



WHAT CAN BE IMAGINED, CAN BE REALIZED



[www.byco.com.pk](http://www.byco.com.pk)

**Byco Petroleum Pakistan Limited**

9th Floor, The Harbour Front, Dolmen City, HC-3, Block-4, Marine Drive, Clifton, Karachi-75600, Pakistan

Tel: (+92 21) 111 222 081 Fax: (+92 21) 111 888 081

# Contents

Vision	02
Mission	03
Code of Ethics	04
Company Information	05
Environment, Health, Safety & Security Policy	06
Financial Highlights	08
Directors' Report	10
Statement of Compliance with the Code of Corporate Governance	14
Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance	16
UNCONSOLIDATED FINANCIAL STATEMENTS	
Auditors' Report to the Members	19
Balance Sheet	20
Profit & Loss Account	21
Statement of Comprehensive Income	22
Cash Flow Statement	23
Statement of Changes in Equity	24
Notes to the Financial Statements	25
CONSOLIDATED FINANCIAL STATEMENTS	
Auditors' Report to the Members	64
Balance Sheet	65
Profit & Loss Account	66
Statement of Comprehensive Income	67
Cash Flow Statement	68
Statement of Changes in Equity	69
Notes to the Financial Statements	70
Pattern of Shareholding	110
Notice of Meeting	113
Admission Slip	115
Form of Proxy	117



## Vision

Our vision is to develop our company on ethical and professional basis in order to steadily grow and become a valued contributor to the economy and a respected corporate entity





## Mission

Our mission is to proactively invest in the development of infrastructure, in order to become a single-source supply chain for meeting the economy's chemicals, energy, petroleum and petrochemical requirements, thereby providing the best possible returns to all our stakeholders

# Code of Ethics



Byco is engaged in the manufacturing of a wide range of petroleum products. We aim to achieve sustainable productivity and profitability, while maintaining highest standards of care for the environment and health and safety. This practically means enacting policies that assure ongoing human resource development, enhancement of value addition, implementation of conservation measures, growth up-gradation and the addition of newer generation technologies. Our Company believes in the application of business ethics as have been embodied in this document.

1. The credibility, goodwill and repute earned is maintained through continued conviction in our corporate values of honesty, integrity, justice and respect for people. Our Company promotes openness, professionalism, teamwork and trust in all its business activities.
2. Safeguarding of Shareholders' interest and a worthwhile return on equity is an integral part of our business ethics.

3. We believe in servicing customers by providing products which are manufactured and priced competitively, and which are also meeting or exceeding the environmental standards of the country.
4. We are an equal opportunity employer and proactively invest in our human capital, offering competitive employment terms and providing a safe and congenial working environment to all our employees.
5. We believe that profit is the real yardstick to measure our value addition to the economy and is essential for business survival, as it measures efficiency and the value that the customer places on products and services produced by a Company.
6. In view of the critical importance of our business and its impact on the national economy, our Company provides all relevant information concerning its activities transparently to all stakeholders, subject to any overriding confidentiality.

**Mujtaba Jafarey**  
Chief Executive Officer

# Company Information

## Board of Directors

Hamid Imtiaz Hanfi  
Chairman

Muhammad Raza Hasnani  
Vice Chairman

Muhammad Mujtaba Jafarey  
Chief Executive Officer

Ovais Mansoor Naqvi  
Director

Adnan Siddiqui  
Director

Philip Harris  
Director

Diana Brush  
Director

Richard Legrand  
Director

## Company Secretary

Shahana Ahmed Ali

## Audit Committee

Philip Harris

Muhammad Raza Hasnani

Diana Brush

## Strategy & Risk Management Committee

Muhammad Raza Hasnani

Hamid Imtiaz Hanfi

Diana Brush

## Services & Stakeholders Committee

Muhammad Raza Hasnani

Hamid Imtiaz Hanfi

Diana Brush

## Chief Financial Officer

Muhammad Imran Sheikh

## Legal Counsel

Shahana Ahmed Ali

## Auditors

KPMG Taseer Hadi & Co.  
Chartered Accountants

## Bankers

Allied Bank Limited  
Askari Bank Limited  
Bank Alfalah Limited  
Bank Islami Pakistan Limited  
Barclays Bank Plc, Pakistan  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
JS Bank Limited  
KASB Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
NIB Bank Limited  
Silk Bank Limited  
Standard Chartered Bank (Pakistan) Limited  
Soneri Bank Limited  
Summit Bank Limited  
Sindh Bank Limited  
The Bank of Khyber  
United Bank Limited

## Shares Registrar

FAMCO Associates (Pvt) Limited  
8-F, Next to Hotel Faran Nursery,  
Block - 6 P.E.C.H.S. Shakra-e-Faisal  
Karachi

Tel: (92 21) 3438 0101  
3438 0102  
Fax: (92 21) 3438 0106

## Registered Office

9<sup>th</sup> Floor, The Harbour Front Dolmen  
City, HC-3, Block 4 Marine Drive,  
Clifton Karachi 75600, Pakistan

Tel: (92 21) 111 222 081  
Fax: (92 21) 111 888 081

## Website

[www.byco.com.pk](http://www.byco.com.pk)

# Environment Health Safety and Security (EHSS) Policy

Byco is committed to delivering a sustainable world class performance through prevention of injury & ill-health, preservation of environment and safeguarding health, safety & welfare of those who work at or visit our sites in a manner that is compliant with local laws, customs and culture.

We derive strength from our core values of fairness and honesty, integrity, respect, teamwork, trust and transparency, passion for excellence and tenacity in achieving results. As a corporate entity, we care about people and the world in which we live in.

We have deployed best leadership and management structure to deliver this policy and provide an unbroken chain of responsibility & accountability for EHSS.

## EHSS GUIDING PRINCIPLE

- Identify and eliminate or otherwise control, EHSS risks to our people, our communities and the environment in which we operate.
- Use EHSS risk framework to develop and deliver measurable EHSS objectives and targets.
- Ensure employees are equipped and trained to achieve our goal of zero incidents, injuries and illnesses.
- Encourage employees to adopt a healthy, safe and environmentally conscious lifestyle both at work and home.
- Continuously seek to reduce environmental impact of our business operations by:
  - Improving energy efficiency and natural resource consumption
  - Reusing and recycling materials to minimize waste and pollution
  - Endeavor to protect and restore bio-diversity
  - Undertaking specific programs to reduce greenhouse gas emissions from our business
- Generate sustainable EHSS performance through long term, mutually beneficial relationships with our communities, governments, our business partners and other stakeholders.

## COMMITMENT TO EHSS POLICY

- Management Team is accountable for delivery of EHSS improvements and providing necessary resources to do so.
- All related to our business must understand their responsibilities towards EHSS and demonstrate their commitment through actions towards achieving our goal of zero incidents.
- Complying with all applicable laws, EHSS standards and other voluntary requirements.
- Developing, implementing and maintaining recognized management systems and programs that ensure appropriate and consistent implementation of this EHSS policy.
- Obtaining assurance of our EHSS policy and management systems through regular audits and reviews of our performance.
- Promoting effective employee, contractor and stakeholder participation in and awareness of EHSS issues and programs related to our operations through training, communication and regular public reporting of performance.



**Mujtaba Jafarey**  
Chief Executive Officer







# Financial Highlights

Byco Petroleum Pakistan Limited  
Investor Information

	2014	2013	2012	2011	2010	2009
<b>BALANCE SHEET</b>						
Share Capital	9,779	9,779	9,779	9,779	3,921	3,921
Share holders' equity	(14,279)	(8,667)	(6,723)	(3,992)	(8,069)	(6,676)
Property, plant and equipment	14,928	17,625	18,373	18,678	14,042	14,779
Intangible asset	-	3	6	9	15	7
Long term investment	5,729	5,729	5,729	2,087	2,087	-
Long term loan and receivable	-	-	-	2,346	2,349	31
Long term deposits	7	14	19	21	59	57
Stock in trade	8,778	5,704	2,956	4,113	4,928	4,488
Trade debts	10,245	12,124	9,729	6,658	6,862	9,090
Total current assets	38,589	20,537	14,483	12,598	13,596	16,744
Total current liabilities	37,786	29,470	37,177	29,497	26,318	23,129
Short term borrowings	6,402	6,800	7,650	-	509	218
Current portion of non-current liabilities	2,470	1,636	2,442	1,933	1,977	1,443
Non-current liabilities	16,416	17,848	2,574	4,305	10,039	11,081
Loan from sponsors	-	-	-	-	5,001	4,023
<b>PROFIT AND LOSS ACCOUNT</b>						
Net sales	92,545	66,187	19,453	38,944	41,098	44,621
Cost of sales	92,124	66,111	21,170	38,169	40,430	48,530
Gross profit / (loss)	421	76	(1,717)	775	667	(3,909)
Operating profit / (loss)	(1,964)	(1,239)	(2,628)	(1,126)	(565)	(4,504)
Financial charges	2,793	2,645	2,965	2,096	3,026	6,432
(Loss) / profit before taxation	(6,325)	(2,085)	(3,197)	(1,850)	(1,488)	(10,327)
(Loss) / profit after taxation	(5,937)	(2,259)	(3,078)	(1,987)	(1,616)	(10,333)
(Loss) / earnings per share	(6.07)	(2.31)	(3.15)	(4.91)	(4.12)	(26.35)

		2014	2013	2012	2011	2010	2009
<b>Profitability Ratios</b>							
Gross Profit	%	0.45%	0.12%	-8.82%	1.99%	1.62%	-8.76%
Profit before Tax	%	-6.83%	-3.15%	-16.44%	-4.75%	-3.62%	-23.14%
Net Profit	%	-6.42%	-3.41%	-15.82%	-5.10%	-3.93%	-23.20%
EBITDA Margin to sales	%	-1.83%	2.67%	4.76%	2.41%	5.29%	-7.64%
Return on equity	%	-117.52%	66.23%	-270.00%	-79.30%	38.40%	398.70%
<b>Liquidity Ratios</b>							
Current Ratio	Times	1.02	0.70	0.39	0.43	0.52	0.72
Quick / Acid Test Ratio	Times	0.79	0.50	0.31	0.28	0.32	0.52
<b>Activity / Turnover Ratios</b>							
Inventory turnover	Days	28.69	23.90	60.90	43.20	42.50	61.80
Debtors turnover	Days	44.11	60.30	153.70	63.40	70.80	50.30
Creditors turnover	Days	95.40	111.00	446.60	258.40	200.10	153.40
Inventory turnover	Times	12.72	11.60	6.58	9.47	8.34	9.94
Debtors turnover	Times	8.27	5.46	2.00	5.85	5.99	4.91
Creditors turnover	Times	3.83	3.29	0.82	1.41	1.82	2.38
Total assets turnover ratio	Times	1.56	1.51	0.50	1.09	1.28	1.41
Fixed assets turnover ratio	Times	6.20	3.76	1.06	2.09	2.93	3.02
<b>Financial Leverage Ratios</b>							
Interest coverage ratio	Times	(0.70)	(0.47)	(0.08)	0.12	0.51	(0.61)
Debt to equity ratio	Times	(1.77)	(3.03)	(2.21)	1.42	(1.30)	(2.65)
<b>Investment / Market Ratios</b>							
Earnings per share	Rs.	(6.07)	(2.31)	(3.15)	(4.91)	(4.12)	(26.35)

# Directors' Report 2014

In the name of Allah the Most Merciful and the Most Benevolent.

