	3,621,506
	476,321,852	364,552,846

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

	2019	**2018**
	------------**(Rupees '000)**------------	
Oil refining companies	26,026,948	22,599,449
Gas distribution companies	189,312,223	125,121,669
Power generation companies	25,952,209	16,538,448
State Bank of Pakistan	36,433,454	42,856,351
National Bank of Pakistan	4,766,847	557,271
Banks and financial institutions-others	64,013,710	37,220,908
Power Holding (Private) Limited	113,731,544	106,021,417
Others	16,084,917	13,637,333
	476,321,852	364,552,846

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

		2019	**2018**
	Note	------------**(Rupees '000)**------------	
Investments			
AAA	16.2	-	9,513,663
Unrated	16.2	123,941,173	106,021,417
		123,941,173	115,535,080

Trade debts

Customers with no defaults in the past one year	-	-
Customers with some defaults in past one year which have been fully recovered	-	3,983,188
Customers with defaults in past one year which have not yet been recovered	49,435,020	37,155,775
	49,435,020	41,138,963

	Note	2019	2018
		------------(Rupees '000)------------	
Other financial assets			
AAA		52,386,558	-
AA+		11,883,257	67,499,361
AM2++		246,992	335,301
Unrated		10,209,629	-
	24	74,726,436	67,834,662
Bank balances			
AAA		9,378,609	3,528,149
AA+		3,888,315	81,011
AA		3,727,725	5,655
AA-		3,530,280	6,682
Aa3		9	9
	25	20,524,938	3,621,506

The Company's most significant customers, an oil refining company and a gas distribution company (related party), amounts to Rs 124,551 million of trade debts as at 30 June 2019 (2018: Rs 91,539 million).

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

	2019	2018
	------------(Rupees '000)------------	
Crude oil	26,026,947	22,599,449
Gas	216,651,517	140,914,486
Kerosene oil	1,984	1,984
High speed diesel oil	86	86
Liquefied petroleum gas	29,822	85,937
Other operating revenue	21,584	89,878
	242,731,940	163,691,820

36.1.3 Impairment losses

The aging of trade debts at the reporting date was:

	Note	2019 Gross debts	2019 Impaired	2018 Gross debts	2018 Impaired
		----------------------------(Rupees '000)----------------------------			
Not past due		49,435,020	-	41,138,963	-
Past due 0-30 days		15,325,137	-	8,056,582	-
Past due 31-60 days		14,593,475	-	8,525,671	-
Past due 61-90 days		12,038,401	-	8,670,419	-
Over 90 days		151,441,020	(101,113)	97,410,915	(110,730)
	19	242,833,053	(101,113)	163,802,550	(110,730)

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

	Total	Not past due	Past due 0-30 days	Past due 31-60 days	Past due 61-90 days	Over 90 days	Impaired balance
				(Rupees '000)			
30 June 2019							
Enar Petroleum Refining Facility	3,413,049	3,622,187	-	3,423	-	(212,561)	-
Pakistan Refinery Limited	1,749,594	1,281,297	349,398	112,277	(5,010)	11,632	-
Pak Arab Refinery Company Limited	3,463,440	3,336,471	48,815	65	-	78,089	-
Sui Northern Gas Pipelines Limited	79,079,602	11,295,614	3,903,075	4,643,526	4,102,881	55,134,506	-
Sui Southern Gas Company Limited	110,232,621	11,586,469	5,347,953	5,055,967	4,450,644	83,791,588	-
Engro Fertilizers Limited	1,172,379	237,061	-	-	-	935,318	-
WAPDA	-	-	-	-	-	21,282	(21,282)
Pakistan State Oil	1,867	-	-	-	-	1,867	-
	199,112,552	**31,359,099**	**9,649,241**	**9,815,258**	**8,548,515**	**139,761,721**	**(21,282)**

	Total	Not past due	Past due 0-30 days	Past due 31-60 days	Past due 61-90 days	Over 90 days	Impaired balance
				(Rupees '000)			
30 June 2018							
Enar Petroleum Refining Facility	2,364,918	2,578,164	-	-	-	(213,246)	-
Pakistan Refinery Limited	1,405,024	1,405,024	-	-	-	-	-
Pak Arab Refinery Company Limited	1,893,408	1,859,828	4,124	82	1,837	27,537	-
Sui Northern Gas Pipelines Limited	47,108,297	8,661,386	1,891,320	3,487,291	3,149,401	29,918,899	-
Sui Southern Gas Company Limited	78,013,372	7,044,024	2,837,389	2,791,533	2,493,767	62,846,659	-
WAPDA	-	-	-	-	-	21,282	(21,282)
Pakistan State Oil	1,867	-	-	-	-	1,867	-
	130,786,886	**21,548,426**	**4,732,833**	**6,278,906**	**5,645,005**	**92,602,998**	**(21,282)**

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

	2019	2018
	(Rupees '000)	
Balance at beginning of the year	110,730	110,730
Written off during the year	(9,618)	-
Balance at end of the year	101,112	110,730

As explained in note 19 to the financial statements, the Company believes that no impairment allowance is necessary in respect of trade debts past due other than the amount provided. Trade debts are essentially due from oil refining companies, natural gas and liquefied petroleum gas transmission and distribution companies and power generation companies, the Company is actively pursuing for recovery of debts and the Company does not expect these companies to fail to meet their obligations. Impact of ECL on financial assets not covered under exemption was not material and accordingly has not been included in these financial statements.

