



KPMG Taseer Hadi & Co.
Chartered Accountants

**Khyber Pakhtunkhwa Oil
and Gas Company Limited**

Annual audit for the year ended
30 June 2016



KPMG Taseer Hadi & Co.
Chartered Accountants
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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 2016 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 except for the changes as stated in note 3.1 to the financial statements with which we concur;
 - 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.



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- 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 2016 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.

Chartered Accountants

Engagement Partner: Syed Bakhtiyar Kazmi

Dated: 17 March 2017
Islamabad

As at 30 June 2016

The annexed notes 1 to 23 form an integral part of these financial statements.

Director

Khyber Pakhtunkhwa Oil and Gas Company Limited
Profit and Loss Account
For the year ended 30 June 2016

	Note	2016 Rupees	2015 Rupees
Service revenue	12	119,233,061	10,773,975
Cost of services		(111,262,185)	(8,989,769)
Gross profit		<u>7,970,876</u>	<u>1,784,206</u>
Exploration expenses	13	(51,674,034)	(491,502)
Operating expenses	14	(127,532,745)	(72,351,643)
Other income	15	21,462,183	40,986,220
Loss before taxation		<u>(149,773,720)</u>	<u>(30,072,719)</u>
Taxation	16	(9,646,385)	7,606,143
Loss for the year		<u><u>(159,420,105)</u></u>	<u><u>(22,466,576)</u></u>

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The annexed notes 1 to 23 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 2016

	Note	2016 Rupees	2015 Rupees
Loss for the year		(159,420,105)	(22,466,576)
Other comprehensive income		-	-
Total comprehensive income for the year		(159,420,105)	(22,466,576)

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The annexed notes 1 to 23 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 2016

	Note	2016 Rupees	2015 Rupees
Cash flows from operating activities			
Loss for the year		(149,773,720)	(30,072,719)
Adjustments for:			
Depreciation	8	8,837,462	3,761,350
Amortization	9	7,026,037	414,453
Interest income	15	(21,452,183)	(40,536,220)
		<u>(155,362,404)</u>	<u>(66,433,136)</u>
Changes in:			
Trade receivables		(15,135,184)	-
Advances, deposits and prepayments		(13,980,607)	(55,613,754)
Accrued and other liabilities		61,304,992	7,548,302
Unearned revenue		<u>(12,822,482)</u>	<u>12,822,482</u>
		<u>(135,995,685)</u>	<u>(101,676,106)</u>
Income taxes paid		<u>(11,415,481)</u>	<u>(7,085,057)</u>
Net cash used in operating activities		<u>(147,411,166)</u>	<u>(108,761,163)</u>
Cash flows from investing activities			
Acquisition of property and equipment		(36,879,729)	(10,763,632)
Acquisition of intangible asset		(46,071,485)	(2,496,295)
Receipts against interest		21,174,983	62,798,730
Sale of investments		-	250,000,000
Net cash (used in) / from investing activities		<u>(61,776,231)</u>	<u>299,538,803</u>
Cash flows from financing activities			
Advance against issue of shares		1,400,000,000	-
Net cash from financing activities		<u>1,400,000,000</u>	<u>-</u>
Net increase in cash and cash equivalents		<u>1,190,812,603</u>	<u>190,777,640</u>
Cash and cash equivalents at 1 July		414,455,710	223,678,070
Cash and cash equivalents at 30 June		<u><u>1,605,268,313</u></u>	<u><u>414,455,710</u></u>

The annexed notes 1 to 23 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 2016

	Share Capital	Advance against shares	Accumulated loss	Total
	Rupees			
Balance as at 01 July 2014	500,000,000	-	(2,626,269)	497,373,731
Loss for the year	-	-	(22,466,576)	(22,466,576)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year - (loss)	-	-	(22,466,576)	(22,466,576)
Balance as at 30 June 2015	500,000,000	-	(25,092,845)	474,907,155
Loss for the year	-	-	(159,420,105)	(159,420,105)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year - (loss)	-	-	(159,420,105)	(159,420,105)
<i>Transactions with the owners</i>				
Advance against issue of shares	-	1,400,000,000	-	1,400,000,000
Balance as at 30 June 2016	500,000,000	1,400,000,000	(184,512,950)	1,715,487,050

The annexed notes 1 to 23 form an integral part of these financial statements.