The Directors of your Company pleased to present the Annual Report of your Company together with the audited, stand alone and consolidated, financial statements and auditors' report thereon for the year ended 30<sup>th</sup> June, 2014.

## OVERVIEW

We are pleased to report that your Company achieved Net Sales of Rs. 92.5 billion which is 40% high as compared to the sales in year 2012-13, the highest recorded by the Company in its history. This was only possible due to improvisations and initiatives the Company has taken in logistics of petroleum products, and improved business strategy for petroleum marketing business, which enabled the Company to utilize its refining capacity at 930,327 metric tons, also the highest ever recorded by the Company and 19.2% higher than the previous year.

This had been a challenging year for the refineries in Pakistan. There was a significant devaluation of Rupee against US Dollars in first half of the year, which was partially offset by a strengthening Rupee in second half of the year. However, despite the improvement in Rupee Dollar parity, all the refineries in the country had to bear significant exchange losses and your company also suffered an exchange loss of Rs. 836 million in the year.

International prices of Crude Oil and Petroleum Product also remained under stress due to continuous instability in the Middle East region, as a result of which refining margins remained depressed throughout the year and refineries had to face difficulties in operating on a sustainable basis.

Petroleum Marketing Business has achieved a mile stone of 250 retail sales outlets in all provinces of Pakistan including Azad Kashmir and Gilgit Baltistan. Our Consumer Sales segment has also been aggressively competing in the market by targeting key accounts including power sector, industrial consumers, transport sector etc. This business overall has shown significant growth in sales revenue and margins during the year under review.

Your Company continued to focus on delivery of products within the shortest

possible lead time and has revitalized the supply chain network by developing petroleum storages at various locations so as to optimize supply chain operations through greater use of pipeline network as well as road transportation.

The Single Buoy Mooring (SBM) project of our Subsidiary Company, Byco Terminals Pakistan Limited (BTPL), operated successfully throughout the period including the Monsoon season and thereby provided logistical advantage in importing Crude oil by enabling vessels to berth without loss of time and hence provided substantial savings.

Our next project for the SBM will enable it to be utilized for loading High Speed Diesel (HSD) on vessels for transportation to Port Qasim and pumping into the White Oil Pipeline (WOPP). This Project shall have a capacity of loading 50,000 metric tons of HSD in 24 operating hours and has been completed. Subsequent to this Project on-stream, we plan to initiate the next project which shall enable the loading out of Residual Furnace Oil (RFO) onto vessels for transportation to Port Qasim, this project is expected to be completed by 1<sup>st</sup> quarter of 2015.

BTPL has also embarked upon expanding its terminals footprint across the Country, per directives of Oil and Gas Regulatory Authority (OGRA) and has acquired lands in Shikarput, Mahmoodkot and Machike. It plans to commission its first Terminal at Mahmoodkot by January, 2015.

Another project of the Company, the Isomerization Unit has also been commissioned and tested for commercial operations. With conversion of 60 -65 octane Light Naphtha into 89 octane Motor Gasoline, it is expected that earnings from this Unit would substantially improve the profitability of your Company, in addition to reductions in selling and transportation costs attributable to export of Naphtha. This is the only Isomerization Plant which has the dual Units of Penex and Molex in the Country.

The Economic Coordination Committee (ECC) had approved the recovery of crude oil transportation cost through Inland Freight Equalization Margin (IFEM) pool. The Oil and Gas Regulatory Authority (OGRA) however, is not only delaying the issuance of formal notification but also disputing the amount allowed to the Company by ECC. In



# Directors' Report 2014

order to pursue the above mentioned claim, your Company had requested the Competition Commission of Pakistan (CCP) to intervene in the matter. We are pleased to inform you that after considering your Company's case in a public hearing, CCP issued its opinion in favor of the Company and asked OGRA and the Ministry of Petroleum & Natural Resources to eliminate discriminatory application of IFEM. It is now therefore expected that this decision will help in providing your Company a level playing field with other Refineries & Oil Marketing Companies and will translate into further significantly reducing the cost of logistics of moving the products from the refinery and SBM operations.

## FINANCIAL RESULTS

Your Company's Oil Refining Business and Petroleum Marketing Business achieved sales of Rs. 51,953 million and Rs. 40,593 million respectively hence the sales growth is 29% and 56% by respective businesses. The overall net sales of the Company increased significantly by 40% to Rs. 92,545 million as compared to Rs. 66,187 million during last year.

The Company earned a gross profit of Rs. 421 million during the year as compared to gross profit of Rs. 76 million during the corresponding period last year. The high gross profit was only possible because of the factors like high absorption rate of manufacturing overheads, increased level of production, and stringent inventory management, besides the significantly high sales as summarized above. As a result, the Company has been able to repay the loan principal amount installments totaling Rs. 1,600 million during the year under review.

The increased level of operations activity however did lead to expenses like fuel, power & water, stores & spares consumption and repair & maintenance to increase by 37%, 64% and 117% respectively.

With significant growth in Company's business activities, administrative and selling & distribution expenses increased due to rise in transportation, storage and product handling charges and other costs. The Company suffered a net loss after tax of Rs. 5,937 million almost two third of which is attributable to financial charges and exchange losses incurred during the year. As a result of which there has been a delay in payment of

Government dues due to shortage of funds.

The Company remained under the regime of minimum tax on turnover basis in the current year as well. Based on above results, loss per share for the year was Rs. 6.07 compared to Rs. 2.31 in last year.

Your Company has witnessed considerably challenging times in the last few years primarily due to the 2008 and 2009 financial crisis. However, with the completion of the Group's related projects, including the Country's largest Refinery, the first Isomerisation Plant and SBM and with no significant additional capital investment required in the next couple of years, there will be significant value addition for the Company in years coming ahead. The management is geared to ensure these projects bring synergized benefits to your Company and the fast track momentum is maintained.

For a more comprehensive look at the financials of your Company over the last six years, refer to page 8.

## BYCO TERMINALS PAKISTAN LIMITED (BTPL) – FINANCIALS

Your Company's subsidiary BTPL, has handled several vessels during the year under review and is now operating its SBM smoothly.

BTPL incurred an operating loss of Rs. 55.6 million (2013: Rs. 110.2 million). This is primarily due to lower revenue generation by the SBM facility. These losses will positively be recovered in subsequent years as substantial revenues are expected to be generated from Byco Oil Pakistan Limited (BOPL) usage of the said facility and development of storage terminals at various locations in the country.

## REASONS FOR NOT DECLARING DIVIDEND

Due to the losses incurred by the Company during the year, the Directors do not recommend any appropriations for the year ended 30<sup>th</sup> June, 2014.

## AUDITORS' OBSERVATION

The auditors have expressed their concern about the validity of the going concern assumption followed in preparation of the financial statements and their observation is

# Directors' Report 2014

primarily based on negative equity. The management has taken several steps to address the above issue by improving the supply chain and cash conversion cycle, tapping new customers in petroleum marketing business etc. and entering into crude import term contracts, etc. Hence, the Management is of the view that these negative conditions are temporary, not permanent and would reverse in foreseeable future. The main reasons for the losses are explained in preceding paragraphs and the mitigating factors are also discussed in note 2 to the financial statements, which justify use of going concern assumption in preparation of financial statements.

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

Your Company is active in Corporate Social Responsibilities (CSR) as well. The unskilled, semi skilled and skilled jobs are being provided to local community regularly. Sports activities, medical camps, rain victim support, drinking water, ambulance and emergency medical assistance are also provided to the local community.

World Environment Day was observed on 5<sup>th</sup> June, 2014 by planting 100 trees at its MouzaKund Site, which houses its Refinery. Byco's employees and guests from other organizations participated in the plantation activity.

Your Company has actively participated in various programs initiated by various Non-Governmental Organizations (NGOs). The volunteers of Byco were honored by Injaz Pakistan on World Volunteer Day and the Company was appreciated in the category of "Outstanding Corporate Volunteerism" which is judged on the basis of an organization's support in providing its employees as volunteers for the Injaz Project.

## ENVIRONMENT, HEALTH, SAFETY AND SECURITY (EHSS)

During the year, significant achievements were made by the Company in the area of EHSS. A

total of 8.006 million safe man hours were achieved since November, 2005 without a Lost Time Injury (LTI). The Total Recordable Incidents Rate (TRIR) for the year was 0.249 against the permissible limit of less than 0.5. As an initiative, your Company has introduced solar panels at some of its retail stations whereby basic electric requirements are being met through green energy. The company intends to deploy more of these panels on its retail stations.

Earth Day was observed on April 22, 2014 where all Byco Staff was invited to wear Earthy Colours to office and increase efforts to recycle and reuse all day.

## CONTRIBUTION TO THE NATIONAL EXCHEQUER

During the current year, your Company contributed an amount of Rs. 18,838 million to the national exchequer on account of direct and indirect taxes and levies. In addition the Company brought valuable foreign exchange of approximately US\$ 83.26 million into the economy, through the exports of petroleum product thereby contributing towards reducing burden on the country's balance of payment.

## COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The company is committed to high standards of corporate governance and there has been no departure from best practices of corporate governance.

The Company has been and remains committed to the conduct of its business in line with the Code of Corporate Governance and the Listing Regulations of the stock exchanges of Pakistan.

The directors are pleased to confirm that:

- During the year eight meetings of the Board of Directors were held and attended as follows:

Name of Directors	Number of BOD Meetings Attended
Hamid ImtiazHanfi	8
Muhammad RazaHasnani	8
Diana Brush	8
Richard Legrand	4
Philip Harris	2
Ovais Mansoor Naqvi	0
Adnan Siddiqui	0

The Board of Directors gave leave of absence to those directors who were unable to attend.

# Directors' Report 2014

- The financial statements of the Company have been prepared by the management and represent fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- The Company has maintained proper books of accounts as required under the Companies Ordinance, 1984.
- Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and deviation if any, has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.

## PATTERN OF SHAREHOLDING

- The pattern of shareholding and additional information as at June 30, 2014 appears on page 110 of the Annual Report of your Company.
- Byco Oil Pakistan Limited holds 80.84% shares. Financial institutions and banks hold 1.83% shares, and 17.33% shares are held by individuals.

- No trading in the shares of the Company was done by the directors, executives and their spouses and minor children during the year.

## VALUE OF INVESTMENT IN POST EMPLOYMENT BENEFIT FUND

The value of investment of provident fund on the basis of unaudited accounts is as under:

	2014	2013
As at June 30 (Rs. in '000)	93,835	61,513

## EXTERNAL AUDITORS

Auditors for the year ending June 30, 2015 shall be appointed at the forthcoming Annual General Meeting.

## SALE OF ISOMERIZATION PLANT

During the year, in order to improve the capital structure of the Company, the Company proposed to sell Isomerization unit. The sale of Isomerization unit will be completed upon completion of the requisite formalities.

We would also like to thank our dedicated employees for their commitment towards sustainable operations during these trying times.

For and on behalf of the Board of Directors

## ACKNOWLEDGEMENT

The Board wishes to express appreciation and place on record its gratitude for the co-operation extended to your Company by Government of Pakistan and strategic partners including financial institutions, vendors, suppliers, customers and shareholders of your Company.



Chief Executive Officer  
Karachi  
December 16, 2014

# Statement of Compliance with the Code of Corporate Governance

Byco Petroleum Pakistan Limited  
Year ended 30<sup>th</sup> June 2014

The Company has applied the principles contained in the Code of Corporate Governance (the "Code") in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. As at 30<sup>th</sup> June 2014 the board is composed of:

Category	Names
Independent Directors	None
Executive Directors	Syed Muhammad Mujtaba Jafarey Hamid Imtiaz Hanfi
Non-Executive Directors	Muhammad Raza Hasnani Diana Brush Philip Harris Richard Legrand Adnan Siddiqui Ovais Mansoor Naqvi

The company is in the process of appointing an independent director to comply with the requirements of the Code

2. The directors have confirmed that they are not directors on the boards of more than seven listed companies.
3. All the resident directors are registered tax payers and none of them has defaulted in the payment of any loan to a banking company, a DFI or NBFI, or being a member of a stock exchange, has been declared a defaulter.
4. No casual vacancies occurred during the year.
5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it through out the company along with supporting policies and procedures.
6. The board has developed vision and mission statements, overall corporate strategy and significant policies. A complete record of particular policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including the appointment, and determination of remuneration and the terms and conditions of employment of the Chief Executive Officer, executive and non-executive directors, have been taken by the Board / shareholders.
8. The Board met eight times during the year. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter except for the second quarter in which no meeting of the Board was held. Written notices of the Board meetings, except urgent meetings, along with the agendas and working papers, were circulated at least seven days before the meetings and the minutes of the meetings were appropriately recorded and circulated.
9. While almost all the directors are professionals and senior executives who possess wide experience and awareness of the duties of directors, the Company intends to comply with the directors' training as required by the Code and completion of certification within the prescribed period of 30<sup>th</sup> June 2012 to 30<sup>th</sup> June 2016.
10. The Board has approved the appointment of the Chief Financial Officer and Head of Internal Audit of the company including remuneration and terms and conditions of employment. There has been no change in the position of Company Secretary.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
13. The directors, Chief Executive Officer and other executives do not have any interest in the shares of the Company other than what has been disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.

# Statement of Compliance with the Code of Corporate Governance

Byco Petroleum Pakistan Limited  
Year ended 30<sup>th</sup> June 2014

15. The Board formed an audit committee, comprising of three members, all of whom including the chairman, are non-executive directors.
16. The meetings of the audit committee were held at least once in every quarter except for the second quarter in which no meeting of the Audit Committee was held. The meetings of the Audit Committee were held prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board formed a human resource and remuneration committee by the name of Strategy & Risk Management Committee, comprising of three members, all of whom are non-executive directors.
18. The Board has setup an effective internal audit function for the Company, which was fully operational during the year.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners, are in compliance with the International Federation of Accountants' (IFAC) guidelines on the code of ethics adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The closed period prior to the announcement of interim and final results, and business decisions, that may materially affect the market price of the Company's shares, was determined and intimated to the directors, employees and the stock exchange(s).
22. Material / price sensitive information was disseminated among all market participants at once through the stock exchange(s).
23. We confirm that all other material principles enshrined in the Code have been fully complied with, except for the mechanism for the annual evaluation of the Board's own performance which is not yet established, toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year:



**Syed Muhammad Mujtaba Jafarey**  
Chief Executive Officer

16<sup>th</sup> December 2014

# Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of **Byco Petroleum Pakistan Limited** ("the Company") for the year ended 30 June 2014 to comply with the requirements of Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not. Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2014.

Further, we highlight below instances of non-compliance with the requirement of the Code as reflected in paragraphs 1, 8, 9, 16 and 23 where these are stated in the Statement of Compliance:

- Paragraph 1 which describes the non-compliance with respect to having at least one independent director.
- Paragraph 8 and 16 which describes the non-compliance with respect to holding of board and audit committee meetings in every quarter. The Company held no meetings of board and audit committee in the second quarter of the year.
- Paragraph 9 which states that no Directors' training program was conducted for the current year ended 30 June 2014.
- Paragraph 23 which describes the non-compliance with respect to developing a mechanism for evaluation of Board's performance.

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Mazhar Saleem  
Karachi.



16<sup>th</sup> December 2014

This page has been  
intentionally left blank



Unconsolidated  
Financial Statements  
For The Year Ended June 30, 2014





# Auditors' Report to the Members

We have audited the annexed unconsolidated balance sheet of **Byco Petroleum Pakistan Limited** ("the Company") as at 30 June 2014 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated cash flow statement 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 account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the unconsolidated balance sheet and unconsolidated 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 account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 3.5.1 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;
- c) in our opinion, to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated 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 2014 and of the loss, 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.

We draw attention to note 2 to the unconsolidated financial statements which indicates that the Company has incurred net loss of Rs. 5,937 million during the year ended 30 June 2014, and as of that date, its accumulated losses amounted to Rs. 24,058 million. These conditions, along with other matters as set forth in note 2 including matter relating to financial covenants, indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. However unconsolidated financial statements have been prepared on going concern basis based on mitigating factors as more fully explained in note 2 to the unconsolidated financial statements. Our opinion is not qualified in respect of this matter.

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Mazhar Saleem  
Karachi.

  
\_\_\_\_\_

16<sup>th</sup> December 2014

# Unconsolidated Balance Sheet

As at 30 June 2014

	Notes	2014	2013 (Restated)
		..... (Rupees in '000) .....	
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	6	14,928,448	17,624,944
Intangible asset	7	-	2,957
Long term investment - at cost	8	5,729,258	5,729,258
Long term deposits	9	7,314	13,571
		<u>20,665,020</u>	<u>23,370,730</u>
<b>CURRENT ASSETS</b>			
Stores and spares		204,300	163,318
Stock in trade	10	8,777,507	5,703,512
Trade debts - unsecured	11	10,244,919	12,123,545
Loans and advances - considered good	12	742,706	502,135
Trade deposits, prepayments and other receivables	13	779,914	1,203,129
Accrued mark-up		435,052	281,126
Cash and bank balances	14	472,635	560,465
Non - current asset held for sale	15	16,931,504	-
		<u>38,588,537</u>	<u>20,537,230</u>
		<u>59,253,557</u>	<u>43,907,960</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	16	9,778,587	9,778,587
Accumulated losses		(24,057,777)	(18,445,525)
		<u>(14,279,190)</u>	<u>(8,666,938)</u>
<b>Surplus on revaluation of property, plant and equipment</b>	17	19,330,709	5,256,257
<b>NON CURRENT LIABILITIES</b>			
Long term loans and accrued mark-up	18	14,528,673	15,468,815
Liabilities against assets subject to finance lease	19	4,948	31,913
Long term deposits	20	87,478	62,707
Deferred liabilities	21	1,794,638	2,284,865
		<u>16,415,737</u>	<u>17,848,300</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	22	27,981,013	20,176,268
Accrued mark-up	23	416,985	463,709
Short term borrowings - secured	24	6,402,108	6,800,000
Current portion of non current liabilities	25	2,470,411	1,636,118
Provision for taxation		515,784	394,246
		<u>37,786,301</u>	<u>29,470,341</u>
Contingencies and commitments	26		
		<u>59,253,557</u>	<u>43,907,960</u>

The annexed notes from 1 to 44 form an integral part of these unconsolidated financial statements.

  
Chief Executive

  
Director

# Unconsolidated Profit and Loss Account

## For the year ended 30 June 2014

	Notes	2014	2013 (Restated)
		----- (Rupees in '000) -----	
Sales	27	92,545,372	66,187,006
Cost of sales	28	92,124,317	66,110,821
Gross profit		421,055	76,185
Administrative expenses	29	795,470	621,400
Selling and distribution expenses	30	1,589,243	694,267
		2,384,713	1,315,667
Operating loss		(1,963,658)	(1,239,482)
Other charges	31	(1,813,543)	(1,590,883)
Other income	32	1,081,858	3,581,055
		(2,695,343)	750,690
Financial charges	33	(2,793,202)	(2,645,271)
Exchange loss		(836,051)	(190,025)
Loss before taxation		(6,324,596)	(2,084,606)
Taxation	34		
- Current		(515,784)	(350,709)
- Deferred		903,234	176,002
		387,450	(174,707)
Loss after taxation		(5,937,146)	(2,259,313)
		----- (Rupees) -----	
Loss per share - basic / diluted	35	(6.07)	(2.31)

The annexed notes from 1 to 44 form an integral part of these unconsolidated financial statements.

