

## Directors' Report – 2017-18

---

The Board of Directors of KPOGCL (Khyber Pakhtunkhwa Oil & Gas Company Limited) is pleased to present this Director's Report along with Audited Financial Statements and Auditors' Report for the year ended June 30, 2018.

The Board of directors at June 30, 2018 were as follow:

Syed Zafar Ali Shah	Director (Secretary Energy & Power, KPK)
Mr. Shakeel Qadir Khan	Director (Secretary Finance, KPK)
Mr. Ikram Ullah Khan	Director (Secretary Home & Tribal Affairs, KPK)
Mr. Mutahir Zaib	Director (Commissioner Kohat)
Mr. Shumail Butt	Director
Mr. Zahidullah Shinwari	Director (President Khyber Pakhtunkhwa Chamber of Commerce)
Mr. Amin Mukaty	Director
Sahibzada Muhammad Naeem	Director
Mr. Muhammad Raziuddin	Chief Executive/Director

### Current Board of Directors.

The Government of Khyber Pakhtunkhwa on 28-Nov-2018 reconstituted a 12 member Board with diverse and complimentary set of skills to serve as Directors on the Board of KPOGCL. The present Board of Directors comprise of the following;

Mr. Ishfaq Khattak	Director (Chairman)
Mr. Muhammad Riaz Khan	Director
Mr. Muhammad Arif	Director
Mr. Tahir Azizuddin	Director
Mr. Shumail Butt	Director
Mr. Faiz Muhammad	Director (President Khyber Pakhtunkhwa Chamber of Commerce)
Mr. Muhammad Zubair	Director (Secretary Energy & Power, KPK)

## Directors' Report – 2017-18

---

Mr. Shakeel Qadir Khan	Director (Secretary Finance, KPK)
Mr. Ikram Ullah Khan	Director (Secretary Home & Tribal Affairs, KPK)
Mr. Syed Abdul Jabbar Shah	Director (Commissioner Kohat)
Mr. Usman Ghani Khattak	Chief Executive/Director

The Chairman appreciated the professional acumen and services rendered by the outgoing directors and welcomed the new members.

### **State of the Company's affairs**

At the outset the Directors are pleased to have been given the opportunity to serve KPOGCL as Directors to add value and stir KPOGCL flagship towards success. In more than a dozen attributes KPOGCL is much ahead of its Federal and provincial compatriots. The Directors thank the Government of Khyber Pakhtunkhwa for approving the suggestions of the Board of Directors/KPOGCL. For any Company to achieve its goals and objectives; its Vision and Mission acts as the driving force, Thus the Vision and Mission statement for KPOGCL has been revamped by the new Board on 31<sup>st</sup> January, 2019:

**Vision: *To be the leading exploration and production company of the region.***

**Mission *To engage in exploration and production of oil and gas in a competitive environment, initially in Khyber Pakhtunkhwa, and later on in other parts of Pakistan and beyond, by harnessing competent human capital, state of the art technologies and innovation while being a responsible corporate citizen.***

KPOGCL being the Provincial Holding Company has the option to have 2.5% of JV share in every Exploration Block of Khyber Pakhtunkhwa awarded pursuant to the 2012 Policy.

Subsequent to June 30, 2018, KPOGCL after discovery in Baratai block where KPOGCL is a JV partner with OGDCL (Operator), drilling of 2<sup>nd</sup> well is in Progress.

The exploratory well drilled in Joint Venture with KUFPEC in Paharpur block was not successful, however the same provided meaningful data for further exploitation of the block.

KPOGCL has also entered into Joint Ventures in the following Exploration Blocks:

a. Pezu Joint Venture	(Operator OGDCL)	1.62% working interest
b. Kulachi Joint Venture	(Operator OGDCL)	2.05% working interest
c. Karak North Joint Venture	(Operator OGDCL)	2.50% working interest
d. Peshawar East Joint Venture	(Operator MPCL)	1.84% working interest

## Directors' Report – 2017-18

e. Paharpur Joint Venture (Operator KUFPEC) 2.43% working interest

KPOGCL has also acquired Lakki Block as Operator and is in the process of due diligence and is evaluating all the technical data available to chalk out appropriate exploration program. Quality of decisions and operations shall be ensured by employing best possible technology and expertise.