The aging of loan and advances from related parties at the reporting date was:

	2019	2018
	(Rupees '000)	
Not past due	1,947	3,087
Past due	-	-
	1,947	3,087
Impaired	-	-
	1,947	3,087

Expected credit loss on loans, advances, deposit and other receivables is calculated using general approach (as disclosed in note 4.13.1.4). As at the reporting date, Company envisages that default risk on account of loans, advances and other receivables is immaterial based on historic trends adjusted to reflect forward looking information. The movement in the expected credit loss allowance in respect of loans, advances and other receivables during the year was as follows:

	2019	2018
	(Rupees '000)	
Balance at beginning of the year	197,472	197,472
Loss allowance made during the year	-	-
Balance at end of the year	197,472	197,472

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

	2019	2018
	(Rupees '000)	
Not past due	10,250,000	30,750,000
Past due	71,750,000	51,250,000
	82,000,000	82,000,000

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

	2019	2018
Not past due	3,008,276	1,896,357
Past due	28,723,267	22,125,060
	31,731,543	24,021,417

As explained in note 16.2 to the financial statements, the TFCs are secured by Sovereign Guarantee, covering the principal, markup, and /or any other amount becoming due for payment. ECL has not been assessed in respect of TFCs as disclosed in note 2.3.

36.2 Liquidity risk

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

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

	2019		2018	
All the trade and other payables have maturity upto one year	Carrying amount	Contractual cash flows	Carrying amount	Contractual cash flows
	(Rupees '000)			
Trade and other payables	26,938,544	26,938,544	24,174,486	24,174,486
Unpaid dividend	22,951,943	22,951,943	18,169,267	18,169,267
Unclaimed dividend	213,785	213,785	319,706	319,706
	50,104,272	50,104,272	42,663,459	42,663,459

36.3 Market risk

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

36.3.1 Foreign currency risk management

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

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

The potential currency exposures are discussed below;

Transactional exposure in respect of non functional currency monetary items

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

Transactional exposure in respect of non functional currency expenditure and revenues

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

Exposure to foreign currency risk

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

	2019	2018
	(USD ($) '000)	
USD ($)		
Trade debts	116,582	111,526
Other financial assets	296,485	202,542
Cash and bank balances	5,242	8,621
Loans and advances	21,346	35,450
Trade and other payables	(97,793)	(133,422)
	341,862	224,717
	(EURO (€) '000)	
Euro (€)		
Trade and other payables	1,918	1,918

Foreign currency commitments outstanding at year end are as follows:	2019	2018
	------------(Rupees '000)------------	
Euro	9,127,423	5,564,569
USD	21,516,326	32,630,567
GBP	498,007	44,712
JPY (¥)	46,544	-
	31,188,300	38,239,848

The following significant exchange rates were applied during the year:

	Average rate		Reporting date mid spot rate	
	2019	2018	2019	2018
	----------(Rupees)----------			
USD 1	136.55	110.09	163.35	121.63

Foreign currency sensitivity analysis

A 10 percent strengthening of the PKR against the USD at 30 June 2019 would have decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 30 June 2018.

	2019	2018
	------------(Rupees '000)------------	
Statement of profit or loss	5,584,316	2,733,233

A 10 percent weakening of the PKR against the USD at 30 June 2019 would have had the equal but opposite effect on USD to the amounts shown above, on the basis that all other variables remain constant.

36.3.2 Interest rate risk management

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period. The Company adopts a policy to ensure that interest rate risk is minimized by investing in fixed rate investments like TDRs while the Company has no borrowings.

Profile

At the reporting date the interest rate profile of the Company’s interest-bearing financial instruments was:

	2019	2018	2019	2018
	----------%----------		------------(Rupees '000)------------	
Fixed rate instruments				
Financial assets				
Investments	12.61	6.7	123,941,173	115,535,080
Long term loans	6.62	6.54	1,020,450	1,121,021
Other financial assets	4.00 to 12.61	3.51 to 6.75	74,479,444	67,499,361
Cash and bank balances	0.20 to 12.25	0.20 to 6.00	19,323,754	2,720,704
			218,764,821	186,876,166
Financial liabilities			-	-
			218,764,821	186,876,166

Fair value sensitivity analysis for fixed rate instruments

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

36.3.3 Other market price risk

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

Sensitivity analysis of price risk

A change of Rs 5 in the value of investments at fair value through profit and loss would have increased or decreased profit and loss by Rs 22.701 million (2018: Rs 22.701 million).

Sensitivity analysis of crude oil price risk

A change of USD 5 in average price of crude oil would increase or decrease profit by Rs 9,938 million (2018: Rs 8,184 million) on the basis that all other variables remain constant.