  
Chief Executive

  
Director

## Unconsolidated Statement of Other Comprehensive Income

For the year ended 30 June 2014

	Notes	2014	2013 (Restated)
		..... (Rupees in '000) .....	
Net loss after taxation		(5,937,146)	(2,259,313)
Other comprehensive income			
Actuarial loss on remeasurement	21.2.5	(9,591)	(7,407)
Total comprehensive income for the year		<u>(5,946,737)</u>	<u>(2,266,720)</u>

The annexed notes from 1 to 44 form an integral part of these unconsolidated financial statements.



Chief Executive



Director

# Unconsolidated Cash Flow Statement

For the year ended 30 June 2014

	2014	2013
	..... (Rupees in '000) .....	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(6,324,596)	(2,084,606)
Adjustments for non cash and other items:		
- Gain on derecognition of financial liability	-	(2,678,675)
- Depreciation	1,000,127	1,016,144
- Amortization	2,957	2,958
- Financial and other charges	2,793,202	2,645,271
- Provision for impairment against doubtful debts	462,370	1,330,853
- Provision for gratuity	20,960	15,974
- CWIP disposed / written off	9,549	-
- (Gain) / loss on disposal of assets	(2,106)	6,255
Net cash flow before working capital changes	(2,037,537)	254,174
<b>Movement in working capital</b>		
(Increase) / decrease in current assets		
Stores and spares	(40,982)	(4,038)
Stock in trade	(3,073,995)	(2,747,248)
Trade debts	1,416,256	(3,725,624)
Loans and advances	(240,571)	(108,005)
Trade deposits, prepayments and other receivables	189,076	(68,314)
Mark-up accrued	(153,926)	(59,932)
Increase / (decrease) in current liabilities		
Trade and other payables	7,804,745	(5,793,276)
	5,900,603	(12,506,437)
<b>Cash generated from / (used) in operating activities</b>	3,863,066	(12,252,263)
Payments / receipt for:		
Financial charges	(1,325,066)	(3,280,251)
Gratuity paid	(20,233)	(7,007)
Income tax paid	(160,109)	(266,950)
Net cash generated from / (used) in operating activities	2,357,658	(15,806,471)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(440,320)	(289,676)
Proceeds from disposal of assets	9,368	15,182
Long term deposits	6,257	5,816
Net cash used in investing activities	(424,695)	(268,678)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term loan (paid) / received	(1,600,000)	18,107,983
Liabilities against assets subject to finance lease - net	(47,672)	(42,823)
Long term deposits	24,771	23,794
Short term borrowings - net	(397,892)	(1,655,568)
Net cash (used) in / generated from financing activities	(2,020,793)	16,433,386
Net (decrease) / increase in cash and cash equivalents	(87,830)	358,237
Cash and cash equivalents at beginning of the year	560,465	202,228
Cash and cash equivalents at end of the year	472,635	560,465

The annexed notes from 1 to 44 form an integral part of these unconsolidated financial statements.

  
Chief Executive

  
Director

# Unconsolidated Statement of Changes in Equity

For the year ended 30 June 2014

	Issued, subscribed and paid up capital	Accumulated loss	Total
	..... (Rupees in '000) .....		
Balance as at 1 July 2012	9,778,587	(16,501,819)	(6,723,232)
Effect of change in accounting policy - note 3.5.2	-	(3,848)	(3,848)
Balance as at 1 July 2012 - restated	9,778,587	(16,505,667)	(6,727,080)
Total comprehensive income for the year ended 30 June 2013			
Loss for the year ended 30 June 2013 - restated	-	(2,266,720)	(2,266,720)
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	326,862	326,862
Balance as at 30 June 2013	9,778,587	(18,445,525)	(8,666,938)
Total comprehensive income for the year ended 30 June 2014			
Loss for the year ended 30 June 2014	-	(5,946,737)	(5,946,737)
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	334,485	334,485
<b>Balance as at 30 June 2014</b>	<b>9,778,587</b>	<b>(24,057,777)</b>	<b>(14,279,190)</b>

The annexed notes from 1 to 44 form an integral part of these unconsolidated financial statements.

  
Chief Executive

  
Director

# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

## 1. LEGAL STATUS AND NATURE OF BUSINESS

Byco Petroleum Pakistan Limited (the Company) was incorporated in Pakistan as a public limited company on 09 January 1995 under the Companies Ordinance, 1984 and was granted a certificate of commencement of business on 13 March 1995. The shares of the company are listed on Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Company is situated at The Harbour Front, 9th Floor, Dolmen City, HC-3, Block 4, Marine Drive, Clifton, Karachi – 75600, Pakistan. Byco Oil Pakistan Limited (Parent Company) holds 80.84% (30 June 2013: 82.27%) shares in the Company. The Holding Company is a wholly owned subsidiary of Byco Industries Incorporated (BII), Mauritius (ultimate Parent Company). The Company is principally engaged in the production, marketing and sale of petroleum products.

The Company currently operates two business segments namely Oil Refinery Business and Petroleum Marketing Business (refer note 39). The Company commenced its crude oil refining business in 2004. The refinery has a rated capacity of 35,000 bpd (barrels per day). Petroleum Marketing Business was formally launched in 2007 and now growing aggressively with 250 retail outlets across the country.

These financial statements represent unconsolidated financial statements of Byco Petroleum Pakistan Limited and have been prepared in view of the legal requirements. The Company also produces consolidated financial statements, in which the financial result of the subsidiary has been consolidated. Consolidated financial statements are provided separately.

## 2. GOING CONCERN ASSUMPTION

During the year ended 30 June 2014, the Company incurred a net loss after tax of Rs. 5,937 million (2013: loss of Rs. 2,259 million) and as of that date its accumulated losses amounted to Rs. 24,058 million (2013: Rs. 18,446 million). Further the Company is making efforts to comply with the financial covenants relating to restructured finance facility, and the syndicate of banks have not taken any adverse view against the Company.

The conditions indicate existence of material uncertainty which may cast significant doubt about the Company's ability to continue as going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. The unconsolidated financial statements have been prepared using the going concern assumption as the management is confident that all these conditions are temporary, and would reverse in foreseeable future due to the reasons given below:

- The annual throughput of the refinery was 6.79 million barrels as compared to 5.7 million barrels representing an increase of 19.12 % from last year.
- The Company has competitive edge over other refineries in Pakistan due to its Isomerisation unit. The Isomerisation unit will convert light Naphtha into Motor Spirit which is a value addition and would increase the profitability margin of the Company. Furthermore, this conversion of light Naphtha would reduce the export of Naphtha. As a result it would bring substantial savings on account of transportation cost, In-transit losses, reduction in handling charges and storage cost and increased future profitability of the Company and increase the sale of Motor Spirit in local market.
- The Company's Petroleum Marketing Business (PMB) has entered into various fuel supply arrangements with different marketable sectors such as Shipping, Power & Energy . High margin aviation fuel export market has also been tapped through these arrangements. Further, during the period, PMB segment has increased their retail business by entering into different dealer financed, semi-financed and company financed agreements for opening of various retail outlets across the country. These factors of PMB segment has been and is expected to yield significant contribution towards the profitability of the Company.
- The Economic Coordination Committee (ECC) has approved the recovery of crude oil transportation through Inland Freight Equalization Margin (IFEM) pool which would result in future cost savings for the Company. Further, the Competition Commission of Pakistan has also issued its opinion in favour of the Company in this respect.

# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

- Subsequent to the year end, the Parent company has carried out extended trial run of its entire plant in order to operate the refinery on sustainable basis. The operation of Parent Company's refinery would bring sustainable cost savings to the Company. The Parent Company's refinery is expected to commence its operations in 2015.
- The Company is continuously reviewing its administrative costs, operating expenditures as well as capital expenditures, with a view to optimize the associated benefits through reduction / elimination of such costs as they find appropriate.
- Further, the ultimate parent company has given its commitment to give financial support to the Company as and when required. The support is available during the next financial year and beyond that.
- The management has also prepared financial projections to demonstrate the financial benefits of above measures.

The results of the above efforts, activities and actions are expected to contribute significantly towards the profitability, cost reduction, cash flows and equity position of the Company and mitigate the risks involved therefore, the preparation of unconsolidated financial statements on going concern assumption is justified.

## 3. BASIS OF PREPARATION

### 3.1 Statement of compliance

These unconsolidated 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 of, or directives issued under the Companies Ordinance, 1984 shall prevail.

### 3.2 Basis of measurement

These unconsolidated financial statements are prepared under the historical cost convention except for certain class of assets included in property, plant and equipment that are stated at revalued amounts as referred to in notes 4.1.1 and 6.

These financial statements represent unconsolidated financial statements of Byco Petroleum Pakistan Limited and have been prepared in view of the legal requirements. The Company also produces consolidated financial statements, in which the financial result of the subsidiary has been consolidated. Consolidated financial statements are provided separately.

### 3.3 Functional and presentation currency

Items included in the unconsolidated financial statements are measured using the currency of the primary economic environment in which the Company operates. These unconsolidated financial statements are presented in Pakistani Rupees, which is also the Company's functional currency. All the financial information presented in Pakistani Rupees has been rounded off to the nearest thousand, except where stated otherwise.



# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

## 3.4 Use of estimates and judgments

The preparation of the unconsolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual result may differ from estimation.

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 the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates underlying the assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only the period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

### 3.4.1 Property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. The estimates of revalued amounts of leasehold land, freehold land, buildings, roads and civil works, generators, safety & lab equipment and plant and machinery are based on a valuation carried out by a professional valuers. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

### 3.4.2 Trade debts

The Company reviews its doubtful trade debts at each reporting date to assess whether impairment allowance should be recorded to reduce the trade debts to their recoverable amounts. In particular, judgment by Management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance.