Chief Executive


Director

Khyber Pakhtunkhwa Oil and Gas Company Limited
Notes to the financial statements
For the year ended 30 June 2016

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 (GoKPK) pursuant to clause 4.1.3 (6) of Petroleum Exploration and Production Policy, 2012. The registered office of the Company is situated at third floor, Ali tower, University road, Peshawar. Previously, the registered address of the Company was 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.

- 1.1** 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), 1.62% in Block No. 3070-16 (Pezu) and 2.05% in Block No. 3170-8 (Kulachi) respectively. However, approval of deed of assignment from the Director General Petroleum Concession (DGPC) is pending for these blocks.

The Company's share of minimum work commitments in the concession where the Company has signed Deed of Assignment amounts to US\$1.924 million and the Board of Directors have approved investment of US\$ 52.91 million in various Petroleum Concessions other than these. GoKPK has invested Rs. 1.9 billion till 30 June 2016 in shape of equity out of which Rs. 1.4 billion has been injected specifically for further investment in various Petroleum Concessions. The Company is fully owned by GoKPK and funding requirements are met through annual budgetary allocation in the provincial budget.

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.

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Khyber Pakhtunkhwa Oil and Gas Company Limited
Notes to the financial statements
For the year ended 30 June 2016

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 Impairment of assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. Any change in estimates in future years might affect the carrying amounts of the respective assets with corresponding effect on depreciation charge and impairment.

2.4.3 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.

2.4.4 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.

2.4.5 Provision and contingencies

The Company reviews the status of all the legal cases on a regular basis. Based on the expected outcome and lawyers judgments, appropriate disclosure or provision is made.

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Khyber Pakhtunkhwa Oil and Gas Company Limited
Notes to the financial statements
For the year ended 30 June 2016

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

The following standards, interpretations and the amendments are effective for accounting periods beginning from the dates specified below and are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

- Amendments to IAS 1 'Presentation of financial statements' (effective for annual periods beginning on or after 1 January 2016) provides clarification on a number of issues including:

Materiality- an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

Disaggregation and subtotals- line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.

Notes- confirmation that the notes do not need to be presented in a particular order.

Other comprehensive income (OCI) arising from investments accounted for under the equity method - the share of OCI arising from equity- accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

- Amendments to IFRS 10 'Consolidated Financial Statements, and IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Company's financial statements.
- 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 amortization methods for intangible assets is inappropriate and 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.
- Agriculture: Bearer Plants [Amendment 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 amendments are not likely to have an impact on Company's financial statements.

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Khyber Pakhtunkhwa Oil and Gas Company Limited

Notes to the financial statements

For the year ended 30 June 2016

- 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 amendments are not likely to have an impact on Company's financial statements.
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
- Amendments to IFRS 2 'Share-based Payment' clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and / or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.
- Annual Improvements 2012-2014 cycle (the amendments apply prospectively for annual period beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:
 - 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.
 - 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.