### Operational Results

The Company generated revenues of Rs 3,628,538/- during the FY 2017-18 with a gross profit of Rs. 3,204,408/-.

	2017-18
	Pak Rupees
Revenue	3,628,538
<u>Cost of services</u>	(424,130)
Gross Profit	3,204,408
Exploration and evaluation expenses	(39,036,433)
Operating Expenses	(312,149,908)
Other Income	84,061,242
Profit before taxation	(263,920,061)
Taxation	(223,171)
Loss after tax	(264,143,862)

### Key operating and financial data

The financial data for previous years is as follows:

	2017-18	2016-17
	Pak Rupees	Pak Rupees
Revenue	3,628,538	127,257,148
Cost of services	(424,130)	(93,637,275)
Gross Profit	3,204,408	33,619,873
Exploration Expenses	(39,036,433)	(49,286,466)
Operating Expenses	(312,149,908)	(272,244,570)
Other Income	84,061,242	93,349,410
Profit/ (loss) before taxation	(263,920,061)	(194,561,753)
Taxation	(223,171)	(11,688,518)
Loss after tax	(264,143,862)	(206,250,271)

## Directors' Report – 2017-18

No of contract employees	87	78
No of Daily Wage employees	122	387

### Future Plans

The new Board of Directors deemed it necessary to outline short to long term strategy in line with the vision and mission of the company which shall act as guideline for the Company to achieve set goals.

#### Short Term (2 to 3 years):

1. The company will continue participation in the existing operating and non-operating block(s) and endeavor to increase its working interests in these blocks after due diligence on technical and financial matters.
2. Management should strive for securing JV partnership in 4-6 more non-operated blocks in Khyber-Pakhtunkhwa (KP) and merged districts.
3. Management to aggressively launch marketing campaign for 'farming out' part of Lakki Block to other experienced E&P companies in the market, to reduce exploration risk.
4. Any other commercially viable project(s) as may be approved by the BOD on the recommendation of management example Being the Provincial and Holding Company; KPOGCL is encouraged to look for investment opportunities other than pure exploration of Oil & Gas. The Board appreciates the idea of allocation of LPG quota to KPOGCL so that if bankable, KPOGCL will distribute LPG to the areas where SNGPL has no outreach.

#### Medium Term (3 to 7 years):

1. Based on experience gained during Lakki Block exploration, the company would focus on acquisition of further blocks on operatorship and non-operatorship basis in KP, erstwhile Fata and in other provinces of Pakistan.
2. KPOGCL should strive to achieve 25 MMCFD of gas and 2,000 BPD of oil by the year 2025.

#### Long Term (7 to 15 years):

1. Seek KPOGCL's participation/acquisition of exploration and production concessions/blocks internationally.

## Directors' Report – 2017-18

---

2. Any other commercially viable project(s) as may be approved by the BOD on the recommendation of management.
3. The organizational structure of the company would expand as per the expanded activities of the company.

### Good Governance

To make KPOGCL a truly corporate body; the new Board of Directors is fully cognizant of the importance of adherence to Corporate Governance standards and rules. To achieve "Good Governance"; along with **continuous improvement and Upgradation of various policies and manuals**, strengthening of departmental functions such as an Independent **Internal Audit function**, an effective **Finance function**, impartial and objective **Human Resource function** committed for development of skill set of human resource through effective Training & Development initiatives and an up to date **IT function** will be the Key.

### Appointment of Auditors

The present auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants have completed their assignment for the year ended June 30, 2018 and shall retire on the conclusion of the Annual General Meeting, offered themselves for reappointment. In accordance with the Code of Corporate Governance, the Audit Committee considered and recommended the M/s KPMG Taseer Hadi & Co., Chartered Accountants as auditors for the year FY 2017-18 at the audit and compliance report fee of Rs. 495,000.

