

**BALOSHISTAN ENERGY COMPANY LIMITED  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**Independent Auditor's Report**  
**To the members of Balochistan Energy Company Limited**  
**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the annexed financial statements of **Balochistan Energy Company Limited** (the Company), which comprise the statement of financial position as at June 30, 2022, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2022 and of the loss, other comprehensive income, the changes in equity and its cash flows for the year then ended.

**Basis for Opinion**

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

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

### Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980).

### Other Matters

The financial statements of Balochistan Energy Company Limited for the year ended June 30, 2021, were audited by another auditor who expressed an unmodified opinion on those financial statements on October 28, 2021.

The engagement partner on the audit resulting in this independent auditor's report is Arqum Naveed.

Muniff Ziauddin & Co  
Chartered Accountants  
Place: Lahore  
Date:

06 OCT 2022

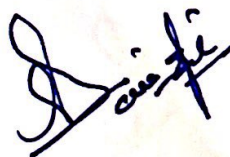
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**BALUCHISTAN ENERGY COMPANY LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2022**

	Note	2022 Rupees	2021 Rupees
<b>ASSETS</b>			
<b>Non current assets</b>			
Property and equipment	5	6,550,341	2,746,145
<b>Current assets</b>			
Short term investments	6	300,600,000	200,000,000
Other receivables		1,682,301	1,371,233
Advance income tax		994,747	3,704,065
Cash and bank balances	7	599,823,333	112,145,889
		902,500,381	317,221,187
		<u>909,050,722</u>	<u>319,967,332</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Share capital	8	1,000,000	1,000,000
Share deposit money	9	524,800,000	324,800,000
<b>Revenue reserves</b>			
Un-appropriated profit		(29,659,055)	(10,116,641)
		496,140,945	315,683,359
<b>Current liabilities</b>			
Trade and other payables	10	9,232,993	220,000
Deferred credits	11	397,808,667	-
Provision for taxation	12	5,868,117	4,063,973
		412,909,777	4,283,973
		<u>909,050,722</u>	<u>319,967,332</u>
Contingencies and Commitments	13		

The annexed notes, from 1 to 25, form an integral part of these financial statements.

  
 Chief Financial Officer

  
 Chief Executive Officer


  
 Director

**BALUCHISTAN ENERGY COMPANY LIMITED**  
**STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Note	2022 Rupees	2021 Rupees
Revenue		-	-
Direct expenses		-	-
<b>Gross profit</b>		-	-
Other income	16	20,234,888	14,342,093
Grant income	17	20,191,333	-
Project expenses		(2,191,333)	(3,429,694)
General and administrative expenses	14	(51,808,744)	(32,673,312)
Finance cost	15	(5,208)	-
<b>Loss before taxation</b>		<b>(13,579,064)</b>	<b>(21,760,913)</b>
Taxation	18	(5,963,350)	(3,464,184)
<b>Loss for the year</b>		<b>(19,542,414)</b>	<b>(25,225,097)</b>

The annexed notes, from 1 to 25, form an integral part of these financial statements.

  
 Chief Financial Officer

  
 Chief Executive Officer


  
 Director

**BALUCHISTAN ENERGY COMPANY LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Note	2022 Rupees	2021 Rupees
Loss for the year		(19,542,414)	(25,225,097)
<b>Other comprehensive income / (loss):</b>			
Items that may be subsequently reclassified to profit or loss		-	-
Items that will not be subsequently re-classified to profit or loss		-	-
<b>Total comprehensive loss for the year</b>		<b>(19,542,414)</b>	<b>(25,225,097)</b>

The annexed notes, from 1 to 25, form an integral part of these financial statements.