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Khyber Pakhtunkhwa Oil and Gas Company Limited
Notes to the financial statements
For the year ended 30 June 2016

- 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 IFRS 7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
- IFRS 14 'Regulatory Deferral Accounts' (effective for annual periods beginning on or after 1 January 2016) specifies the financial reporting requirements for 'regulatory deferral account balances' that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation. IFRS 14 is permitted, but not required, to be applied where an entity conducts rate-regulated activities and has recognized amounts in its previous financial statements that meet the definition of 'regulatory deferral account balances' also referred as the 'regulatory assets' and 'regulatory liabilities'. The amendments are not likely to have an impact on Company's financial statements.
- IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 1 January 2017) specifies how and when an IFRS compliant entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative and relevant disclosures. The standard provides a single principle-based five-step model to be applied to all contracts with customers. The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The amendments are not likely to have an impact on Company's financial statements.
- IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019) supersedes IAS 17 'Leases' and related interpretations. IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16 a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The amendments 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 2016:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments

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

- IFRIC 4 – Determining Whether an Arrangement Contains a Lease.
- IFRIC 12 – Service Concession Arrangements

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Khyber Pakhtunkhwa Oil and Gas Company Limited

Notes to the financial statements

For the year ended 30 June 2016

2.6 Application of new accounting standards

Following standards became applicable during the year, however, these standards are not relevant to the financial statements of the Company:

- a. IFRS 10 - Consolidated Financial Statements;
- b. IFRS 12 - Disclosure of Interest in Other Entities;
- c. IAS 27 - Separate Financial Statements; and
- d. IAS 28 - Investment in Associates and Joint Ventures.

- a. IFRS 10 "Consolidated Financial Statements" became effective from financial periods beginning on or after 1 January 2015. As a result of IFRS 10, the Company has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that focuses on whether the Company has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. Accordingly, IFRS 10 is not relevant to the Company and its application has no effect on the financial statements of the Company.
- b. IFRS 12 'Disclosure of Interest in Other Entities' became effective from financial periods beginning on or after 1 January 2015. The standard includes the disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, structured entities and other off-balance sheet vehicles. The adoption of standard does not have any impact on the Company's financial statements except for certain additional disclosures.
- c. IAS 27 "Separate Financial Statements" (revised 2011) deals only with accounting for subsidiaries, associates and joint ventures in separate financial statements of the parent company. Application of this standard does not have any impact on the Company's financial statements.
- d. IAS 28 'Investment in associates and joint ventures (revised 2011)' sets out the requirements of application of equity method of accounting when accounting for investment in associates and joint ventures. Application of this standard does not have any impact on the Company's financial statements.

3 Summary of significant accounting policies

3.1 Change in accounting policy

- IFRS 13 "Fair Value Measurement" became effective from financial periods beginning on or after 1 January 2015. IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as a 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. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. The application of IFRS 13 does not have any impact on the financial statements of the Company except for certain additional disclosures.
- IFRS 11 "Joint Arrangements" is a replacement of IAS 31 'Interest in Joint Ventures' and modifies the accounting for joint arrangements. Under IFRS 11, the Company classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Company's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Company considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. The Company has assessed the nature of its joint arrangements and determined them to be joint operations.

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Khyber Pakhtunkhwa Oil and Gas Company Limited
Notes to the financial statements
For the year ended 30 June 2016

3.2 Property and equipment

Owned

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 which comprises of purchase price, non-refundable local taxes and other directly attributable cost including borrowing cost. 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.

3.3 Impairment

Non-financial assets

The carrying amounts of non-financial assets other than stock in trade are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss account.

Impairment loss recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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.

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Khyber Pakhtunkhwa Oil and Gas Company Limited

Notes to the financial statements

For the year ended 30 June 2016

Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy.

All individually significant assets are assessed for specific impairment. All individually significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss account.

3.4 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash in hand and balances at banks.

3.5 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are measured at the present value of expected expenditure, discounted at a pre tax rate that reflects current market assessment of the time value of the money and the risk specific to the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.6 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.

3.6.1 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.

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Khyber Pakhtunkhwa Oil and Gas Company Limited
Notes to the financial statements
For the year ended 30 June 2016

3.6.2 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 and the investor / joint operator is able to control the timing of the reversal of temporary difference. 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.

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. 57,627,374 (2015: Rs. 7,607,029).