### 3.4.3 Stock in trade

The Company reviews the net realizable value (NRV) of stock in trade to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock in trade, and corresponding effect in profit and loss account of those future years. Net realizable value is determined with respect to estimated selling price less estimated expenditures to make the sales.

### 3.4.4 Stores and spares

The Company reviews the net realizable value (NRV) and impairment of stores and spare parts to assess any diminution in the respective carrying values and wherever required provision for NRV / impairment is made. The calculation of provision involves the use of estimates with regards to future estimated use and past consumption along with stores and spares holding period.

### 3.4.5 Employees retirement benefits

Certain actuarial assumptions have been used as disclosed in note 21.2 to the unconsolidated financial statements for the valuation of defined benefit obligations. Any changes in these assumptions in future years may effect the liability under these schemes in those years.

# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

## 3.4.6 Taxation

In making the estimates for income taxes currently payable by the Company, the Management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

## 3.4.7 Financial assets

Impairment loss against doubtful financial assets is determined on a judgemental basis, for which provisions may differ in future years based on the actual experience. The difference in provisions if any, would be recognised in the future periods. Impairment loss, if any, against investment in a subsidiary company is determined on value in use basis which is calculated using cash flow projections over a foreseeable future.

## 3.5 Standards, amendments or interpretation which became effective during the year

During the year certain amendments to standards or new interpretations became effective. However, except for IAS 19, "Employee Benefits", other amendments were either not relevant or did not have any material effect on the financial statement of the Company.

**3.5.1** IAS 19 (revised) 'Employee Benefits' amends the accounting for employment benefits which became effective to the Company from 1 July 2013. The changes introduced by the IAS 19 (revised) are as follows:

- (a) The standard requires past service cost to be recognised immediately in profit or loss;
- (b) The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit assets or liability and the discount rate, measured at the beginning of the year;
- (c) There is new term "remeasurement". This is made up of actuarial gains and losses, the differences between actual investment returns and return implied by the net interest cost; and
- (d) The amendment requires an entity to recognise remeasurements immediately in other comprehensive income. Actuarial gains or losses beyond corridor limits were previously amortised over the expected future services of the employees.

The adoption of the revised standard has resulted in a change in the Company's accounting policy related to recognition of actuarial gains and losses. Consequently, the Company now recognizes all actuarial gains and losses directly in other comprehensive income with no subsequent recycling through the profit and loss account. Previously, the Company was recognising actuarial gains and losses in profit and loss account using the corridor method.

**3.5.2** The effect of the change in accounting policy on the prior period financial statements have been disclosed in note no. 5.2.

Had the Company not changed its accounting policy, the change in 'Other Comprehensive Income' and on 'Profit and Loss Account' would be immaterial for the year ended June 30, 2014. Further, three year balance sheet of the company has not been presented as the impact is immaterial.

## 3.6 Standards, Interpretations and Amendments not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014:

- IFRIC 21 - Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on Company's financial statements.

# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on Company’s financial statements.
- Amendment to IAS 36 “Impairment of Assets” Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.
- Amendments to IAS 19 “Employee Benefits” Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.
- Amendments to IAS 38 "Intangible Assets" and IAS 16 "Property, Plant and Equipment" (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are ‘highly correlated’, or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company’s financial statements.
- IFRS 10 ‘Consolidated Financial Statements’ – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 ‘Consolidated and Separate Financial Statements. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called ‘Separate Financial Statements’ and will deal with only separate financial statements.
- IFRS 11 ‘Joint Arrangements’ (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 ‘Interests in Joint Ventures’. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named ‘Investment in Associates and Joint Ventures’. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016.
- IFRS 12 ‘Disclosure of Interest in Other Entities’ (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and / or unconsolidated structured entities, into one place.

# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.
- Amendment to IAS 27 'Separate Financial Statement' (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.
- 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.
- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:
- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Property, plant and equipment

#### 4.1.1 Operating fixed assets

##### Initial recognition

The cost of an item of property, plant and equipment is recognized as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of such item can be measured reliably. Recognition of the cost in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

##### Measurement

Except freehold land, leasehold land, building on freehold land, roads and civil works, plant and machinery, generators and safety and lab equipments all others items of property, plant and equipment (refer note 6.1) are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Freehold land, leasehold land, building on freehold land, roads and civil works, plant and machinery, generators and safety and lab equipments are measured at revalued amounts, which is the fair value at the date of revaluation less accumulated depreciation and accumulated impairment losses, if any, recognised subsequent to the date of revaluation. The surplus arising on revaluation is disclosed as surplus on revaluation of fixed assets.

Cost in relation to items of property, plant and equipment stated at cost represent historical costs. Stores and spares which form part of the contract under which the project was undertaken are also capitalized with the plant and machinery.

Expenditure incurred to replace a component of an item of operating assets is capitalised and the asset so replaced is retired. Other subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised.

##### Capital work in progress

Capital work-in-progress is stated at cost less accumulated impairment, if any, and consists of expenditure incurred and advances made in respect of operating fixed assets in the course of their acquisition, erection, construction and installation, including salaries and wages directly attributable to capital work-in-progress, determined by the management. The assets are transferred to relevant category of operating fixed assets when they are available for use.

##### Depreciation

Depreciation is charged to profit and loss account, applying the straight line method whereby costs of assets, less their residual values, is written off over their estimated useful lives at rates disclosed in note 6.1.

Depreciation on additions is charged from the month in which the asset is available for use up to the month preceding the disposal.

Useful lives are determined by the Management based on expected usage of asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of assets and other similar factors.

The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit and loss account in the year the asset is derecognized.

# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

When revalued assets are sold, the relevant remaining surplus is transferred directly by the Company to its retained earnings.

Normal repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

## 4.1.2 Assets subject to finance lease

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of leased assets or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments, the discount factor is the effective interest rate.

The outstanding obligations under the lease less finance charges allocated to future periods are shown as liability. Financial charges are calculated at the interest rate implicit in the lease and are charged to the profit and loss account.

Depreciation is charged to profit and loss account applying the straight-line method on a basis similar to owned assets.

## 4.2 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Costs that are directly associated with identifiable software products controlled by the Company and have probable economic benefit beyond one year are recognized as intangible assets. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. In respect of additions and deletions of intangible assets during the year, amortization is charged from the month of acquisition and up to the month preceding the deletion, respectively.

Intangible assets with finite lives are amortized on a straight line basis over their economic useful lives as specified in note 7.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

## 4.3 Investments in subsidiary

Investments in subsidiary is initially recognised at cost. At subsequent reporting dates, the Company reviews the carrying amount of the investment to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Such impairment losses or reversal of impairment losses are recognised in the profit and loss account. These are classified as 'long term investment' in the unconsolidated financial statements.

## 4.4 Borrowing costs

Borrowing costs are recognised in profit and loss account in the period in which these are incurred except to the extent of borrowing costs on long term finances that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised, during the period of time that is required to complete and prepare the asset for its intended use.

## 4.5 Loans, advances and deposits

These are initially recognised at cost, which is the fair value of the consideration given. Subsequent to initial recognition assessment is made at each balance sheet date to determine whether there is an indication that a financial asset or group of assets may be impaired. If such indication exists, the estimated recoverable amount of that asset or group of assets is determined and any impairment loss is recognised for the difference between the recoverable amount and the carrying value.



# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

## 4.6 Stock in trade

All stock-in-trade is valued at the lower of cost and net realisable value (NRV).

### Raw materials

Crude oil in transit is valued at cost comprising invoice value plus other charges incurred thereon accumulated to the balance sheet date. Cost in relation to crude oil is determined on the basis of First-In-First-Out (FIFO) basis. Net realizable value in relation to crude oil represents replacement cost at the balance sheet date.

### Finished Products

Cost of finished products comprises of the cost of crude oil and refining charges consisting of direct expenses and appropriate production overheads. Direct expenses are arrived at on the basis of average cost for the year per barrel of throughput. Production overheads, including depreciation, are allocated to throughput proportionately on the basis of normal capacity.

Net realizable value in relation to finished products is the estimated selling price in the ordinary course of business, less the estimated cost of completion and estimated cost necessary to make the sale.

## 4.7 Stores and spares

These are stated at moving average cost less impairment loss, if any, except items in transit, which are stated at cost. For items which are slow moving and / or identified as surplus to the Company's requirements, adequate provision is made for any excess book value over estimated realizable value. The Company reviews the carrying amount of the stores and spares on a regular basis and provision is made for obsolescence.

Provision is made for obsolete and slow moving items where necessary and is recognized in the profit and loss account.

## 4.8 Trade debts and other receivables

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortized cost using the effective interest rate method, if applicable, less provision for impairment, if any. A provision for impairment is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Trade debts and receivables are written off when considered irrecoverable.

## 4.9 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand and balances with banks and which are subject to insignificant risk of changes in their fair value. Cash and cash equivalents also include bank overdrafts which form an integral part of the Company's cash management.

## 4.10 Surplus on revaluation of property, plant and equipment

The surplus arising on revaluation of property, plant and equipment is credited to the "Surplus on Revaluation of property, plant and equipment" shown below equity in the balance sheet in accordance with the requirements of section 235 of the Companies Ordinance, 1984. The said section was amended through the Companies (Amendment) Ordinance, 2002. The Company has adopted following accounting treatment of depreciation / amortisation on revalued assets, in accordance with Securities and Exchange Commission of Pakistan's (SECP) SRO 45(1)/2003 dated 13 January 2003:

- depreciation / amortisation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation / amortisation charge for the year is taken to the profit and loss account; and

# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

- an amount equal to incremental depreciation / amortisation for the year net of deferred taxation is transferred from "Surplus on Revaluation of property, plant and equipment" to accumulated loss through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation / amortisation charge for the year.

## 4.11 Interest / Mark-up bearing loans and borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

Loans and borrowings are subsequently stated at amortized cost with any difference between the proceeds (net of transaction cost) and the redemption value recognised in the profit and loss account over the period of the borrowing using the effective interest method.

## 4.12 Employee retirement benefits

### - Defined benefit gratuity scheme

The Company operates an approved funded defined benefit gratuity scheme for all its eligible employees. The Scheme provides for a graduated scale of benefits dependent on the length of service of the employee on terminal date, subject to the completion of minimum qualifying period of service. Gratuity is based on employees' last drawn salary.