36.4 Fair values and risk management

The following table shows the carrying amounts and fair values of financial assets and liabilities. The fair value of financial assets measured at fair value is shown below. It does not include fair value information for financial assets and financial liabilities not measured at fair value as the carrying amount is a reasonable approximation of fair value.

		Carrying amount			
		Financial assets at amortised cost	Fair value through profit or loss	Other financial liabilities	Total
30 June 2019	**Note**	(Rupees '000)			
Financial assets measured at fair value					
Other financial assets- NIT Units	24	-	246,992	-	246,992
Financial assets not measured at fair value					
Long term investments	16.2	10,170,987	-	-	10,170,987
Long term loans and receivable	17	8,085,201	-	-	8,085,201
Trade debts - net of provision	19	242,731,940	-	-	242,731,940
Loans and advances	20	5,952,185	-	-	5,952,185
Deposits	21	28,582	-	-	28,582
Other receivables	22	331,397	-	-	331,397
Current portion of long term investments	16.2	113,770,186	-	-	113,770,186
Other financial assets	24	74,479,444	-	-	74,479,444
Cash and bank balances	25	20,569,709	-	-	20,569,709
		476,119,631	246,992	-	476,366,623
Financial liabilities measured at amortised cost					
Trade and other payables	10	-	-	26,938,544	26,938,544
Unpaid dividend		-	-	22,951,943	22,951,943
Unclaimed dividend		-	-	213,785	213,785
		-	-	50,104,272	50,104,272

		Carrying amount				
		Loans and receivables	Fair value through profit or loss	Held to maturity	Other financial liabilities	Total
30 June 2018	**Note**	(Rupees '000)				
Financial assets measured at fair value						
Other financial assets - NIT units	24	-	335,301	-	-	335,301
Financial assets not measured at fair value						
Long term investments	16.1 & 16.2	8,040,333	-	19,577,113	-	27,617,446
Long term loans and receivable	17	7,344,145	-	-	-	7,344,145
Trade debts - net of provision	19	163,691,820	-	-	-	163,691,820
Loans and advances	20	6,296,256	-	-	-	6,296,256
Deposits	21	29,057	-	-	-	29,057
Other receivables	22	200,320	-	-	-	200,320
Current portion of long term investments	16.2	-	-	95,957,967	-	95,957,967
Other financial assets	24	67,499,361	-	-	-	67,499,361
Cash and bank balances	25	3,670,480	-	-	-	3,670,480
		256,771,772	335,301	115,535,080	-	372,642,153
Financial liabilities not measured at amortised cost						
Trade and other payables	10	-	-	-	24,174,486	24,174,486
Unpaid dividend		-	-	-	18,169,267	18,169,267
Unclaimed dividend		-	-	-	319,706	319,706
		-	-	-	42,663,459	42,663,459

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. Since the majority of the financial assets are fixed rate instruments, there is no significant difference in market rate and the rate of instrument, fair value significantly approximates to carrying value.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3
	----------------------(Rupees '000)----------------------		
30 June 2019			
Financial assets measured at fair value			
Other financial assets - NIT units	246,992	-	-
30 June 2018			
Financial assets measured at fair value			
Other financial assets - NIT units	335,301	-	-

Determination of fair values

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

Investment in fair value through profit or loss

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

Investment in associate

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

Non - derivative financial assets

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

Non-derivative financial liabilities

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

Capital management

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

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

37 CASH AND CASH EQUIVALENTS

	Note	2019	2018
		-----------(Rupees '000)-----------	
Cash and bank balances	25	20,569,709	3,670,480
Short term highly liquid investments			
Investment in Term Deposit Receipts	24	48,255,619	24,643,010
Investment in Treasury Bills	24	26,223,825	42,856,351
		74,479,444	67,499,361
		95,049,153	71,169,841

38 NUMBER OF EMPLOYEES

	2019	2018
Total number of employees at the end of the year were as follows:		
Regular	8,712	8,529
Contractual	3,244	3,098
	11,956	11,627
Average number of employees during the year were as follows:		
Regular	8,621	8,696
Contractual	3,171	2,537
	11,792	11,233

39 RELATED PARTIES TRANSACTIONS

Government of Pakistan owns 74.97% (30 June 2018: 74.97%) shares of the Company. Therefore, all entities owned and controlled by the Government of Pakistan are related parties of the Company. Other related parties comprise associated company, major shareholders, directors, companies with common directorship, key management personnel, OGDCL employees empowerment trust and employees pension trust. The Company in normal course of business pays for electricity, gas and telephone to entities controlled by Government of Pakistan which are not material, hence not disclosed in these financial statements. Transactions of the Company with related parties and balances outstanding at year end are as follows:

	2019	2018
	-----------(Rupees '000)-----------	
MPCL- Associated company (20% share holding of the Company)		
Share of profit in associate - net of taxation	4,865,418	3,074,868
Share of other comprehensive loss of the associate - net of taxation	30,274	18,369
Dividend received	150,878	124,638
Expenditure charged by Joint Venture (JV) partner- net	313,408	66,650
Cash calls (paid to)/ received from JV partner- net	(491,553)	1,199
Share (various fields) payable	98,468	22,962
Share (various fields) receivable	279,316	25,665
Major shareholders		
Government of Pakistan (74.97% share holding)		
Dividend paid	31,922,882	27,569,762
Dividend paid - Privatization Commission of Pakistan	3,547,070	3,063,379
OGDCL Employees' Empowerment Trust (OEET) (10.05% share holding)		
Dividend payable	22,109,798	17,355,718
Related parties by virtue of GoP holdings and /or common directorship		
Sui Northern Gas Pipelines Limited		
Sale of natural gas	64,154,928	57,078,987
Trade debts as at 30 June	79,079,602	47,108,297
Pakistan State Oil Company Limited		
Sale of liquefied petroleum gas	1,129,220	748,674
Purchase of petroleum, oil and lubricants	4,770,340	3,325,639
Trade debts as at 30 June	1,867	1,867
Payable as at 30 June	8,100	252,920
Pakistan Petroleum Limited		
Payable as at 30 June	172,993	224,040
Expenditure charged to JV partner- net	1,363,677	117,284
Cash calls received from JV partner- net	1,992,482	1,126,721
Share (various fields) receivable	67,310	1,087,732
Share (various fields) payable	2,192,248	2,583,865
Pak Arab Refinery Company Limited		
Sale of crude oil	15,437,362	13,381,804
Trade debts as at 30 June	3,463,440	1,893,408

	2019	2018
	-----------(Rupees '000)-----------	
RELATED PARTIES TRANSACTIONS -Continued		
PARCO Pearl Gas (Private) Limited		
Sale of LPG	332,677	250,445
Pakistan Refinery Limited		
Sale of crude oil	7,214,378	6,438,415
Trade debts as at 30 June	1,749,594	1,405,024
Engro Fertilizers Limited		
Sale of natural gas	1,121,705	-
Trade debts as at 30 June	1,172,379	-
State Bank of Pakistan		
Interest earned on Pakistan Investment Bonds (PIBs)	-	275,724
Amount received on maturity of PIBs	-	53,692,130
Balance of investment in Treasury Bills as at 30 June	36,295,557	42,856,351
Interest earned on Treasury Bills	4,885,213	3,050,629
Interest receivable on Treasury Bills as at 30 June	137,897	-
Habib Bank Limited		
Balance as at 30 June	7,759,184	-
Interest earned on deposits	302,447	-
Related parties by virtue of GoP holdings		
Government Holdings (Private) Limited (GHPL)		
Payable as at 30 June	276,374	394,318
Expenditure charged to JV partner	3,650,167	3,732,139
Cash calls received from JV partner	4,205,231	3,484,949
GHPL share (various fields) receivable	1,600,656	1,973,659
GHPL share (various fields) payable	182,061	-
National Investment Trust		
Investment as at 30 June	246,992	335,301
Dividend received	10,579	20,431
Power Holding (Private) Limited (PHPL)		
Markup earned	7,900,127	5,941,046
Balance of investment in TFCs receivable not yet due as at 30 June	10,250,000	30,750,000
Balance of past due principal repayment on TFCs as at 30 June	71,750,000	51,250,000
Balance of markup receivable on TFCs not yet due as at 30 June	3,008,277	1,896,357
Balance of past due markup receivable on TFCs as at 30 June	28,723,267	22,125,060
Sui Southern Gas Company Limited		
Sale of natural gas	56,775,434	38,034,446
Sale of LPG	291,504	-
Pipeline rental charges	36,660	36,660
Trade debts as at 30 June	110,232,621	78,013,372
Sui Southern Gas Company LPG (Pvt) Limited		
Sale of Liquified Petroleum gas	708,543	261,440
National Bank of Pakistan		
Balance of accounts as at 30 June	797,746	557,271
Balance of Investment (TDR) as at 30 June	3,969,101	-
Interest earned during the year	154,217	355,075
National Insurance Company Limited		
Insurance premium paid	762,414	329,670
Payable as at 30 June	164	-
National Logistic Cell		
Crude transportation charges paid	1,608,402	1,104,473
Payable as at 30 June	720,648	646,119
Enar Petrotech Services Limited		
Consultancy services	60,857	26,760
Payable as at 30 June	-	1,680

	Note	2019	2018
		-----------(Rupees '000)-----------	
RELATED PARTIES TRANSACTIONS -Continued			
Enar Petroleum Refining Facility			
Sale of crude oil		15,638,452	11,410,140
Trade debts as at 30 June		3,413,049	2,364,918
Other related parties			
Contribution to pension fund		5,199,701	8,299,021
Remuneration including benefits and perquisites of key management personnel	39.1	536,939	696,279

39.1 Key management personnel

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

	2019	2018
	-----------(Rupees '000)-----------	
Managerial remuneration	192,779	234,136
Housing and utilities	133,622	167,093
Award and bonus	108,881	170,757
Other allowances and benefits	58,406	78,587
Leave encashment	7,549	6,960
Medical benefits	5,694	6,070
Contribution to pension fund	14,131	22,019
Gratuity fund	15,877	10,657
	536,939	696,279
Number of persons	27	34