3.7 Foreign currency transactions and balances

Transactions in foreign currencies are translated into functional currency at exchange rates at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at balance sheet date are translated to the functional currency at the exchange rates prevailing at the balance sheet date. The foreign currency gain or loss on monetary items is the difference between amortized costs in the functional currency at beginning of the year, adjusted for effective interest and payments during the year, and amortized cost in foreign currency translated at the exchange rate at balance sheet date. Exchange differences are included in the profit and loss account

14/06/16

Khyber Pakhtunkhwa Oil and Gas Company Limited

Notes to the financial statements

For the year ended 30 June 2016

3.8 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.

3.9 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.

3.10 Financial assets and liabilities

Financial assets comprise of trade debts, other receivables and bank balances. Financial liabilities are classified according to substance of the contractual arrangement entered into. Significant financial liabilities include accrued and other liabilities.

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

The Company derecognizes the financial asset when the contractual rights to the cash flows from the assets expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial asset that is created or retained by the Company is recognized as a separate asset or liability. Financial liabilities are derecognized when its contractual obligations are discharged cancelled or expired. Any gain and losses on de-recognition of the financial assets and liabilities is taken to profit or loss account currently.

3.11 Trade and other payables

Liabilities for trade and other amounts payable are initially recognised at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using effective interest method.

3.12 Trade debts and other receivables

Trade debts and other receivables are initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using effective interest method, less any impairment losses. Known bad debts are written off, when identified.

KPMG

Khyber Pakhtunkhwa Oil and Gas Company Limited
Notes to the financial statements
For the year ended 30 June 2016

3.13 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.

3.14 Joint Operations

The Company has applied IFRS 11 to all joint arrangements as of 01 July 2015. Under IFRS 11, investment 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 balance sheet date. The difference, if any, between the cost statements and audited financial statements is accounted for in the next accounting year.

KPMG

Khyber Pakhtunkhwa Oil and Gas Company Limited
Notes to the financial statements
For the year ended 30 June 2016

4 Share capital

	2016 Rupees	2015 Rupees
Authorized share capital		
30,000,000 (2015: 10,000,000) ordinary shares of Rupees 100 each	<u>3,000,000,000</u>	<u>1,000,000,000</u>
Issued, subscribed and paid up capital		
5,000,000 (2015: 5,000,000) ordinary shares of Rupees 100 each	<u>500,000,000</u>	<u>500,000,000</u>

- 4.1** The Directors in their tenth Board of Directors' meeting held on 17 February 2016 and the members in third Annual General meeting held on 27 April 2016 approved the increase of authorised capital to Rs. 3,000,000,000. The management is in the process of changing Memorandum of Association in this respect.

5 Advance against issue of shares

This represent advance received for issue of shares from Government of Khyber Pakhtunkhwa.

	2016 Rupees	2015 Rupees
6 Accrued and other liabilities		
Wages and salaries payable	1,065,241	292,831
Payable to joint venture partners	50,288,650	-
Payable to Employees' Old-Age Benefit Institution	783,372	425,200
Withholding taxes payable	1,614,944	1,624,940
Provincial sales tax payable	5,178,499	86,813
Sales tax payable	1,608,873	69,196
Other payables and accruals	5,179,351	1,907,958
Payable to Energy and Power Department, Khyber Pakhtunkhwa	7,189,744	7,196,744
	<u>72,908,674</u>	<u>11,603,682</u>

7 Contingencies and commitments

7.1 Contingencies

There is no material contingency as of 30 June 2016 (2015: Nil). Refer note 16.2 to the financial statements for tax contingencies.

