KPMG Taseer Hadi & Co.
Chartered Accountants

Khyber Pakhtunkhwa Oil and Gas Company Limited

Financial Statements

For the year ended

30 June 2015

KPMG

KPMG Taseer Hadi & Co.
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Auditors' Report to the Members

We have audited the annexed balance sheet of **Khyber Pakhtunkhwa Oil and Gas Company Limited** ("the Company") as at 30 June 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

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

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2015 and of the loss, its cash flows and changes in equity for the year then ended; and

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

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner: Syed Bakhtiyar Kazmi

Date: 17 February 2016
Islamabad

Khyber Pakhtunkhwa Oil and Gas Company Limited
Balance Sheet
As at 30 June 2015

	Note	2015 Rupees	2014 Rupees
Share capital and reserves			
Share capital	4	500,000,000	500,000,000
Accumulated loss		(25,092,845)	(2,626,269)
		474,907,155	497,373,731
Non current liabilities			
Deferred taxation	5	-	7,589,143
Current liabilities			
Accrued and other liabilities	6	11,603,682	4,055,380
Unearned revenue		12,822,482	-
Provision for taxation		-	17,000
		24,426,164	4,072,380
		499,333,319	509,035,254
Contingencies and commitments	7		

	Note	2015 Rupees	2014 Rupees
Non current assets			
Property and equipment	8	19,723,126	12,720,844
Intangible asset	9	2,081,842	-
		21,804,968	12,720,844
Current assets			
Advances, deposits and prepayments	10	55,544,999	257,100
Other receivable		384,085	58,230
Accrued markup		58,500	22,321,010
Advance tax		7,085,057	-
Short term investment		-	250,000,000
Cash and bank balances	11	414,455,710	223,678,070
		477,528,351	496,314,410
		499,333,319	509,035,254

The annexed notes 1 to 20 form an integral part of these financial statements.

Chief Executive

Director

Khyber Pakhtunkhwa Oil and Gas Company Limited
Profit and Loss Account
For the year ended 30 June 2015

	Note	2015 Rupees	2014 Rupees
Revenue		**10,773,975**	-
Cost of services		**(8,989,769)**	-
Gross profit		**1,784,206**	-
Exploration expenses		**(491,502)**	-
Operating expenses	12	**(72,351,643)**	(17,341,136)
Other income	13	**40,986,220**	22,371,010
(Loss)/ profit before taxation		**(30,072,719)**	5,029,874
Taxation	14	**7,606,143**	(7,606,143)
Loss for the year		**(22,466,576)**	(2,576,269)

The annexed notes 1 to 20 form an integral part of these financial statements.

Chief Executive

Director

Khyber Pakhtunkhwa Oil and Gas Company Limited
Statement of Comprehensive Income
For the year ended 30 June 2015

	Note	2015 Rupees	2014 Rupees
Loss for the year		**(22,466,576)**	(2,576,269)
Other comprehensive income		-	-
Total comprehensive income for the year		**(22,466,576)**	(2,576,269)

The annexed notes 1 to 20 form an integral part of these financial statements.

Chief Executive

Director

Khyber Pakhtunkhwa Oil and Gas Company Limited
Cash Flow Statement
For the year ended 30 June 2015

	Note	2015 Rupees	2014 Rupees
Cash flows from operating activities			
(Loss)/ profit before taxation		(30,072,719)	5,029,874
Adjustments for:			
Depreciation	8	3,761,350	342,634
Amortization	9	414,453	-
		(25,896,916)	5,372,508
Working capital changes			
(Increase)/decrease in current assets:			
Advances, deposits and prepayments		(55,287,899)	(257,100)
Other receivable		(325,855)	(58,230)
Increase/(decrease) in current liabilities:			
Accrued and other liabilities		7,548,302	4,005,380
Unearned revenue		12,822,482	-
Cash used in operations		(61,139,886)	9,062,558
Income taxes paid		(7,085,057)	-
Net cash (used in)/ generated from operating activities		(68,224,943)	9,062,558
Cash flows from investing activities			
Purchase of property and equipment		(10,763,632)	(13,063,478)
Purchase of intangible asset		(2,496,295)	
Accrued markup		22,262,510	(22,321,010)
Short term investment		250,000,000	(250,000,000)
Net cash generated from/ (used in) investing activities		259,002,583	(285,384,488)
Cash flows from financing activities			
		-	-
		-	-
Net increase/ (decrease) in cash and cash equivalents		190,777,640	(276,321,930)
Cash and cash equivalents at beginning of the year		223,678,070	500,000,000
Cash and cash equivalents at end of the year		414,455,710	223,678,070

The annexed notes 1 to 20 form an integral part of these financial statements.