Provisions are made to cover the obligations under defined benefit gratuity scheme on the basis of actuarial valuation and are charged to profit and loss account. All actuarial gains / (losses) are recognised in other comprehensive income. The most recent valuation was carried out as of 30 June 2014 using the "Projected Unit Credit Method".

The amount recognized in the balance sheet represents the present value of defined benefit obligations.

### - Defined contributory provident fund

The Company also operates an approved funded contributory provident fund for all its eligible management and non-management employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 8.33% of basic salary.

### - Leave encashment

The Company accounts for liability in respect of un-availed compensated absences after accumulation of maximum 40 days for all its permanent employees, in the period of absence. Provision for liabilities towards compensated absences is made on the basis of last drawn gross salary.

## 4.13 Taxation

### 4.13.1 Current

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax credits and rebates available, if any, in accordance with the provision of the Income Tax Ordinance, 2001. It also includes any adjustment to tax payable in respect of prior years.

### 4.13.2 Deferred

Deferred tax is recognized using balance sheet liability method, providing for all significant temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the balance sheet date.



# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

The Company recognizes a deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### 4.14 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost.

#### 4.15 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.

#### 4.16 Dividends and appropriations

Dividends and reserve appropriations are recognised in the period in which these are declared / approved. The distribution of dividend is subject to the covenant as mentioned in note 18.1

#### 4.17 Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and is recognised on the following basis:

- Sales are recognized when the significant risk and rewards of ownership of the goods have passed to the customer which coincide with the dispatch of goods to the customers.
- Export sales are recognized on the basis of product shipped to the customers.
- Mark-up on delayed payments charges are recognized on the time proportionate basis.
- Interest income / mark-up on short term deposits and interest bearing advances are recognized on the proportionate basis.
- Handling income including income from gantry operation, pipeline charges, scarp sales and rental income are recognized on accrual basis.

#### 4.18 Impairment

##### 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.

##### Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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.

# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

## 4.19 Foreign currencies translation

Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the balance sheet date. Gains and losses on translation are taken to profit and loss account.

## 4.20 Financial instruments

All financial assets and liabilities are initially measured at fair value, and subsequently re-measured at fair value or amortized cost as the case may be. The Company derecognizes the financial assets and financial liabilities when it ceases to be a party to such contractual provisions of the instruments.

## 4.21 Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Chief Executive Officer of the Company.

## 4.22 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognized amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

## 5. RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS

5.1 During the year, the Company has restated its prior period financial statements in accordance with International Accounting Standard (IAS) 8 'Accounting Policies, Changes in Accounting Estimates and Errors' to account for derecognition of financial liability as described below:

### 5.1.1 Financial liability

As at 31 December 2012, the terms and conditions of the Company's principal payable and mark-up accrued as at that date were substantially modified by the commercial banks as disclosed in more detail in note 18 to these unconsolidated financial statements for the year ended 30 June 2014. Therefore, the financial liability has been derecognised and a new liability has been recognised in accordance with International Accounting Standard (IAS) 39 'Financial Instruments : Recognition and Measurement '. Accordingly, following adjustments and restatements have been made in the unconsolidated financial statements for the year ended 30 June 2014.

### 5.2 Effect of changes in accounting policy and restatement

The effects of the above adjustments and retrospective application of IAS 19 as disclosed in note 3.5.1 is summarised below:

	As at 30 June 2013			Restated
	As previously reported	Employee retirement benefits (note 3.5.1)	Financial liability (note 5.1.1)	
	(Rupees in '000)			
<b>5.2.1 Effect of changes on balance sheet item</b>				
Deferred liabilities	2,278,446	6,419	-	2,284,865
Long term loans and accrued markup	19,233,286	-	(2,639,168)	16,594,118
Accumulated losses	(21,078,274)	(6,419)	2,639,168	(18,445,525)
	<u>433,458</u>	<u>-</u>	<u>-</u>	<u>433,458</u>

# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

	As at 30 June 2013			Restated
	As previously reported	Employee retirement benefits (note 3.5.1)	Financial liability (note 5.1.1)	
	..... (Rupees in '000) .....			
<b>5.2.2 Effect of changes on profit and loss account</b>				
Salaries and wages - cost of sales	(225,284)	2,805	-	(222,479)
Salaries and wages - Administrative expenses	(308,675)	2,031	-	(306,644)
Financial charges	(2,605,764)	-	(39,507)	(2,645,271)
Other income	902,380	-	2,678,675	3,581,055
	<u>(2,237,343)</u>	<u>4,836</u>	<u>2,639,168</u>	<u>406,661</u>
<b>5.2.3 Effect of changes on other comprehensive income</b>				
Total comprehensive income for the year	<u>(4,903,317)</u>	<u>(2,571)</u>	<u>2,639,168</u>	<u>(2,266,720)</u>

	As at 30 June 2013			Restated
	As previously reported	Employee retirement benefits (note 3.5.1)	Financial liability (note 5.1.1)	
	..... (Rupees in '000) .....			
<b>5.2.4 Effect of change on (loss) / earning per share</b>				
(Loss) / earning per share (Rupees)	<u>(5.01)</u>	<u>0.005</u>	<u>2.70</u>	<u>(2.31)</u>

5.3 During the current year, due to the above adjustments, financial charges have increased by Rs. 129.039 million, remeasurement: actuarial loss on obligation have increased by Rs. 9.656 million, long term financing and accrued mark-up have increased by Rs. 129.039 million. Employee staff retirement benefits have increased by Rs. 9.656 million and accumulated losses by Rs. 138.695 million. Further loss per share has increased by Rs.0.14.

	Notes	2014	2013
		..... (Rupees in '000) .....	
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	6.1	14,142,134	12,999,453
Capital work in progress - at cost	6.2	786,314	4,625,491
		<u>14,928,448</u>	<u>17,624,944</u>

# Notes to the Unconsolidated Financial Statements

## For the year ended 30 June 2014

### 6.1 Operating fixed assets

	COST / REVALUATION				ACCUMULATED DEPRECIATION				Written Down Value As at 30 June 2014	Rate of Depreciation			
	As at 01 July 2013	Additions	Revaluation Surplus	Disposals	As at 30 June 2014	As at 01 July 2013	Charge for the year	Transfer			Disposal	Revaluation surplus adjustment	As at 30 June 2014
<b>Owned</b>													
Freehold land	655,830	-	-	-	655,830	-	-	-	-	-	-	655,830	-
Leasehold land	700,000	-	-	-	700,000	-	-	-	-	-	-	700,000	-
Plant and machinery	14,712,819	3,697,106	15,137,889	53,343 (16,931,504)	16,669,653	4,022,190	847,980	26,007	-	475,927	5,372,104	11,297,549	4-5%
Generators	200,900	1,212	217,125	-	419,237	95,754	17,521	-	-	121,689	234,964	184,273	6.70%
Building, on freehold land, roads and civil works	340,793	516,303	-	-	857,096	79,481	17,128	-	-	-	96,609	760,487	4%
Furniture and fixtures	53,661	-	-	-	53,661	29,580	4,960	-	-	-	34,540	19,121	10%
Filling stations (6.1.1)	573,335	30,618	-	-	603,953	130,085	54,006	-	-	-	184,091	419,862	5-12.5%
Computer and allied equipments	78,474	24,709	-	(45)	103,138	68,987	9,188	-	(16)	-	78,159	24,979	33.33%
Safety and lab equipments	89,459	-	1,030,413	-	1,119,872	67,862	16,889	-	-	976,185	1,060,936	58,936	20%
Vehicles	196,071	-	-	(35,177)	196,139	181,163	14,688	27,944	(27,876)	-	195,919	220	20%
Portable cabins	9,199	-	-	-	9,199	8,705	268	-	-	-	8,973	226	10%
	17,610,541	4,269,948	16,385,427	(16,842,984)	21,387,778	4,683,807	982,628	53,951	(27,892)	1,573,801	7,266,295	14,121,483	
<b>Leased</b>													
Plant and machinery	53,343	-	-	(53,343)	-	23,507	2,500	(26,007)	-	-	-	-	4-5%
Vehicles	74,897	-	-	(35,177)	39,720	32,014	14,999	(27,944)	-	-	19,069	20,651	20%
	128,240	-	-	(88,520)	39,720	55,521	17,499	(53,951)	-	-	19,069	20,651	
	17,738,781	4,269,948	16,385,427	(16,931,504)	21,427,498	4,739,328	1,000,127	-	(27,892)	1,573,801	7,285,364	14,142,134	

Additions of Rs. 4,269,948 million, as shown above, include an amount of Rs. 4,269,344 million transferred from capital work-in-progress during the year, as shown in note 6.2.

The transfer from plant and machinery amounting to Rs. 16,931,504 million represents assets transferred to "Non-current assets held for sale" as the Company in its Extra Ordinary General Meeting (EOGM) held on 16 June 2014 has resolved to sell the isomerisation plant to a wholly owned subsidiary (Refer note 15).