7.2 Commitments

Commitments in respect of the Company's minimum financial expenditure in following Petroleum Concessions, where the Company is working interest owner:

	2016 USD	2015 USD	2016 Rupees	2015 Rupees
Block No. 3070-16 - Pezu	50,247	108,910	5,260,861	11,092,484
Block No. 3371-16 - Peshawar East	19,005	19,005	1,989,824	1,935,659
Block No. 3371-17 - Baratai	1,854,966	1,936,402	194,214,940	197,222,544
	<u>1,924,218</u>	<u>2,064,317</u>	<u>201,465,625</u>	<u>210,250,687</u>

KPMG 72

Khyber Pakhtunkhwa Oil and Gas Company Limited
Notes to the financial statements
For the year ended 30 June 2016

8 Property and equipment

	Geological equipment	Office equipment	Furniture	Computers and related accessories	Motor vehicle	Electrical equipment	Security equipment	Total
Rupees								
Cost								
Balance 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 at 30 June 2015	101,559	1,614,902	817,843	1,709,750	17,629,364	1,953,692	-	23,827,110
Balance at 1 July 2015	101,559	1,614,902	817,843	1,709,750	17,629,364	1,953,692	-	23,827,110
Additions during the year	250,810	1,345,779	1,621,308	1,466,142	22,392,656	67,600	9,735,434	36,879,729
Balance at 30 June 2016	352,369	2,960,681	2,439,151	3,175,892	40,022,020	2,021,292	9,735,434	60,706,839
Depreciation								
Balance 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 at 30 June 2015	25,140	262,713	117,306	438,699	3,043,718	216,408	-	4,103,984
Balance at 1 July 2015	25,140	262,713	117,306	438,699	3,043,718	216,408	-	4,103,984
Charge for the year	32,852	468,770	316,996	944,050	5,476,340	397,982	1,200,472	8,837,462
Balance at 30 June 2016	57,992	731,483	434,302	1,382,749	8,520,058	614,390	1,200,472	12,941,446
Carrying value at 30 June 2015	76,419	1,352,189	700,537	1,271,051	14,585,646	1,737,284	-	19,723,126
Carrying value at 30 June 2016	294,377	2,229,198	2,004,849	1,793,143	31,501,962	1,406,902	8,534,962	47,765,393
Depreciation rates	20%	20%	20%	33.33%	20%	20%	20%	

8.1 Vehicles of the Company are registered in the name of the Energy and Power Department, Government of Khyber Pakhtunkhwa.

14/06/2017

Khyber Pakhtunkhwa Oil and Gas Company Limited
Notes to the financial statements
For the year ended 30 June 2016

	2016 Rupees	2015 Rupees
9 Intangible asset		
Cost		
Balance at the beginning of the year	2,496,295	-
Acquisitions	46,071,485	2,496,295
Balance at end of the year	48,567,780	2,496,295
Amortization		
Balance at the beginning of the year	(414,453)	-
Charge for the year	(7,026,037)	(414,453)
Balance at end of the year	(7,440,490)	(414,453)
Carrying amount	41,127,290	2,081,842

9.1 This represents exploration management system amortized at the rate of 20% (2015: 20%) per annum.

	Note	2016 Rupees	2015 Rupees
10 Advances, deposits and prepayments			
Deposits		2,643,500	254,000
Bid money	10.1	22,465,000	41,685,000
Prepayments		9,975,842	390,650
Advances to joint venture partners		-	83,894
Prepaid security cost		17,038,944	12,606,376
Advances for expenses		803,450	525,079
Advance to suppliers		12,506,650	-
KP sales tax receivable		1,820,147	-
Receivable from Pakhtunkhwa Energy Development Organisation	10.2	2,285,586	384,085
Other receivable		370,572	-
		69,909,691	55,929,084

10.1 This represents bid money paid to Oil and Gas Development Company Limited on account of bids submitted for 2D/3D seismic surveys and geological mapping against various blocks.

10.2 This includes Rs. 384,085 on account of expenses incurred by the Company on behalf of Pakhtunkhwa Energy Development Organisation (PEDO), a related party and Rs. 1,901,501 on account of expenses allocated to PEDO in respect of Islamabad Guest House operated by the Company in accordance with agreement dated 19 August 2015. This receivable is interest free.