Chief Executive

Director

Khyber Pakhtunkhwa Oil and Gas Company Limited
Statement of Changes in Equity
For the year ended 30 June 2015

	Share Capital	Accumulated loss	Total
	---------------------Rupees---------------------		
Balance as at 01 July 2013	500,000,000	(50,000)	499,950,000
Loss for the year	-	(2,576,269)	(2,576,269)
Closing balance as at 30 June 2014	500,000,000	(2,626,269)	497,373,731
Loss for the year	-	(22,466,576)	(22,466,576)
Closing balance as at 30 June 2015	**500,000,000**	**(25,092,845)**	**474,907,155**

The annexed notes 1 to 20 form an integral part of these financial statements.

Chief Executive

Director

1 Legal status and operations

Khyber Pakhtunkhwa Oil & Gas Company Limited was incorporated as Public Company on 08 February 2013 under the Companies Ordinance, 1984 as a provincial holding company of the Government of Khyber Pakhtunkhwa pursuant to clause 4.1.3 (6) of Petroleum Exploration and Production Policy, 2012. The registered office of the Company is situated at House 492, Street 13, Sector E-4, Phase-7, Hayatabad, Peshawar.

The Company is established to engage in the exploration and development of oil and gas resources, including production and sale of oil and gas and related activities in the province of Khyber Pakhtunkhwa. The Company will also provide technical services to exploration and production companies.

The Company has signed deeds of assignment effective February 2014 to acquire 1.81% working interest in Block No.3371-16 (Peshawar East), 2.50% working interest in Block No. 3371-17 (Baratai) and 1.62% in Block No. 3070-16 (Pezu) respectively. However, approval from the Director General Petroleum Concession (DGPC) is pending for these blocks.

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared on historical cost basis.

2.3 Functional and presentation currency

These financial statements have been presented in Pak Rupees which is Company's functional currency.

2.4 Significant accounting estimates

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

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

Judgments made by the management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

2.4.1 Property and equipment

The Company reviews the useful lives and residual values of property 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 and equipment with a corresponding effect on the depreciation charge and impairment.

2.4.2 Taxation

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

2.4.3 Stores and spares

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

2.4.4 Provision against doubtful trade debts, advances and other receivables

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

2.5 New accounting standards and IFRIC interpretations that are not yet effective

As of 30 June 2015, the following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2015:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on the Company's financial statements.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Company's financial statements.

- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Company's financial statements.

- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on Company's financial statements.

- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on Company's financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards. The following amendments are not likely to have an impact on the Company's financial statements:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

3 Summary of accounting policies

3.1 Property and equipment

Property and equipment, recognized initially at cost less accumulated depreciation and any accumulated impairment losses, except for freehold land and capital work-in-progress which are stated at cost less accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Capital work-in-progress consists of expenditure incurred and advances made in respect of tangible assets in the course of their construction and installation. Transfers are made to the relevant operating fixed assets category as and when assets are available for use.

The cost of replacing part of an item of property 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 and equipment are recognized in profit or loss account as incurred.

Depreciation is provided on straight line method at rates specified in note 8 to the financial statements so as to write off the cost of property and equipment over their estimated useful life. Depreciation on additions to property and equipment is charged from the month in which property and equipment is acquired or capitalized while no depreciation is charged for the month in which property and equipment is disposed off.

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

Impairment tests for property 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 and equipment is impaired and an impairment loss is charged to the profit and loss account so as to reduce the carrying amount of the property and equipment to its recoverable amount.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

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 and equipment in its present form and its eventual disposal. Value in use is determined by applying assumptions specific to the Company's continued use and does not take into account future development.