  
 Chief Financial Officer

  
 Chief Executive Officer

  
 Director

**BALUCHISTAN ENERGY COMPANY LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Share capital Issued, subscribed and paid up share capital	Share deposit money	Revenue reserves Un-appropriated profit	Total
<b>Balance as at July 01, 2020</b>	1,000,000	206,800,000	15,108,456	222,908,456
Loss for the year	-	-	(25,225,097)	(25,225,097)
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(25,225,097)	(25,225,097)
Share deposit money received	-	118,000,000	-	118,000,000
<b>Balance as at June 30, 2021</b>	1,000,000	324,800,000	(10,116,641)	315,683,359
<b>Balance as at July 01, 2021</b>	1,000,000	324,800,000	(10,116,641)	315,683,359
Loss for the year	-	-	(19,542,414)	(19,542,414)
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(19,542,414)	(19,542,414)
Share deposit money received	-	200,000,000	-	200,000,000
<b>Balance as at June 30, 2022</b>	1,000,000	524,800,000	(29,659,055)	496,140,945

The annexed notes, from 1 to 25, form an integral part of these financial statements.

  
 Chief Financial Officer

  
 Chief Executive Officer

  
 Director




**BALOUCHISTAN ENERGY COMPANY LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Note	2022 Rupees	2021 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(13,579,064)	(21,760,913)
<b>Adjustment for non cash and other items:</b>			
Depreciation of property and equipment	5	1,459,604	609,056
Amortisation of government grant		(20,191,333)	-
Finance costs	15	5,208	-
		(18,726,521)	609,056
<b>Working capital changes:</b>			
Increase in other receivables		(311,068)	(1,371,233)
Increase / (decrease) in trade and other payables		9,012,993	(295,000)
		8,701,925	(1,666,233)
<b>Cash used in operations</b>		<b>(23,603,660)</b>	<b>(22,818,090)</b>
Taxes paid		(1,449,888)	(5,992,335)
Finance costs paid	15	(5,208)	-
<b>Net cash used in operating activities</b>		<b>(25,058,756)</b>	<b>(28,810,425)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for acquisition of property and equipment		(5,263,800)	(3,258,878)
Short term investments made - net		(100,000,000)	-
<b>Net cash used in investing activities</b>		<b>(105,263,800)</b>	<b>(3,258,878)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Government grant received		418,000,000	-
Share deposit money received		200,000,000	118,000,000
<b>Net cash generated from financing activities</b>		<b>618,000,000</b>	<b>118,000,000</b>
<b>Net increase in cash and cash equivalents</b>		<b>487,677,444</b>	<b>85,930,697</b>
Cash and cash equivalents at the beginning of the year		112,145,889	26,215,192
Cash and cash equivalents at the end of the year	7	599,823,333	112,145,889

The annexed notes, from 1 to 25, form an integral part of these financial statements.

  
 Chief Financial Officer

  
 Chief Executive Officer



## **1 LEGAL STATUS AND OPERATIONS**

Balochistan Energy Limited (the Company) was incorporated on June 01, 2012 as a public un-listed company with limited liability under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company's primary activity is to carry on business of planning, promoting, organizing and implementing programmes for exploration and development of oil, gas, renewable and alternate energy resources in Pakistan and other related activities. The registered office of the Company is located at 67-A, Main Jinnah Town, Quetta, Balochistan.

## **2 BASIS OF PREPARATION**

### **2.1 Statement Of Compliance**

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

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

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

### **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except as otherwise stated in the respective policy's notes below.

### **2.3 Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

### **2.4 Accounting estimates and judgements**

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values 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. Revision to accounting estimates are recognized in the period in which the estimate is revised if revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

- Depreciation method, useful life and residual value of operating property and equipment - Note 3.1 & 5
- Impairment of financial assets - Note 3.2.5
- Taxation - Note 3.6
- Revenue recognition - Note 3.8
- Contingencies - Note 3.9
- Provisions - Note 3.10
- Leases - Note 3.11

## **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **3.1 Property and equipment**

#### **Initial measurement**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost comprises acquisition and other directly attributable costs. Freehold land is stated at cost less accumulated impairment loss, if any.

#### **Subsequent measurement**

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of profit or loss during the year in which they are incurred.

#### **Depreciation**

Depreciation on all items of property and equipment is charged to statement of profit or loss applying the reducing balance method so as to write-off the depreciable amount of an asset over its useful life. Depreciation is being charged at the rates given in Note 5. Depreciation on additions to property and equipment is charged from the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which the asset is disposed off.

An item of operating property and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal.

#### **Disposal**

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the statement of profit or loss in the year the asset is de-recognized.

Capital work-in-progress is stated at cost less any identified impairment loss, if any.