	Note	2016 Rupees	2015 Rupees
11 Cash and bank balances			
Cash at bank		330,000	508,426
- Current accounts	11.1	1,604,807,824	413,671,165
- Saving accounts		1,605,137,824	414,179,591
Cash in hand		130,489	276,119
		1,605,268,313	414,455,710

11.1 These carry markup ranging from 3.75% to 6.80% per annum (2015: 4.50% to 9.80% per annum).

16/06/16

Khyber Pakhtunkhwa Oil and Gas Company Limited

Notes to the financial statements

For the year ended 30 June 2016

- 12 Revenue represents security and logistic services provided by the Company to oil and gas exploration and production companies during the year. The Company has billed an amount of Rs. 20.459 million to a customer on account of recurring expenditure which have not been acknowledged by the customer. The management considers that the billed amount is in accordance with the agreement with the customer, however, being prudent, the Company has not recognized revenue in respect of these invoices.

	Note	2016 Rupees	2015 Rupees
13 Exploration expenses			
Concession charges		48,824,034	491,502
Geological consultancy charges		2,850,000	-
		<u>51,674,034</u>	<u>491,502</u>
14 Operating expenses			
Salaries, wages and benefits		75,214,361	51,000,175
Utilities		1,090,150	626,240
Communication		743,590	797,646
Security		1,116,414	306,987
Professional memberships and subscriptions		1,356,000	1,169,000
Rent, fees and taxes		3,201,122	1,621,209
Legal and professional		2,931,257	3,101,343
Travelling and subsistence		3,767,734	2,458,890
Printing, stationery and publications		734,602	371,923
Meeting costs		886,078	774,901
Advertising		1,997,806	1,823,978
Insurance		715,005	247,598
Registration and promotion		176,802	263,145
Newspapers and periodicals		50,174	195,520
Entertainment		438,068	185,779
Miscellaneous		965,687	676,612
Concession operating expenses		1,858,522	246,536
Vehicle running and maintenance cost		2,506,795	492,460
Training and workshop		2,630,494	952,575
Depreciation	8	8,837,462	3,761,350
Amortization	9	7,026,037	414,453
Repairs and maintenance		8,504,910	598,823
Auditors' remuneration		783,675	264,500
		<u>127,532,745</u>	<u>72,351,643</u>
15 Other income			
Interest on term deposit and bank accounts		21,452,183	40,536,220
Others		10,000	450,000
		<u>21,462,183</u>	<u>40,986,220</u>
16 Taxation			
- Current			
For the year		9,538,645	(17,000)
For prior year		107,740	-
		9,646,385	(17,000)
- Deferred		-	(7,589,143)
		<u>9,646,385</u>	<u>(7,606,143)</u>

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Khyber Pakhtunkhwa Oil and Gas Company Limited
Notes to the financial statements
For the year ended 30 June 2016

	Note	2016 Rupees	2015 Rupees
16.1 Reconciliation of tax charge for the year:			
Accounting loss before taxation		<u>(149,773,720)</u>	<u>(30,072,719)</u>
Applicable tax rate		<u>32%</u>	<u>33%</u>
Tax on accounting loss at applicable rate		(47,927,590)	(9,923,997)
Tax rate difference		(1,670,072)	-
Prior year		107,740	-
Mimumim tax on service revenue		9,538,645	-
Tax effect of deferred tax asset reserve		<u>49,597,662</u>	<u>2,317,854</u>
		<u>9,646,385</u>	<u>(7,606,143)</u>

- 16.2** Returns for Tax Year 2013 to 2015 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.

17 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.

17.1 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, and arises principally from the Company's trade debts, advances and deposits. The carrying amount of financial assets represents the maximum credit exposure.