### Government levies

The Company has regularly paid income tax withheld, KP Sales Tax & GST from payments made to employees, suppliers and consultants etcetera, while nothing was outstanding on close of financial year (as disclosed in Note 6 of the audited financial statements).

### Dividend

Considering the operational results and future plans the Board of directors does not recommend any dividend.

### Auditors report

The auditor has given unqualified report on the financial statements for the year ended June 30, 2018.

## Directors' Report – 2017-18

### Pattern of Shareholding

The pattern of shareholding of the Company as on June 30, 2017 is as under;

Shareholder	Percentage	Number of Shares
Government of Khyber Pakhtunkhwa	99.999984	18,999,997
Sahibzada Saeed Khan	00.00000526	1
Mr Shumail Butt	00.00000526	1
Mr. Zafar Iqbal	00.00000526	1
Total	100.000000	19,000,000

### Earnings per share

KPOGCL started generating revenues from May 2015 hence earning per share of the Company as on June 30, 2018 is Rs. -13.90 per share.

### Corporate Governance & Financial Reporting Framework

As required by Public Sector Companies (Corporate Governance) Rules 2013, we are pleased to report the following;

- The financial statements prepared by the management of the Company, presents fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of the Company have been maintained.
- The board has complied with the relevant principles of corporate governance and has identified the rules that have not been complied with.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments.
- The system of internal control is sound in design and has been regularly reviewed and effectively monitored.
- The appointment of Chairman and other members of Board and the terms of their appointment along with the remuneration policy adopted are in the best interest of the Public Sector Company as well as in line with the best practices.
- The remuneration of directors is in accordance with the trend and practice in other public sector entities beside size of the Company and duties to be discharged by the director. Disclosure of remuneration of Chief Executive, Directors and Executives is given in Note 18 of the annexed financial statements.



# Directors' Report – 2017-18

---

## Election of Directors

According to Section 183 Certain provisions not to apply to directors representing special interest, provisions regarding election, term of office and removal of directors do not apply to the directors appointed/nominated by the Provincial Government.

## Meetings of Board of Directors

A total number of meetings of board of directors were held during the year and the attendance of directors is as follows;

Name of Director	Number of Meetings Attended
Mr. Tariq Iqbal Khan (Chairman)	1/5 Resigned during the year
Secretary Energy & Power GoKP	5/5
Secretary Finance GoKP	5/5
Mr. Amin Mukaty	5/5
Capt ® Mr. Munir Azam	1/1
Mr. President KPCCI	4/5
Mr. Khurshid Anwer	1/5 Resigned during the year
Mr. Sahibzada M Naeem	5/5
Mr. Shumail Butt	4/5
Commissioner Kohat	3/5
Mr. Raziuddin CEO KPOGCL	5/5

## Remuneration of Directors

Rs. 10,000/- net of tax were paid as meeting fee to each Director for each meeting attended.

## Acknowledgement

At the end, we would like to state that the operational and financial performance of KPOGCL is attributable to the ongoing collaboration with all the Company's stakeholders. In this respect, we are thankful to the Government of Khyber Pakhtunkhwa, Energy & Power Department, Finance Department, Home & Tribal Affairs Department, Planning & Development and other divisions and departments of provincial government for their resolute support and cooperation extended to the Company. We would also like to convey my sincere appreciation to the Company's Board of Directors for their prudent role and invaluable counsel along with expressing my gratitude to the Company's shareholders for bestowing confidence and trust in KPOGCL. At the end, we would like to pay due credit to

## Directors' Report – 2017-18

---

the employees & consultants of the Company, while optimistically looking forward to the leading role KPOGCL will play in E&P industry of Khyber Pakhtunkhwa as well as Pakistan in not only addressing energy challenges but in parallel returning significant value to the shareholders in a socially responsible manner.

On behalf of the Board

September 27, 2019

Signature

Chief Executive Officer



Signature

Director