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

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

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

40 REMUNERATION OF CHIEF EXECUTIVES, DIRECTORS AND EXECUTIVES

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

	2019		2018	
	Chief Executive	Executives	Chief Executive	Executives
	--------------------------------(Rupees '000)--------------------------------			
Managerial remuneration	21,399	4,195,656	19,870	4,187,266
Housing and utilities	11,770	3,376,367	10,928	3,374,131
Award and bonus	15,157	2,351,387	17,868	2,629,827
Other allowances and benefits	1,761	2,645,429	2,420	2,325,933
Medical benefits	555	210,631	453	217,694
Leave encashment	-	427,411	-	382,243
Contribution to pension fund	-	520,862	-	572,413
Gratuity fund	2,780	26,584	4,043	11,515
	53,422	13,754,327	55,582	13,701,022
Number of persons including those who worked part of the year	1	1,897	1	1,907

- Executive means any employee whose basic salary exceeds Rs 1,200,000 (2018: Rs 1,200,000) per year.
- During the year non management employees whose basic salary is more than Rs 1,200,000 per year have also been included in the executives in 2019 and 2018.
- Awards are paid to employees on start of commercial production and new discoveries of natural resources. Bonus includes performance bonus with respect to officers and for staff under section 10-C of the West Pakistan Industrial and Commercial Employment (standing orders) Ordinance 1968.
- The aggregate amount charged in these financial statements in respect of fee to 17 directors (2018: 12) was Rs 16.420 million (2018: Rs 17.170 million). This amount includes Rs 0.440 million in respect of monthly compensation being paid to Chairman of board of directors.
- The employees of the Company have option to avail car facility as per the entitlement policy of the Company.

41 INFORMATION RELATING TO PROVIDENT FUND

Oil and Gas Development Company Limited (OGDCL) Employees' Provident Fund is a contribution plan for benefit of permanent employees of the Company. For employees regularzied before 01 January 2016, the Company does not contribute to the fund in respect of employees who are eligible for pension benefits and the contributions are made by the employees only.

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

Duing the year ended 30 June 2016, the Company changed its policy for entitlement of pension fund whereby employees regularized after 01 January 2016 will contribute one basic salary towards provident fund annually and the Company shall match the contribution. Contributory provident fund trust in this respect has not yet been created.

42 DISCLOSURE REQUIREMENTS FOR ALL SHARES ISLAMIC INDEX

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

	Description	**Explanation**	**(Rupees '000)**
i)	Bank balances as at 30 June 2019	Placed under interest	15,770,588
		Placed under Shariah permissible arrangement	3,553,166
			19,323,754
ii)	Return on bank deposits for the year ended 30 June 2019	Placed under interest arrangement	853,339
		Placed under Shariah permissible arrangement	187,794
			1,041,133
iii)	Interest income on investments for the year ended 30 June 2019 2017	Placed under interest arrangement	14,807,778
		Placed under Shariah permissible arrangement	-
			14,807,778
iv)	Segment revenue	Disclosed in note 26 & 35	
v)	Exchange gain earned from actual currency	-	11,577,789
vi)	Relationship with banks having Islamic windows	Meezan Bank Limited & Dubai Islamic ba	
vii)	Profit earned on employee loans during the year	-	(3,969)

Disclosures other than above are not applicable to the Company.