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

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

3.2 Trade debts and other receivables

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

3.3 Trade and other payable

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

3.4 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprises cash in hand and cash at bank.

3.5 Taxation

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

3.5.1 Current tax

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

3.5.2 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 investment in jointly controlled entities to the extent that it is probable that they will not reverse in a foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the reporting date, adjusted for payments to GoP on account of royalty.

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.

3.6 Foreign currency transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing on the date of transaction. Closing balances of non-monetary items are included at the exchange rates prevailing on the date of transaction and monetary items are translated using the exchange rates prevailing on the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

3.7 Revenue recognition

Revenue from sale of goods is recognized when significant risk and reward of ownership is transferred to the vendor, 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 sale of goods is measured at fair value of the consideration received or receivable, net of Government Levies.

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

3.8 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 benefit for other stakeholders, and to maintain a strong capital base to support the sustained development of its activities.

The Company manages its capital structure which comprises capital and reserves by monitoring returns on net assets and make adjustments to it in the light of changes in economic conditions. There were no changes to Company's approach to capital management during the period and the Company is not subject to externally imposed capital requirement.

3.9 Financial assets and liabilities

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. These are de-recognized when the Company ceases to be the party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at fair value. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be.

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

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

3.10 Offsetting of financial assets and liabilities

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

4 Share capital

	2015 Rupees	2014 Rupees
Authorized share capital		
10,000,000 (2014: 10,000,000) ordinary shares of Rupees 100 each	1,000,000,000	1,000,000,000
Issued, subscribed and paid up capital		
5,000,000 (2014: 5,000,000) ordinary shares of Rupees 100 each	500,000,000	500,000,000

5 Deferred taxation

Taxable temporary differences		
- Accrued markup	-	7,589,143
	-	7,589,143

5.1 In view of the uncertainty about timings of taxable profits in the foreseeable future against which the tax loss as carry forward can be utilized, the Company has not recognized deferred tax asset on tax losses and therefore created an equivalent valuation reserve against net deferred tax asset amounting to Rs. 7,607,029 (2014: Rs.5,912,986).

6 Accrued and other liabilities

	Note	2015 Rupees	2014 Rupees
Wages and salaries payable		292,831	36,358
Payable to joint venture partners		-	65,402
Audit fee payable		544,500	280,000
Payable to Employees' Old-Age Benefit Institution		425,200	8,240
Withholding taxes payable		1,624,940	3,325,755
KP sales tax payable		86,813	-
Sales tax payable		69,196	318,997
Other current payables		8,560,202	20,628
		11,603,682	4,055,380

7 Contingencies and commitments

7.1 Contingencies

There is no material contingency as of 30 June 2015 (2014: Nil). Refer note 14.2 to the financial statements for tax contingencies.

7.2 Commitments

Commitments in respect of the Company's minimum financial expenditure in following Petroleum Concessions, awarded to the Company:

	Note	2015 USD	2014 USD
Block No. 3070-16 - Pezu		108,910	111,942
Block No. 3371-16 - Peshawar East		19,005	19,005
Block No. 3371-17 - Baratai		1,936,402	1,937,750
		2,064,317	2,068,697