Trade debts

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

10/11/2016

Khyber Pakhtunkhwa Oil and Gas Company Limited
Notes to the financial statements
For the year ended 30 June 2016

17.1.2 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:

	2016 Rupees	2015 Rupees
Deposits	2,643,500	254,000
Bid money	22,465,000	41,685,000
Advances to joint venture partners	-	83,894
Accrued markup	335,700	58,500
Trade receivables	15,135,184	-
Receivable from Pakhtunkhwa Energy Development Organisation	2,285,586	384,085
Other receivable	370,572	-
Bank balances	1,604,807,824	413,671,165
	<u>1,648,043,366</u>	<u>456,136,644</u>

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

	2016 Rupees	2015 Rupees
Banks	1,605,143,524	413,729,665
Others	42,899,842	42,406,979
	<u>1,648,043,366</u>	<u>456,136,644</u>

17.1.3 Aging of trade receivables

The aging of trade debts at the reporting date was:

	2016		2015	
	Gross	Impairment	Gross	Impairment
	(Pak Rupees)		(Pak Rupees)	
Not past due	1,240,639	-	-	-
Past due 0-30 days	4,927,536	-	-	-
Past due 30-60 days	4,736,232	-	-	-
Past due 60-90 days	-	-	-	-
90 Days and above	4,230,777	-	-	-
	<u>15,135,184</u>	<u>-</u>	<u>-</u>	<u>-</u>

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

	2016 Rupees	2015 Rupees
Trade debts		
Customers with no defaults in the past one year	15,135,184	-
Customers with some defaults in past one year which have been fully recovered	-	-
Customers with defaults in past one year which have not yet been recovered	-	-
	<u>15,135,184</u>	<u>-</u>

KPMG

Khyber Pakhtunkhwa Oil and Gas Company Limited
Notes to the financial statements
For the year ended 30 June 2016

Bank balances

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. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Rating	2016 Rupees	2015 Rupees
AA+	15,065,122	-
AA	187,257,905	-
A1+	-	404,296,055
A1	1,402,820,497	9,433,610
	<u>1,605,143,524</u>	<u>413,729,665</u>

Other financial assets

Rated	-	-
Unrated	27,764,658	42,406,979
	<u>27,764,658</u>	<u>42,406,979</u>

17.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The following are the contractual maturities of the financial liabilities:

	2016 Rupees	2015 Rupees
Accrued and other liabilities		
Maturity upto one year	<u>72,908,674</u>	<u>11,603,682</u>
Carrying amount	<u>72,908,674</u>	<u>11,603,682</u>

17.3 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.

17.3.1 Currency risk

The Company had no currency risk at year end (2015: Nil).

17.3.2 Interest rate risk

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to the changes in the market interest rates. Sensitivity to the 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:

	2016 %	2015 %	2016 Rupees	2015 Rupees
Cash and bank balances	3.75% to 6.80%	4.50 % to 9.80 %	<u>1,604,807,824</u>	<u>413,671,165</u>
			<u>1,604,807,824</u>	<u>413,671,165</u>

KPMG

Khyber Pakhtunkhwa Oil and Gas Company Limited
Notes to the financial statements
For the year ended 30 June 2016

17.4 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 asset measured at fair value is shown in note 17.4.3. It does not include fair value information for financial asset and financial liabilities not measured at fair value as the carrying amount is a reasonable approximation of fair value.

17.4.1 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.

17.4.2 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 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).

17.4.3 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:

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.

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Khyber Pakhtunkhwa Oil and Gas Company Limited
Notes to the financial statements
For the year ended 30 June 2016