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

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

		Working Interest	
		2019	2018
Operated by OGDCL- Wholly owned concessions		(%)	
Exploration licenses	**Location**		
Bela North	Khuzdar, Awaran & Lasbela	100	100
Bostan	Ziarat, Pishin, Killah Abdullah & Quetta	100	100
Fateh Jang	Islamabad, Rawalpindi & Attock	100	100
Fatehpur *	Layyah, Muzaffargarh, Khanewal & Multan	-	100
Jandaran	Barkhan, Kohlu & Loralai	100	100
Jandran West	Kohlu & Barkhan	100	100
Kharan	Kharan & Noshki	100	100
Ladhana *	Muzaffargarh, Layyah & Multan	-	100
Lakhi Rud	Loralai, Musakhel, Barkhan & Kohlu	100	100
Latamber	Bannu & Tribal area adjacent to Bannu	100	100
Mari East	Ghotki, Rahim Yar Khan & Rajanpur	100	100
Rasmalan *	Gwadar, Awaran & Lasbela	-	100
Rasmalan West *	Gawadar & Awaran	-	100
Samandar	Awaran & uthal	100	100
Saruna	Khuzdar & Lasbella	100	100
Khuzdar South	Khuzdar & Dadu	100	-
Shaan	Zhob, Qila Saifullah & Musakhel Bazar	100	100
Shahana	Washuk & Punjgur	100	100
Soghri	Attock, Punjab & Kohat, KPK	100	100
Thal	Khairpur, Sukkur & Ghotki	100	100
Wali	South Waziristan Agency, Bannu, Lakki Marwat & Tribal area adjacent to Taank	100	100
Development and Production/ Mining Leases			
Soghri	Attock, Punjab & Kohat, KPK	100	100
Bagla	Thatta & Badin, Sindh	100	100
Bahu	Jhang, Punjab	100	100
Bhal Syedan	Attock, Punjab	100	100
Bhambra	Sukkur, Sindh	100	-
Bobi / Dhamrakhi	Sanghar, Sindh	100	100
Buzdar	Hyderabad, Sindh	100	100
Chak 5 Dim South	Sanghar, Sindh	100	100
Dakhni	Attock, Punjab & Kohat, KPK	100	100
Daru	Thatta, Sindh	100	100
Dhodak	Dera Ghazi Khan,Punjab	100	100
Fimkassar	Chakwal, Punjab	100	100
Hundi	Dadu, Sindh	100	100
Kal	Chakwal, Punjab	100	100
Kunnar	Hyderabad, Sindh	100	100
Kunnar Deep	Hyderabad, Sindh	100	100
Kunnar West	Hyderabad, Sindh	100	100
Lashari Centre & South	Hyderabad, Sindh	100	100
Loti	Dera Bugti Agency, Balochistan	100	100
Misan	Hyderabad, Sindh	100	100
Missa Keswal	Rawalpindi, Punjab	100	100
Nandpur	Multan & Jhang, Punjab	100	100
Nur	Thatta & Badin, Sindh	100	100
Pali	Hyderabad, Sindh	100	100
Panjpir	Multan & Jhang, Punjab	100	100
Pasahki & Pasahki North	Hyderabad, Sindh	100	100
Pasahki Deep	Hyderabad, Sindh	100	100
Pirkoh	Sibi (Bugti Tribal Territory), Balochistan	100	100
Pirkoh (Additional)	Dera Bugti Agency, Balochistan	100	100
Rajian	Chakwal & Jehlum, Punjab	100	100
Sadkal	Attock, Punjab	100	100
Sara West	Ghotki, Sindh	100	100
Sari Sing	Dadu, Sindh	100	100
Sono	Hyderabad, Sindh	100	100
Tando Alam	Hyderabad, Sindh	100	100
Thal East	Sukkur, Sindh	100	-
Thal West	Khairpur & Sukkur, Sindh	100	-
Thora / Thora East & Thora Add	Hyderabad, Sindh	100	100
Toot	Attock, Punjab	100	100
Uch	Dera Bugti, Balochistan	100	100

* The Company requested DGPC for relinquishment of these exploratory blocks.

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

		Working Interest	
		2019	2018
Operated by OGDCL- Joint operations	**Location**	(%)	
Exploration licenses			
Baratai	Kohat	97.50	97.50
Bitrisim	Shaheed Benazirabad, Khairpur & Sanghar	95.00	95.00
Block-28	Kohlu, Dera Bughti & Barkhan	-	5.00
Gawadar	Gwadar & Kech	97.50	97.50
Guddu	Rajanpur, Rahim Yar Khan, Ghotki & Kashmore	70.00	70.00
Gurgalot	Kohat & Attock	75.00	75.00
Kalchas	Kohlu, Dera Bugti & Rajanpur	50.00	50.00
Khanpur	Rahim Yar Khan	97.50	97.50
Khewari	Khairpur & Shaheed Benazirabad	95.00	95.00
Khuzdar North	Khuzdar	97.50	97.50
Kohat	Kohat, Naushera, Orakzai Agency, Peshawar & Darra Adam Khel	50.00	30.00
Kohlu	Kohlu, Dera Bugti & Barkhan	40.00	40.00
Kulachi	D.I. Khan, D.G. Khan, Layyah & Bhakkar	95.45	95.45
Nashpa	Kohat, Karak, North Waziristan & Mianwali	65.00	65.00
Nim	Hyderabad & Tharparker	95.00	95.00
Orakzai	Kurram, Orakzai Agency & Hangu	95.34	95.34
Pasni West	Gwadar & Kech	97.50	97.50
Pezu	D.G. Khan, Lakki Marwat, Tank, D.I. Khan & Tribal area of D.I. Khan	65.88	95.88
Plantak	Washuk & Panjgur	97.50	97.50
Rakhshan	Washuk	97.50	97.50
Ranipur	Khairpur, Larkana & Naushahro Feroz	95.00	95.00
Sinjhoro	Sanghar & Khairpur	76.00	76.00
Tando Allah Yar	Hyderabad & Tharparker	95.00	95.00
Tirah	Khyber, Kurram & Orakzai Agencies.	95.00	95.00
Zhob	Zhob, Musa Khail Bazar & Tribal area of D.I. Khan	97.50	97.50
Zin	Dera Bugti, Nasirabad, Kohlu & Sibbi	95.00	95.00
Zorgarh	Ghotki, Jaffarabad, Kashmore, Dera Bugti & Rajanpur	95.80	95.80
Development and Production/ Mining Leases			
Baloch	Sanghar, Sindh	62.50	62.50
Britism West	Shaheed Benazirabad, Khairpur & Sanghar, Sindh	77.50	-
Chabaro	Khairpur & Shaheed Benazirabad, Sindh	77.50	-
Chak Naurang	Chakwal, Punjab	85.00	85.00
Chak-63	Sanghar, Sindh	62.50	62.50
Chak-63 South East	Sanghar, Sindh	62.50	62.50
Chak-66	Sanghar/Khairpur, Sindh	62.50	62.50
Chak-7A	Sanghar, Sindh	62.50	62.50
Chanda	Kohat, KPK	72.00	72.00
Chandio	Hyderabad, Sindh	77.50	77.50
Chak-2	Sanghar, Sindh	62.50	62.50
Dars	Hyderabad, Sindh	77.50	77.50
Dars Deep	Hyderabad, Sindh	77.50	77.50
Dars West	Hyderabad, Sindh	77.50	77.50
Dhok Hussain	Kohat, KPK	97.50	-
Gopang	Hyderabad, Sindh	77.50	77.50
Gundanwari	Shaheed Benazirabad, Khairpur & Sanghar, Sindh	77.50	-
Hakeem Dahu	Sanghar/Khairpur, Sindh	62.50	62.50
Jakhro	Sanghar, Sindh	77.50	77.50
Jhal Magsi South	Jhal Magsi, Balochistan	56.00	56.00
Kunnar South	Hyderabad, Sindh	77.50	77.50
Lala Jamali	Sanghar, Sindh	62.50	62.50
Maru	Ghotki,Sindh	57.76	57.76
Maru South	Ghotki,Sindh	57.76	57.76
Mela	Kohat, KPK	56.45	56.45
Nashpa	Karak, KPK	56.45	56.45
Nim	Hyderabad, Sindh	77.50	77.50
Nim West	Hyderabad, Sindh	77.50	77.50
Norai Jagir	Hyderabad, Sindh	77.50	77.50
Pasahki East	Hyderabad, Sindh	77.50	77.50
Pakhro	Tando Mohammad Khan, Sindh	77.50	77.50
Qadirpur	Ghotki & Kashmore, Sindh	75.00	75.00
Resham	Sanghar, Sindh	62.50	62.50
Reti	Ghotki,Sindh	57.76	57.76
Saand	Tando Allah Yar, Sindh	77.50	77.50
Shah	Hyderabad, Sindh	77.50	77.50
Tando Allah Yar	Hyderabad, Sindh	77.50	77.50
Tando Allah Yar North	Hyderabad, Sindh	77.50	77.50
Unnar	Hyderabad, Sindh	77.50	77.50