8 Property and equipment

	Geological equipment	Office equipment	Furniture	Computers and related accessories	Motor vehicle	Electrical equipment	Total
				Rupees			
Cost							
Balance as at 1 July 2013	-	-	-	-	-	-	-
Additions during the year	101,559	1,702,681	313,638	-	10,945,600	-	13,063,478
Balance as at 30 June 2014	101,559	1,702,681	313,638	-	10,945,600	-	13,063,478
Balance as at 1 July 2014	101,559	1,702,681	313,638	-	10,945,600	-	13,063,478
Additions during the year	-	753,021	504,205	868,950	6,683,764	1,953,692	10,763,632
Adjustments	-	(840,800)	-	840,800	-	-	-
Balance as at 30 June 2015	101,559	1,614,902	817,843	1,709,750	17,629,364	1,953,692	23,827,110
Depreciation							
Balance as at 1 July 2013	-	-	-	-	-	-	-
Charge for the year	5,028	58,709	9,820	-	269,077	-	342,634
Balance as at 30 June 2014	5,028	58,709	9,820	-	269,077	-	342,634
Balance as at 1 July 2014	5,028	58,709	9,820	-	269,077	-	342,634
Charge for the year	20,112	232,350	107,486	410,353	2,774,641	216,408	3,761,350
Adjustments	-	(28,346)	-	28,346	-	-	-
Balance as at 30 June 2015	25,140	262,713	117,306	438,699	3,043,718	216,408	4,103,984
Carrying value as at 30 June 2014	96,531	1,643,972	303,818	-	10,676,523	-	12,720,844
Carrying value as at 30 June 2015	76,419	1,352,189	700,537	1,271,051	14,585,646	1,737,284	19,723,126
Depreciation rates	20%	20%	20%	33.33%	20%	20%	

	Note	2015 Rupees	2014 Rupees
9 Intangible asset			
Cost			
Balance at the beginning of the year		-	-
Addition during the year		2,496,295	-
Balance at end of the year		2,496,295	-
Amortization			
Balance at the beginning of the year		-	-
Charge for the year		(414,453)	-
Balance at end of the year		(414,453)	-
Carrying amount		2,081,842	-

9.1 This represents exploration management system amortized at the rate of 20% (2014: Nil) per annum.

	Note	2015 Rupees	2014 Rupees
10 Advances, deposits and prepayments			
Deposits	10.1	41,939,000	239,600
Prepayments		390,650	17,500
Advances to joint venture partners		83,894	-
Prepaid security cost		12,606,376	-
Advances for expenses		525,079	-
		55,544,999	257,100

10.1 This includes bid money paid to Oil and Gas Development Company Limited amounting to Rs. 41,685,000 (2014: Nil) on account of bid money for 2D/3D seismic surveys and geological mapping against various blocks.

	Note	2015 Rupees	2014 Rupees
11 Cash and bank balances			
Cash at bank			
- Current accounts		508,426	198,296
- Saving accounts	11.1	413,671,165	223,421,157
		414,179,591	223,619,453
Cash in hand		276,119	58,617
		414,455,710	223,678,070

11.1 These carry markup ranging from 4.50% to 9.80% per annum (2014: 9.67% per annum).

Khyber Pakhtunkhwa Oil and Gas Company Limited
Notes to the financial statements
For the year ended 30 June 2015

		Note	2015 Rupees	2014 Rupees
12	**Operating expenses**			
	Salaries, wages and benefits		51,000,175	13,530,842
	Utilities		626,240	23,925
	Communication		797,646	55,112
	Security		306,987	42,030
	Professional memberships and subscriptions		1,169,000	446,563
	Rent, fees and taxes		1,621,209	525,377
	Legal and professional		3,101,343	-
	Travelling and subsistence		2,458,890	596,884
	Printing, stationery and publications		371,923	126,493
	Meeting costs		774,901	953,953
	Advertising		1,823,978	136,152
	Insurance		247,598	-
	Registration and promotion		263,145	-
	Newspapers and periodicals		195,520	-
	Entertainment		185,779	-
	Miscellaneous		676,612	186,818
	Concession operating expenses		246,536	65,402
	Vehicle repairs		492,460	11,830
	Training and workshop		952,575	-
	Depreciation	8	3,761,350	342,634
	Amortization	9	414,453	-
	Repairs and maintenance		598,823	67,121
	Auditors' remuneration		264,500	230,000
			72,351,643	17,341,136
13	**Other income**			
	Interest on term deposit and bank accounts		40,536,220	22,321,010
	Others		450,000	50,000
			40,986,220	22,371,010
14	**Taxation**			
	- Current		(17,000)	17,000
	- Deferred		(7,589,143)	7,589,143
			(7,606,143)	7,606,143
14.1	**Reconciliation of tax charge for the year:**			
	Accounting (loss)/ profit before taxation		(30,072,719)	5,029,874
	Applicable tax rate		33%	34%
	Tax on accounting (loss)/ profit at applicable rate		(9,923,997)	1,710,157
	Tax effect of deferred tax asset reserve		2,317,854	5,895,986
			(7,606,143)	7,606,143

14.2 Returns for Tax Year 2013 to 2014 have been filed by the Company and stand assessed in terms of section 120 of the Income Tax Ordinance, 2001. However, tax authorities are empowered to open or amend the assessments within five years from the date of assessment.