# Notes to the Unconsolidated Financial Statements

## For the year ended 30 June 2014

	COST / REVALUATION					ACCUMULATED DEPRECIATION					Written Down Value As at 30 June 2013	Rate of Depreciation	
	As at 01 July 2012	Additions	Revaluation Surplus	Transfer	Disposals	As at 30 June 2013	As at 01 July 2012	Charge for the year	Transfer	Disposal			Revaluation surplus adjustment
-----2013----- (Rupees in '000)													
<b>Owned</b>													
Freehold land	655,830	-	-	-	-	655,830	-	-	-	-	-	655,830	
Leasehold land	700,000	-	-	-	-	700,000	-	-	-	-	-	700,000	
Plant and machinery	14,683,122	820	-	217,708	(188,831)	14,712,819	845,511	48,984	-	-	4,022,190	10,690,629	4-5%
Generators	197,511	3,389	-	-	-	200,900	13,319	-	-	-	95,754	105,146	6.70%
Building on freehold land, roads and civil works	311,220	29,573	-	-	-	340,793	13,133	-	-	-	79,481	261,312	4%
Furniture and fixtures	54,087	1,067	-	-	(1,493)	53,661	5,130	-	(155)	-	29,580	24,081	10%
Filling stations (6.1.1)	561,751	29,027	-	-	(17,443)	573,335	57,055	-	(4,486)	-	130,085	443,250	5-12.5%
Computer and allied equipments	77,424	1,330	-	-	(280)	78,474	13,229	-	(191)	-	68,987	9,487	33.33%
Safety and lab equipments	88,594	865	-	-	-	89,459	11,666	-	-	-	67,862	21,597	20%
Vehicles	198,316	4,827	-	6,542	(13,614)	196,071	33,706	5,280	(13,614)	-	181,163	14,908	20%
Portable cabins	9,199	-	-	-	-	9,199	653	-	-	-	8,705	494	10%
<b>Leased</b>													
	17,537,054	70,898	-	224,250	(32,830)	17,610,541	993,402	54,264	(18,446)	-	4,683,807	12,926,734	
Plant and machinery	271,051	-	-	(217,708)	-	53,343	7,164	(48,984)	-	-	23,507	29,836	4-5%
Vehicles	98,518	-	-	(6,542)	(17,079)	74,897	15,578	(5,280)	(10,026)	-	32,014	42,883	20%
	369,569	-	-	(224,250)	(17,079)	128,240	22,742	(54,264)	(10,026)	-	55,521	72,719	
	17,906,623	70,898	-	-	(49,909)	17,736,781	1,016,144	-	(28,472)	-	4,739,328	12,999,453	

Additions of Rs. 70.898 million, as shown above, include an amount of Rs. 57.947 million transferred from capital work-in-progress during the year, as shown in note 6.2.

# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

6.1.1 The Company's assets located at filling stations are not in possession of the Company. In view of large number of dealers, the management considers it impracticable to disclose particulars of assets not in possession of the Company as required under para 5 of part I of the Fourth Schedule to the Companies Ordinance, 1984.

6.1.2 During the year ended 30 June 2007, 30 June 2009, 30 June 2011, 30 June 2012 and 30 June 2014 revaluation exercises were carried out by independent valuers resulting in surplus on revaluations amounting to Rs.1,901.021 million, Rs. 4,062.989 million, Rs. 3,484.024 million, Rs. nil and Rs. 1,150.540 million respectively.

The fair values were determined with reference to market based evidence, based on active market prices and relevant enquiries and information as considered necessary, adjusted for any difference in nature, location or condition of the specific property and in case where market based evidence was not available or not applicable due to the specialized nature of asset, than it was based on depreciated replacement cost method.

6.1.3 Had there been no revaluation, the net book value of specific classes of operating fixed assets would have amounted to:

	Notes	2014	2013
		----- (Rupees in '000) -----	
Freehold land		46,731	46,731
Lease hold land		213,200	213,200
Plant and Machinery		4,452,439	4,349,288
Generators		57,802	69,495
Buildings on Free hold land, roads and civil works		749,641	237,753
Safety and lab equipments		4,865	21,597
		<u>5,524,678</u>	<u>4,938,064</u>

6.1.4 Depreciation charge for the year has been allocated as follows:

	Notes	2014	2013
Cost of sales	28.1	888,614	881,762
Administrative expenses	29	111,513	134,382
		<u>1,000,127</u>	<u>1,016,144</u>

6.1.5 Detail of assets disposed off during the year:

Cost	Accumulated depreciation	Book value	Sale proceeds / disposal value	Gain / (loss)	Mode of Disposal	Particulars of Buyer	
						Name	Status
----- (Rupees in '000) -----							
<b>Vehicles</b>							
Suzuki Cultus	755	604	151	189	38	Company Policy	Rizwana Ghani Employee
Toyota Corolla	1,314	1,051	263	329	66	Company Policy	Rizwan Gilani Employee
Suzuki Cultus	770	616	154	193	39	Company Policy	Naveed Rabbani Employee
Suzuki Cultus	765	612	153	191	38	Company Policy	Adil Mannan Employee
Toyota Corolla	1,269	1,015	254	317	63	Company Policy	Majid Muqtadir Employee
Suzuki Cultus	765	612	153	191	38	Company Policy	Shah Mohiuddin Qadri Employee
Suzuki Cultus	770	616	154	193	39	Company Policy	Nasir Hussain Employee
Suzuki Cultus	770	616	154	193	39	Company Policy	Farhan Saeed Employee
Toyota Corolla	1,269	704	565	628	63	Company Policy	Nawaz Khan Employee
Suzuki Cultus	770	616	154	193	39	Company Policy	shabbir Hussain Employee
Suzuki Cultus	770	616	154	193	39	Company Policy	Zafar Iqbal Employee
Suzuki Cultus	770	616	154	193	39	Company Policy	Kamran Adnan Employee
Suzuki Cultus	770	616	154	193	39	Company Policy	Kashif Bashir Employee
Honda Civic	1,846	1,477	369	462	93	Company Policy	Ata Rehman Employee
Toyota Corolla	1,269	1,015	254	317	63	Company Policy	Sanaullah Employee
Honda Civic	1,470	1,176	294	368	74	Company Policy	Ahmed Arif Employee
Honda Civic	1,470	1,176	294	368	74	Company Policy	Iqbal harris Employee
Honda Civic	1,467	1,174	293	367	74	Company Policy	Kamran Lari Employee
Honda Civic	1,719	966	753	839	86	Company Policy	Wasi Alvi Employee
Suzuki Cultus	770	616	154	193	39	Company Policy	Jehanzeb Employee
Honda Civic	1,846	1,477	369	462	93	Company Policy	Masood Raza Employee
Toyota Corolla	1,289	1,031	258	322	64	Company Policy	Abdul Sattar Employee
Honda Civic	1,470	1,176	294	368	74	Company Policy	Faraz Ahmed Employee
Toyota Corolla	1,289	1,031	258	322	64	Company Policy	Ghulam Sarwar Employee
Suzuki Cultus	810	648	162	203	41	Company Policy	Usman Employee
Suzuki Cultus	810	648	162	203	41	Company Policy	Siraj Employee
Suzuki Cultus	810	648	162	203	41	Company Policy	Tabinda Employee
Suzuki Cultus	770	616	154	193	39	Company Policy	Muhammad Haseeb Employee
Suzuki Cultus	770	616	154	193	39	Company Policy	Aslam Soomro Employee
Toyotta Corolla	916	758	158	229	71	Company Policy	Nasir Ahmed Employee
Suzuki Cultus	712	712	-	415	415	Tender	Ittehad Motors Independent
Suzuki Cultus	810	648	162	204	42	Company Policy	Amir Ali Virani Employee
Toyotta Corolla	1,269	1,269	-	-	-	Snatched	N/A
<b>Computer and Allied</b>							
Laptop	45	16	29	29	-	Company Policy	Jawed Ahmed Employee
<b>2014</b>	<b>35,154</b>	<b>27,892</b>	<b>7,262</b>	<b>9,368</b>	<b>2,106</b>		
<b>2013</b>	<b>49,909</b>	<b>28,472</b>	<b>21,437</b>	<b>15,182</b>	<b>(6,255)</b>		

# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

	Notes	2014	2013
..... (Rupees in '000) .....			
<b>6.2 Capital work-in-progress</b>			
Opening balance		4,625,491	4,406,713
Additions		439,716	276,725
		<u>5,065,207</u>	<u>4,683,438</u>
Capitalized during the year		(4,269,344)	(57,947)
Charged off during the year		(9,549)	-
Closing balance	6.2.1	<u>786,314</u>	<u>4,625,491</u>
<b>6.2.1 Plant and machinery</b>		522,235	3,989,348
Civil and mechanical works		17,734	357,815
Generators		6,764	7,491
Filling stations		8,907	12,521
Computer and allied equipments		3,159	16,161
Safety and lab equipments		227,515	242,155
		<u>786,314</u>	<u>4,625,491</u>
<b>7. INTANGIBLE ASSET</b>			
Computer software:			
<b>Cost</b>			
- At the beginning		32,484	32,484
- Additions		-	-
- At the closing		<u>32,484</u>	<u>32,484</u>
<b>Amortization</b>			
- At the beginning		(29,527)	(26,569)
- For the year	29	(2,957)	(2,958)
- At the closing		<u>(32,484)</u>	<u>(29,527)</u>
		<u>-</u>	<u>2,957</u>
<b>8. LONG TERM INVESTMENT - at cost</b>			
Investment in subsidiary			
Byco Terminals Pakistan Limited - wholly owned subsidiary (BTPL)	8.1	5,729,258	5,729,258
Byco Isomerization Pakistan (Private) Limited - Wholly owned subsidiary (BIPL)	8.2	-	-
		<u>5,729,258</u>	<u>5,729,258</u>

**8.1** This represents an investment of 568,717,418 (2013 : 568,717,418) shares of Rs. 10 each at Rs. 10.07 per share. The Company is principally engaged in the provision of bulk storage services of petroleum products and mooring and unmooring services. The registered office of BTPL is situated at 9th, Floor Harbour Front, Dolmen City, HC-3, Marine Drive, Clifton, Karachi.

**8.2** This represents investment in BIPL as mentioned in note 15. BIPL was incorporated in Pakistan as a private limited company on 14 May 2014 under the Companies Ordinance, 1984. Presently two shares of Rs. 10 each are held by the directors of BIPL. BIPL will principally be engaged in blending, refining and processing of petroleum naphta to produce petroleum products such as premium motor gasoline.

# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

	Notes	2014	2013
..... (Rupees in '000) .....			
<b>9. LONG TERM DEPOSITS</b>			
Lease deposit		4,955	7,408
Rental premises and others		2,522	6,525
		<u>7,477</u>	<u>13,933</u>
Current portion	13	(163)	(362)
		<u>7,314</u>	<u>13,571</u>
<b>10. STOCK IN TRADE</b>			
Raw material - crude oil	10.1 & 10.2	2,485,043	1,743,210
Finished products	10.3 & 10.4	6,292,464	3,960,302
		<u>8,777,507</u>	<u>5,703,512</u>

**10.1** Stocks of raw material includes stocks held by the subsidiary company amounting to Rs. 2,011.11 million (2013: Rs. 1,088.164 million).