### **3.2 Financial instruments**

Financial assets and financial liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

#### **3.2.1 Classification**

##### **3.2.1.1 Financial assets**

The Company classifies its financial assets in the following categories:

- at amortized cost;
- fair value through profit or loss; or
- fair value through other comprehensive income.

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

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

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

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

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

principal and interest on the principal amount outstanding.

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

### **3.2.1.2 Financial liabilities**

The Company classifies its financial liabilities in the following categories:

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

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

### **3.2.2 Measurement**

#### **Financial assets and liabilities at amortized cost**

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

#### **Financial assets and liabilities at FVTPL**

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

#### **Financial assets and liabilities at FVTOCI**

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

### **3.2.3 Derecognition**

#### **Financial assets**

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

#### **Financial liabilities**

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

### **3.2.4 Classification of financial assets**

#### **Investments held to maturity**

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

interest rate method, less any impairment losses.

**3.2.5 Impairment of financial assets**

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

**3.2.6 Off setting of financial assets and financial liabilities**

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

**3.3 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of statement of cash flows, cash and cash equivalents comprise cash in hand and cash at banks in current and saving accounts.

**3.4 Government grants**

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non current liabilities as deferred income and are credited to statement of profit or loss on a straight-line basis over the expected useful lives of the related assets.

**3.5 Trade and other payables**

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

**3.6 Taxation**

**Current**

The charge for current taxation is based on taxable income at the current rates after taking into account applicable tax credits, rebates and exemption available (if any) or on turnover at the specified rates or Alternate Corporate Tax as defined in section 113C of the Income Tax Ordinance, 2001, whichever is higher.

**Deferred**

Deferred tax is provided using the balance sheet method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profits and taxable temporary differences will be available against such temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is

realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting

### **3.7 Related party balances and transactions**

All balances and transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes, as admissible, except in extremely rare circumstances where, subject to the approval of the Board of Directors, it is in the interest of the Company to do so.

### **3.8 Revenue recognition**

Revenue shall be recognized when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset and thus has the ability to direct the use and obtain the benefits from the good or service.

Return on bank deposits and short-term investments - at amortized cost is recognized on time proportion basis under effective interest method.

### **3.9 Contingent liabilities**

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

### **3.10 Provisions**

Provisions are recognised when the Company has present, legal or constructive obligation that arises from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation can be measured with sufficient reliability.

### **3.11 Leases**

The company has opted for exemption under IFRS 16 to classify leases as short term lease. Short term leases are leases whereby the lease term of the asset is less than 12 months. The rental expense in relation to the lease is recognised in statement of profit or loss.

## **4 CORRECTION OF ERROR**

### **4.1 Change of framework**

During prior years, the Company had been using International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) in the preparation of its financial statements. However, As per the classification of companies in accordance with the Third Schedule of Companies Act, 2017, the Company falls under the category of Public Interest Entities as the company is a public sector company and thus, is required to prepare its financial statements in accordance with International Financial Reporting Standards and Fifth Schedule of Companies Act, 2017. This is an error and has been accounted for retrospectively in accordance with the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

The change in framework has resulted in the application of the following Standards that were otherwise, not applicable under IFRS for SMEs. Further, there are differences in the requirements of some standards which are also discussed below. The financial impact, if any, of these changes is accounted for on a retrospective basis.

- IFRS 7 - Financial instruments - disclosures.
- IFRS 16 - Leases.
- IFRS 15 - Revenue from contract with customers.
- IFRS 9 - Financial instruments.

### **Financial instruments**

**BALUCHISTAN ENERGY COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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IFRS for SMEs distinguishes between basic and complex financial instruments. Section 11 of IFRS for SMEs establishes measurement and reporting requirements for basic financial instruments; Section 12 deals with complex financial instruments. However, IFRS 9 do not provide distinction between basic and complex financial instruments.

Accordingly, there are no separate requirements for recognition and measurement based on complexity of the financial instruments under IFRS 9. Further, under IFRS 9, the requirements of impairment are based on a forward looking approach whereas under IFRS for SMEs, the requirements are based on indications and past experiences.