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

Non Operated	Location	Operator	Working Interest 2019 %	Working Interest 2018 %
Exploration Licenses				
Block-28	Kohlu, Dera Bughti & Barkhan	Mari Petroleum Company Limited	5.00	-
Bunnu West	Bannu & North Waziristan Agency	Mari Petroleum Company Limited	35.00	35.00
Offshore Indus-G	Offshore Area	Eni Pakistan Limited	25.00	25.00
Musakhel	Musa Khel & Zhob Distric, Balochistan	Pakistan Petroleum Limited	47.80	-
South Kharan	Washuk	Pakistan Petroleum Limited	46.50	46.50
Tal Block	Kohat, Karak & Bannu	MOL Pakistan Oil and Gas B.V.	30.00	30.00
Development and Production/ Mining Leases				
Adhi /Adhi sakessar	Rawalpindi & Jehlum, Punjab	Pakistan Petroleum Limited	50.00	50.00
Ali Zaur	Badin, Sindh	United Energy Pakistan Limited	15.00	15.00
Badar	Kashmor, Sukkur & Ghotki, Sindh	Petroleum Exploration (Pvt) Limited	50.00	50.00
Badhra	Dadu, Sindh	Eni Pakistan Limited	20.00	20.00
Bhangali	Gujjar Khan, Punjab	Ocean Pakistan Limited	50.00	50.00
Bhit	Dadu, Sindh	Eni Pakistan Limited	20.00	20.00
Buzdar South	Badin, Sindh	United Energy Pakistan Limited	49.00	49.00
Dhurnal	Attock, Punjab	Ocean Pakistan Limited	20.00	20.00
Fateh Shah North	Thatta, Sindh	United Energy Pakistan Limited	15.00	15.00
Jabo	Golarchi & Badin, Sindh	United Energy Pakistan Limited	49.00	49.00
Jagir	Badin, Sindh	United Energy Pakistan Limited	24.00	24.00
Jalal	Hyderabad, Sindh	United Energy Pakistan Limited	49.00	49.00
Jhaberi South	Badin, Sindh	United Energy Pakistan Limited	15.00	15.00
Kadanwari	Khairpur, Sindh	Eni Pakistan Limited	50.00	50.00
Kato	Tando Muhammed Alam & Badin, Sindh	United Energy Pakistan Limited	49.00	49.00
Makori	Karak, KPK	MOL Pakistan Oil and Gas B.V.	27.76	27.76
Makori Deep	Karak, KPK	MOL Pakistan Oil and Gas B.V.	27.76	27.76
Makori East	Karak, KPK	MOL Pakistan Oil and Gas B.V.	27.76	27.76
Mamikhel	Kohat & Hangu, KPK	MOL Pakistan Oil and Gas B.V.	27.76	27.76
Manzalai	Karak, Kohat & Bannu, KPK	MOL Pakistan Oil and Gas B.V.	27.76	27.76
Maramzai	Kohat & Hangu, KPK	MOL Pakistan Oil and Gas B.V.	27.76	27.76
Meyun Ismail	Hyderabad, Sindh	United Energy Pakistan Limited	49.00	49.00
Miano	Sukkur, Sindh	OMV (Pakistan) Exploration (OMV)	52.00	52.00
Muban	Hyderabad, Sindh	United Energy Pakistan Limited	24.00	24.00
Paniro	Matli & Badin, Sindh	United Energy Pakistan Limited	49.00	49.00
Pindori	Chakwal, Punjab	Pakistan Oilfields Limited	50.00	50.00
Pir	Golarchi & Badin, Sindh	United Energy Pakistan Limited	49.00	49.00
Raj	Hyderabad, Sindh	United Energy Pakistan Limited	24.00	24.00
Ratana	Attock, Punjab	Ocean Pakistan Limited	25.00	25.00
Rind	Tando Muhammed Alam & Badin, Sindh	United Energy Pakistan Limited	49.00	49.00
Sakhi Deep	Tando Muhammad Khan, Sindh	United Energy Pakistan Limited	24.00	24.00
Sara	Ghotki, Sindh	Spud Energy Pty Limited	40.00	40.00
Shah Dino	Badin, Sindh	United Energy Pakistan Limited	15.00	15.00
Suri	Ghotki, Sindh	Spud Energy Pty Limited	40.00	40.00
Tolang	Kohat, KPK	MOL Pakistan Oil and Gas B.V.	27.76	27.76
Tolang West	Kohat, KPK	MOL Pakistan Oil and Gas B.V.	27.76	27.76
Zaur	Badin, Sindh	United Energy Pakistan Limited	49.00	49.00