17 Financial instruments (continued)

17.4.3 Determination of fair values (continued)

	Carrying amount		Total	Fair Value		
	Held to maturity	Loans and receivables		Other financial liabilities	Level 1	Level 2
(Rupees)						
30 June 2016						
<i>Financial assets not measured at fair value</i>						
Deposits	-	2,643,500	-	2,643,500	-	-
Accrued markup	-	335,700	-	335,700	-	-
Trade receivables	-	15,135,184	-	15,135,184	-	-
Receivable from Pakhtunkhwa Energy Development Organisation	-	2,285,586	-	2,285,586	-	-
Other receivable	-	370,572	-	370,572	-	-
Bank balances	-	1,604,807,824	-	1,604,807,824	-	-
	-	1,625,578,366	-	1,625,578,366	-	-
<i>Financial liabilities not measured at fair value</i>						
Accrued and other liabilities	-	-	72,908,674	72,908,674	-	-
	-	-	72,908,674	72,908,674	-	-
30 June 2015						
<i>Financial assets not measured at fair value</i>						
Deposits	-	254,000	-	254,000	-	-
Advances to joint venture partners	-	83,894	-	83,894	-	-
Accrued markup	-	58,500	-	58,500	-	-
Trade receivables	-	-	-	-	-	-
Receivable from Pakhtunkhwa Energy Development Organisation	-	384,085	-	384,085	-	-
Bank balances	-	413,671,165	-	413,671,165	-	-
	-	414,451,644	-	414,451,644	-	-
<i>Financial liabilities not measured at fair value</i>						
Accrued and other liabilities	-	-	11,603,682	11,603,682	-	-
	-	-	11,603,682	11,603,682	-	-

10/11/2017

Khyber Pakhtunkhwa Oil and Gas Company Limited
Notes to the financial statements
For the year ended 30 June 2016

18 Number of employees	2016	2015
Total number of employees at year end		
- Contractual	28	5
- Daily wagers	198	146
	<u>226</u>	<u>151</u>
Average number of employees at year end		
- Contractual	17	4
- Daily wagers	172	82
	<u>189</u>	<u>86</u>

19 Related party transactions

Government of Khyber Pakhtunkhwa owns 100% (2015: 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:

	2016 Rupees	2015 Rupees
Government of Khyber Pakhtunkhwa		
- Advance against equity	1,400,000,000	-
Energy and Power Department, Khyber Pakhtunkhwa		
- Funds received	7,189,000	7,196,744
- Other payable	7,189,000	7,196,744
Pakhtunkhwa Energy Development Organization		
- Expenses incurred	1,901,501	384,085
- Other receivables	2,285,586	384,085
Joint operations		
- Exploration expense	48,824,034	491,502
- Operating expenses	1,875,256	246,536
- Payable to joint venture partners	50,288,650	-
- Advances to joint venture partners	-	83,894
Other Government entities		
- Cost of services	96,367,426	8,617,769
- Payments made	91,121,358	21,224,145
- Prepaid security cost	17,038,908	12,606,376
- Accrued services	1,678,600	-
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 20 to the financial statements.

14/4/16

Khyber Pakhtunkhwa Oil and Gas Company Limited
Notes to the financial statements
For the year ended 30 June 2016

20 Remunerations of chief executive, directors and executives

	2016		2015	
	Chief executive	Executives	Chief executive	Executives
	Rupees			
Managerial remuneration	28,761,000	13,849,382	24,000,000	9,402,468
Other allowances and benefits	419,111	-	343,728	-
	<u>29,180,111</u>	<u>13,849,382</u>	<u>24,343,728</u>	<u>9,402,468</u>
Number of persons	1	12	1	3

- Executive means any employee whose basic salary exceeds Rs 500,000 (2015: 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 13 directors (2015: 12) was Rs 650,000 (2015: 440,000).

21 Interest in joint operations

The company has working interest in the following non operated exploration licenses/ leases in Pakistan:

Exploration Licenses / Leases		Working interest	
		2016	2015
Non Operated	Operator	%	%
Baratai I Petroleum Concession	Oil and Gas Development Company Limited	2.5	2.5
Pezu II Petroleum Concession	Oil and Gas Development Company Limited	1.62	1.62
Kulachi II Petroleum Concession	Oil and Gas Development Company Limited	2.05	-

22 Date of authorization for issue

These financial statements were authorized for issue on 17 MAR, 2017 by the Board of Directors of the Company.

23 General

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

Chief Executive

Director