The classification, recognition and measurement criterias for financial instrument under IFRS 9 has been disclosed in Note 3.2.

**Leases**

IFRS for SMEs requires lessees to differentiate between operating and finance lease while no such distinction has been made in IFRS 16. IFRS 16 states that all leases are finance lease except short term leases and small value leases for which exemption criteria has been given in the standads.

**Revenue from contract with customers**

IFRS for SMEs requires the company to record revenue when risks and rewards has been transferred. However, IFRS 15 states that the company should recognise revenue when performance obligation is discharged along with conditions attached to it under a contract. Refer to Note 3.8 for details regarding policies.

**Financial instruments - disclosures**

IFRSs for SMEs does not have any requirements for disclosures pertaining to financial risk management whereas IFRS 7 requires the Company's to disclose its financial risk management policy mainly pertaining to credit, market and liquidity risk.

**BALUCHISTAN ENERGY COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**5. Property and equipment:**

**At July 01, 2020**  
 Cost  
 Accumulated depreciation  
 Net book value

**For the year ended June 30, 2021**  
 Opening net book value  
 Additions  
 Depreciation charge for the year  
 Closing net book value

**As at June 30, 2021**  
 Cost  
 Accumulated depreciation  
 Net book value

**For the year ended June 30, 2022**  
 Opening net book value  
 Additions  
 Depreciation charge for the year  
 Closing net book value

**As at June 30, 2022**  
 Cost  
 Accumulated depreciation  
 Net book value  
 Depreciation rate %

	Furniture and Fixture	Computers	Office Equipment	Generator	Vehicles	Total
----- Rupees -----						
<b>At July 01, 2020</b>	266,000 (194,423)	150,000 (125,254)	-	-	-	416,000 (319,677)
<b>Net book value</b>	71,577	24,746	-	-	-	96,323
<b>For the year ended June 30, 2021</b>	71,577 807,891 (131,920)	24,746 1,891,283 (383,206)	- 360,219 (54,053)	- 199,485 (39,897)	- 199,485 (39,897)	96,323 3,258,878 (609,050)
<b>Closing net book value</b>	71,577	1,532,823	306,166	159,588	-	2,746,145
<b>As at June 30, 2021</b>	1,073,891 (326,343)	2,041,283 (508,460)	360,219 (54,053)	199,485 (39,897)	-	3,674,878 (928,733)
<b>Net book value</b>	747,548	1,532,823	306,166	159,588	-	2,746,145
<b>For the year ended June 30, 2022</b>	747,548 27,800 (115,260)	1,532,823 - (306,565)	306,166 - (45,929)	159,588 - (31,918)	- 5,236,000 (959,933)	2,746,145 5,263,800 (1,459,504)
<b>Closing net book value</b>	600,088	1,226,258	260,237	127,670	4,276,067	6,459,341
<b>As at June 30, 2022</b>	1,101,691 (441,603)	2,041,283 (815,025)	360,219 (99,961)	199,485 (71,815)	5,236,000 (959,933)	8,938,578 (2,388,437)
<b>Net book value</b>	600,088	1,226,258	260,237	127,670	4,276,067	6,459,341
<b>Depreciation rate %</b>	15%	20%	15%	20%	20%	