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

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

The Company signed gas sale agreements with Uch Power (Private) Limited and UCH II Power (Private) Limited, Independent Power Producers (IPPs), for supply of total output by production facilities at Uch and Uch II fields respectively. Both arrangements appear to fall in the definition of lease under the criteria specified in IFRIC 4. However, Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O No. 24(I)/2012 has decided to defer the implementation of IFRIC 4 to all companies which have executed implementation agreements with the Government/Authority or entity, this relaxation would be available till the conclusion of their agreements, entered on or before 30 June 2010. However, impact of IFRIC-4 is mandatory to be disclosed in the financial statements as per requirements of IAS-8.

Had this interpretation been applied, following adjustments to profit and loss account and balance sheet would have been made:

	2019	2018
	(Rupees '000)	
Profit for the year	118,385,788	78,736,295
Depreciation reversed	1,400,613	1,465,341
Amortization reversed	143,818	190,999
Finance income recognized	10,484,052	9,560,428
Addition to property, plant and equipment reversed	(143,818)	(311,640)
Sales revenue reversed	(10,429,754)	(9,509,117)
Tax impact at estimated effective rate	(490,305)	(429,692)
Adjusted profit for the year	119,350,394	79,702,614

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

	2019	2018
Adjusted unappropriated profit brought forward	513,680,344	476,415,275
Adjusted profit for the year	119,350,394	79,702,614
	633,030,738	556,117,889
Transfer to capital and other reserves	(1,248,433)	(1,274,942)
Other Comprehensive Income	3,733,822	(303,783)
Dividend paid	(47,310,212)	(40,858,820)
Adjusted unappropriated profit at end of the year	588,205,915	513,680,344
Unadjusted unappropriated profit at end of the year	567,741,481	494,180,516

45 Application of IFRS 2 - Share Based Payment

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

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

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

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

Had the exemption not been granted the staff costs of the Company for the year would have been higher by Rs Nil (2018: Rs Nil), profit after taxation and unappropriated profit would have been lower by Rs Nil (2018: Rs Nil), earnings per share would have been lower by Rs Nil (2018: Rs Nil) per share and reserves would have been higher by Rs 30,137 million (2018: Rs 30,137 million).

The Privatization Commission has not paid any claims to unit holders since June 2011. The management believes that GoP is considering changes to the Scheme, and impact of any such changes cannot be determined as of 30 June 2019. Also refer note 11.

46 NON ADJUSTING EVENT AFTER REPORTING DATE

The Board of Directors recommended final cash dividend at the rate of Rs 2.50 per share amounting to Rs 10,752 million in its meeting held on 18 September 2019.

47 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 18 September 2019 by the Board of Directors of the Company.

48 GENERAL

48.1 Capacity and Production

Saleable production (net) from Company's fields including share from non-operated fields for the year ended 30 June 2019 is as under:

Product	Unit	Actual production for the year
Crude oil/condensate	Barrels	14,895,654
Natural Gas	MMSCF	370,217
Liquefied petroleum gas	M.Ton	292,609
Sulphur	M.Ton	20,069

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

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

Chief Financial Officer **Chief Executive** **Director**