15 Financial instruments

Financial risk management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to following risks from its use of financial instruments.

- Credit risk
- Liquidity risk
- Market risk

15.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic feature that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry.

15.1.1 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:

	2015 Rupees	2014 Rupees
Deposits	**41,939,000**	239,600
Advances to joint venture	**83,894**	-
Accrued markup	**58,500**	22,321,010
Short term investment	**-**	250,000,000
Bank balances	**413,671,165**	223,421,157
	455,752,559	495,981,767

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

	2015 Rupees	2014 Rupees
Banks	**413,729,665**	495,742,167
Others	**42,022,894**	239,600
	455,752,559	495,981,767

15.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with the financial liabilities as they fall due. The following are the contractual maturities of the financial liabilities:

	2015 Rupees	2014 Rupees
Accrued and other liabilities		
Maturity upto one year	11,603,682	4,055,380
Carrying amount	11,603,682	4,055,380

15.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates 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.

15.3.1 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.

Profile

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

	2015 %	2014 %	2015 Rupees	2014 Rupees
Cash and bank balances	4.50 % to 9.80 %	-	413,671,165	-
Short term investment	-	9.67%	-	250,000,000
			413,671,165	250,000,000

15.4 Fair value of financial assets and liabilities

Carrying values of all financial instruments reflected in the financial statements approximate their fair values.

15.5 Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of business. There were no change to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

16 Number of employees

	2015	2014
Total number of employees at year end		
- Contractual	5	3
- Daily wagers	146	18
	151	21
Average number of employees at year end		
- Contractual	4	2
- Daily wagers	82	9
	86	11

17 Related party transactions

Government of Khyber Pakhtunkhwa owns 100% (2014: 100%) shares of the Company. Therefore, all entities owned and controlled by the Government of Khyber Pakhtunkhwa and Federal Government of Pakistan are related parties of the Company. Other related parties comprise directors, companies with common directorship and key management personnel. The Company in normal course of business pays for electricity, gas and telephone to entities controlled by Federal Government of Pakistan and Government of Khyber Pakhtunkhwa which are not material, hence not disclosed in these financial statements. Transactions of the Company with the related parties and balances outstanding at the year end are as follows:

	2015 Rupees	2014 Rupees
Energy and Power Department, Khyber Pakhtunkhwa		
- Funds received	7,196,744	-
- Other payable	7,196,744	-
Pakhtunkhwa Energy Development Organization		
- Expenses incurred	384,085	-
- Other receivables	384,085	-
Spouse of a director		
- Rent expense	1,200,000	-
- Security deposit payment	240,000	-

Key management personnel

Chief executive officer of the Company is only key management personnel. Transactions with chief executive officer is disclosed in note 18 to the financial statements.

18 Remunerations of chief executive, directors and executives

	2015		2014	
	Chief executive	Executives	Chief executive	Executives
	---- Rupees ----			
Managerial remuneration	24,000,000	9,402,468	11,133,333	1,189,093
Other allowances and benefits	343,728	-	170,420	-
	24,343,728	9,402,468	11,303,753	1,189,093
Number of persons	1	3	1	3

- Executive means any employee whose basic salary exceeds Rs 500,000 (2014: Rs 500,000) per year.
- The chief executive was provided with free use of Company's cars in accordance with their entitlement.
- The aggregate amount charged in these financial statements in respect of fee to 12 directors (2014: 12) was Rs 440,000 (2014: 600,000).

19 Date of authorization for issue

These financial statements were authorized for issue on 17-Feb-16 by the Board of Directors of the Company.

20 General

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

Chief Executive

Director