**BALUCHISTAN ENERGY COMPANY LIMITED**  
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	Note	2022 Rupees	2021 Rupees
<b>6 SHORT TERM INVESTMENT</b>			
At amortised cost			
Term Deposit Receipts (TDRs)	6.1	<u>300,000,000</u>	<u>200,000,000</u>
6.1 This represents 1 year Term Deposit Receipts amounting to Rs. 300 million with Bank Alfalah Limited which carries mark-up at the rate of 14.62% per annum.			
<b>7 CASH AND BANK BALANCES</b>			
Cash in hand		25,000	-
Cash at bank			
- Saving account		1,231,292	2,023,379
- Current account		598,567,041	110,122,510
		<u>599,823,333</u>	<u>112,145,889</u>
<b>8 SHARE CAPITAL</b>			
8.1 Authorised share capital			
The authorised share capital of the Company consists of 100,000 shares of Rs. 10 each			
8.2 Issued, subscribed and paid-up share capital			
		2022	2021
		Numbers	Numbers
	Note	2022	2021
		Rupees	Rupees
		<u>100,000</u>	<u>100,000</u>
		ordinary shares of Rs. 10 each, fully paid in cash	
		<u>1,000,000</u>	<u>1,000,000</u>
8.3 There is no change in the issued, subscribed and paid up capital of the Company.			
<b>9 SHARE DEPOSIT MONEY</b>			
Opening balance		324,800,000	206,000,000
Received during the year	9.1	<u>290,000,000</u>	<u>118,800,000</u>
		<u>524,800,000</u>	<u>324,800,000</u>
9.1 This represents funds received from Government of Balochistan Energy Department for working capital requirements of the Company. Under the Board Resolution dated 07 December 2020, these funds are accounted for as advance received against issue of shares to the Government of Balochistan.			
<b>10 TRADE AND OTHER PAYABLES</b>			
Other payables		1,200,000	-
Accrued liabilities		8,032,993	220,000
		<u>9,232,993</u>	<u>220,000</u>
<b>11 DEFERRED CREDITS</b>			
11.1 This represents grant received during the year from government for the purpose of carrying out projects and operational expenditures. The movement during the year is as follow:			
	Note	2022 Rupees	2021 Rupees
<b>Grant related to assets</b>			
Grant received during the year - Tattan lab		400,000,000	-
<b>Grant related to expenses</b>			
Grant received during the year		18,000,000	18,000,000
<b>Less: amortization against:</b>			
- Project expenses		(2,191,333)	-

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		(18,000,000)	(18,000,000)
		<u>397,808,667</u>	<u>-</u>
	Note	2022 Rupees	2021 Rupees
- Operational expenses		5,868,117	1,063,973
<b>12 PROVISION FOR TAXATION</b>			
<b>13 CONTINGENCIES AND COMMITMENTS</b>			
There are no known contingencies and commitments as at year ended (2021: Nil).			
<b>14 ADMINISTRATIVE EXPENSES</b>			
Staff salaries, wages and benefits		39,511,979	27,659,241
Rent, rates and taxes	14.1	3,383,135	1,729,100
Travelling and conveyance		2,787,006	1,193,477
Legal and professional charges		1,623,661	160,000
Depreciation		1,459,604	609,056
Meeting fee		1,364,000	120,000
Repair and maintenance		434,435	470,298
Insurance		259,214	-
Utilities		199,073	79,166
Printing and stationary		159,714	111,034
Communication		144,609	115,235
Entertainment		130,763	46,681
Auditors' remuneration	14.2	240,000	150,000
Office supplies		70,045	199,989
Other expenses		41,506	30,035
		<u>51,808,744</u>	<u>32,673,312</u>
<b>14.1</b>	This is a short term lease (less than 12 months) treated as exemption as allowed under IFRS-16.		
	Note	2022 Rupees	2021 Rupees
<b>14.2 Auditors' remuneration</b>			
<b>Audit services</b>			
Annual audit fee		195,000	150,000
<b>Non-audit services</b>			
Review fee of statement of compliance		45,000	-
		<u>240,000</u>	<u>150,000</u>
<b>15 FINANCE COST</b>			
Bank charges		5,208	-
<b>16 OTHER INCOME</b>			
Profit on Term Deposit Receipts		8,270,658	11,312,093
Profit on saving accounts		11,964,230	-
		<u>20,234,888</u>	<u>11,312,093</u>
<b>16.1</b>	This carries profit ranging from 6.5% to 10.25% per annum (2021: 4.5% to 7.5% per annum)		
<b>17 Grant Income</b>			
Amortization of Government Grant		20,191,333	-
		<u>20,191,333</u>	<u>-</u>
<b>18 TAXATION</b>		2022 Rupees	2021 Rupees
<b>Current tax:</b>			

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-Charge for current tax	5,868,117	4,159,207
-Prior year adjustment / (reversal)	95,233	(695,023)
	<u>5,963,350</u>	<u>3,464,184</u>

**19 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

The aggregate amount charged in these financial statements in respect of remuneration to Chief Executive and Executives of the Company is as follows:

	2022			2021		
	Chief Executive Officer	Executives	Total	Chief Executive Officer	Executives	Total
Managerial remuneration	10,354,839	23,753,826	34,108,665	11,000,000	8,923,558	19,923,558
No. of persons	1	7	-	1	3	-

19.1 The aggregate amount charged in these financial statements in respect of the directors meeting fee is Rs. 1,364,000 (2021: 120,000).

19.2 "Executive" means an employee, other than chief executive officer and directors, whose basic salary exceeds twelve hundred thousand rupees in a single financial year.

**20 FINANCIAL RISK MANAGEMENT**

The Company's activities expose it to a variety of financial risks: market risk (including other price risk, interest rate risk, currency risk and equity price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on prudent handling of financial operations in line with Government approved budgetary grant.

	Note	2022 Rupees	2021 Rupees
<b>20.1 Financial instrument by category</b>			
<b>Financial assets at amortised cost</b>			
Short term investments	6	300,000,000	200,000,000
Cash and bank balances	7	599,823,333	112,145,889
		<u>899,823,333</u>	<u>312,145,889</u>

**20.2 Fair value of financial instruments**

The carrying value of all the financial instruments reported in the financial statements approximates their fair value.

	2022 Rupees	2021 Rupees
<b>21 NUMBER OF EMPLOYEES</b>		
Number of employees at the year end	17	21
Average number of employees during the year	20	11

**22 TRANSACTIONS WITH RELATED PARTIES**

22.1 The related parties of the Company comprise of Government of Balochistan (GoB), entities owned and controlled by GoB and key management personnel. Following are the related parties with whom the Company entered into transactions during the year:

Name	Shareholding of Company	Nature of Relationship
Energy Department - Government of Balochistan (GoB)	99.997%	Shareholder
Balochistan Revenue Authority	N/A	GoB owned/controlled entity

**22.2 Related parties by virtue of GoB holdings**

The GoB is entitled to nominate members of the Board of Directors. Further, GoB is in a position to exercise control over managerial affairs of the Company. The management of the Company considers GoB and its associated bodies as related parties for disclosure purposes.

The transactions described below are collectively, but not individually, significant to these financial statements and therefore disclosed below:

**BALUCHISTAN ENERGY COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**22.2 Related parties by virtue of GoB holdings**

The GoB is entitled to nominate members of the Board of Directors. Further, GoB is in a position to exercise control over managerial affairs of the Company. The management of the Company considers GoB and its associated bodies as related parties for disclosure purposes.

The transactions described below are collectively, but not individually, significant to these financial statements and therefore disclosed below.

<u>Related Party</u>	<u>Description</u>	<u>2022</u> <u>Rupees</u>	<u>2021</u> <u>Rupees</u>
Government of Balochistan	Grant received	618,000,000	118,000,000

- a) The Company is working under administrative control of Balochistan Energy Department
- b) The Company has availed advertisement services through DGPR.
- c) The Company collects and pays Balochistan sales tax in the capacity of Withholding Agents, on behalf of GoB, to Balochistan Revenue Authority.

**22.3** All the transactions with directors, chief executive and executives have been disclosed in the note 19 to these financial statements.

**23 CORRESPONDING FIGURES**

Corresponding figures have been reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison in accordance with the accounting and reporting standards as applicable in Pakistan. Following reclassifications have been made during the year:

<u>Description</u>	<u>Reclassified from</u>	<u>Reclassified to</u>	<u>2021</u> <u>Rupees</u>
Accrued interest	Accrued interest	Other receivables	1,371,233
Other payables	Other payables	Trade and other payables	220,000
Advance income tax	Provision for taxation	Advance income tax	3,704,065
Share deposit money	Advance against share capital	Share deposit money	324,800,000

**24 DATE OF AUTHORISATION OF ISSUE**

These financial statements were approved by the Company's Board of Directors and authorized for issue on \_\_\_\_\_.

**25 GENERAL**

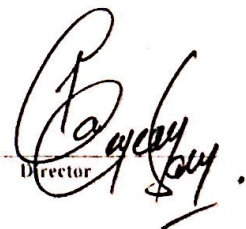
Figures have been rounded off to the nearest rupee, unless otherwise stated.



Chief Financial Officer



Chief Executive Officer



Director