**10.2** Crude oil having cost of Rs. 2,710.043 million have been written down by Rs. 225 million to net realizable value.

**10.3** Finished products having cost of 6,536.343 million (2013: Rs. 4,004.875 million) have been written down by Rs. 243.879 million (2013: Rs. 44.573 million) to net realizable value.

**10.4** Stock of finished products includes stock held by third parties amounting to Rs. 1,950.455 million (2013: Rs. 128.095 million) and stock held by related parties amounting to Rs. 1,115.039 million (2013: Rs. 646.053 million)

	Notes	2014	2013
..... (Rupees in '000) .....			
<b>11. TRADE DEBTS - unsecured</b>			
<b>Considered good</b>			
Due from Pakistan State Oil Company limited	11.1	3,970,961	6,677,564
Due from related parties			
- K-Electric Limited		2,461,632	3,274,929
- Byco Terminal Pakistan Limited - Subsidiary Company		657,972	391,857
- Byco Oil Pakistan Limited - Parent Company		-	750,366
Others		3,154,354	1,028,829
		<u>1,793,223</u>	<u>1,330,853</u>
		<u>12,038,142</u>	<u>13,454,398</u>
<b>Considered doubtful</b>			
Provision for impairment (against trade debts - considered doubtful)	11.2	(1,793,223)	(1,330,853)
		<u>10,244,919</u>	<u>12,123,545</u>

**11.1** This represents amount due from Pakistan State Oil Company Limited (PSO) against supplies of products and on account of mark up on delayed payments . The Company had entered into a "sale and purchase of product" agreement with PSO on 5 April 2002 for a period of 10 years. The said agreement mentions that in the event of late payment of invoices by PSO, the Company would be entitled to recover mark-up from PSO for the period of delay on daily compounding basis at one percent above normal lending rate of commercial banks, being the lending rates applicable for short term running finance of Company or PSO whichever is lower. The mark up on delayed payments relates only to purchases made by PSO under agreement dated 02 April 2002, which expired on 02 April 2012. Subsequent to the expiry of the agreement all purchases made by PSO do not carry any mark up on delayed payment.



# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

	Notes	2014	2013
(Rupees in '000)			
<b>11.2 Provision for impairment (against trade debts - considered doubtful)</b>			
Opening balance		1,330,853	-
Provision made during the year	31	462,370	1,330,853
Closing Balance		1,793,223	1,330,853

11.3 The aging of above related party balances at the balance sheet date is as follows:

Not past due		541,631	422,241
Past due 1-30 days		729,527	1,016,181
Past due 31-150 days		1,456,590	1,857,185
Past due 150 days		391,856	1,121,545
		3,119,604	4,417,152

12. LOANS AND ADVANCES - considered good

Loan to employees		100	145
Suppliers and contractors	12.1	742,606	501,990
		742,706	502,135

12.1 This includes advances of Rs.585.560 million (2013: Rs. 243.764 million) to the Subsidiary company in respect of storage facilities. These are non interest bearing and generally on terms of 3 to 12 months.

	Notes	2014	2013
(Rupees in '000)			
(Restated)			
<b>13. TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Deposits	9	163	362
Prepayments		14,421	38,007
Advance income tax		100,095	334,234
Inland Freight Equalization Margin		438,642	249,962
Lease rentals receivable from related parties	13.1	226,593	173,036
Receivable from Parent company		-	407,171
Others		-	357
		779,914	1,203,129

13.1 This represents receivable in respect of land situated at Mauza Kund, Baloshistan, sub-leased to the Parent Company and the Subsidiary Company.

	Notes	2014	2013
(Rupees in '000)			
<b>14. CASH AND BANK BALANCES</b>			
Cash in hand		68	105
Cash at banks			
- Current accounts		469,064	554,018
- Saving / deposit accounts	14.1	3,503	6,342
	14.2	472,567	560,360
		472,635	560,465

14.1 These carry mark-up ranging from 6.5% to 9.1% (2013: 6% to 9%) per annum.

14.2 This includes Rs. 68.01 million (2013: Rs. 61.208 million) kept under lien against letter of credit facilities obtained from banks.

# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

## 15. NON-CURRENT ASSET HELD FOR SALE

This represents Isomerization unit (ISOM). The ISOM converts and upgrades light naphtha into environmental friendly motor gasoline.

The Board of Directors in their meeting held on 21 May 2014, proposed to sell Isomerization unit having carrying value of Rs. 16,931.504 million based on an independent valuation to Byco Isomerization Pakistan (Private) Limited (BIPL), (a wholly owned subsidiary) which shall be paid in the form of ordinary shares of BIPL. An Extra Ordinary General Meeting seeking approval of the shareholders was held on 16 June 2014. The revaluation surplus arising on revaluation of ISOM is recorded in 'Surplus on Revaluation of Property, Plant and Equipment' as mentioned in note 17. Had the ISOM not been revalued the net book value of ISOM would have been Rs. 3,270.418 million.

## 16. SHARE CAPITAL

2014 (Number of Shares)	2013 (Number of Shares)		2014 (Rupees in '000)	2013 (Rupees in '000)
<u>1,200,000,000</u>	<u>1,200,000,000</u>	<b>Authorized share capital</b>	<u>12,000,000</u>	<u>12,000,000</u>
		Ordinary shares of Rs. 10 each		
<u>977,858,737</u>	<u>977,858,737</u>	<b>Issued, subscribed and paid-up capital</b>	<u>9,778,587</u>	<u>9,778,587</u>
		Ordinary shares of Rs. 10 each		

	Notes	2014 (Rupees in '000)	2013 (Rupees in '000)
<b>17. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>			
Balance as at 1 July		7,496,449	7,999,313
Surplus on revaluation carried out during the year		1,150,540	-
Surplus on revaluation of Isomerization Plant	15 & 17.1	13,661,086	-
		14,811,626	-
Transfer to accumulated loss in respect of:			
- incremental depreciation charged during the year - net of tax		334,485	326,862
- related deferred tax liability		180,107	176,002
		514,592	502,864
		21,793,483	7,496,449
Less: related deferred tax liability :			
- on revaluation at the beginning of the year		2,240,192	2,416,194
- related to revaluation carried out during the current year		402,689	-
- on incremental depreciation charged during the year	21.1	(180,107)	(176,002)
		2,462,774	2,240,192
Balance as at 30 June		<u>19,330,709</u>	<u>5,256,257</u>

**17.1** Deferred Tax Liability has not been recorded on this amount as ISOM has been transferred to "Non-Current assets held for sale" as mentioned in note 6.1 and the sale will not attract any tax charge as per section 97 of the Income Tax Ordinance (ITO) 2001.

# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

	Notes	2014	2013 (Restated)
..... (Rupees in '000) .....			
<b>18. LONG TERM LOANS AND ACCRUED MARK-UP</b>			
Restructured principal and accrued mark-up		15,123,156	16,594,118
Total deferred mark-up on restructured principal		<u>2,061,298</u>	<u>801,266</u>
		17,184,454	17,395,384
Current maturity of restructured principal facilities		(2,455,000)	(1,600,000)
Current maturity of deferred mark-up on restructured principal	23	<u>(200,781)</u>	<u>(326,569)</u>
		<u>14,528,673</u>	<u>15,468,815</u>

**18.1** The syndicate banks upon request of the Company have restructured the outstanding amount in accordance with the terms and subject to the conditions mentioned in the Restructured Agreement (the Agreement) made on 31 December 2012. As per the Agreement, principal amount of Rs. 17,379.700 million has been restructured over a period of maximum 7 years from 2013 to 2019 and carries mark-up at the rate of 6 months Karachi Inter-Bank Offer Rate (KIBOR) whereas accrued markup of Rs. 1,853.586 million is interest-free and is to be paid within a period of two years commencing after the payment of restructured principal facilities. Further the restructured facility contains a covenant that the Company cannot pay dividend to its shareholders if an event of default has occurred and / or is continuing.

**18.2** As per the terms of the Agreement, National Bank of Pakistan (NBP) is being paid on a priority basis in unequal semi-annual instalments whereas payment in respect of the remaining principal amount will be made in fourteen unequal semi-annual instalments commencing upon the discharge of full obligation of the NBP restructured facility or expiry of 2.5 years (June 2015) from the Agreement date whichever is earlier. Further, an amount of Rs. 50 million out of the total mark-up accrued during the restructured period shall be payable by the Company on each installment date in the first year and Rs. 100 million on each installment date in the following six years which is being paid by the Company. Remaining accrued mark-up shall be payable within a period of two years commencing after the repayment of the restructured principal facilities.

**18.3** The restructuring of loans as mentioned had resulted in substantial modification of the financing terms. Accordingly, the previous liability has been derecognised and new liability has been recognized at fair value as more fully explained in note 5. The difference between the carrying amount of the liability extinguished and the fair value of the new liability has been recognized in the unconsolidated profit and loss account which is being amortised on effective interest rate over the remaining tenor of the loan.

**18.4** The restructured facility is secured by way of:

- (i) first Joint Pari Passu charge over fixed assets to the extent of Rs. 7,670 million, first Pari Passu equitable mortgage charge over fixed assets (land and building only) to the extent of Rs. 7,670 million;
- (ii) first Pari Passu equitable mortgage charge over fixed assets (exclusive of land and building) to the extent of Rs. 20,400 million;
- (iii) first Joint Charge on the assets of Byco Terminals Pakistan Limited (a wholly owned subsidiary of the Company) including storage related assets and crude oil tanks;
- (iv) first Pari Passu Hypothecation charge to the extent of Rs. 20,400 million on all present and future current assets of the Company; and
- (v) the Syndicate banks will have a lien and right of set off on an account maintained with an assigned agent bank wherein the Company will route all its revenues / receipts.

# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

## 19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2014		2013	
	Lease Payments		Lease Payments	
	Minimum	Present Value	Minimum	Present Value
	..... (Rupees in '000) .....			
Less than one year	17,754	15,411	45,732	36,118
One to five years	5,615	4,948	33,681	31,913
Total minimum lease payments	23,369	20,359	79,413	68,031
Less: Financial charges allocated to future periods	3,010	-	11,382	-
Present value of minimum lease payments	20,359	20,359	68,031	68,031
Less: Current portion under current liabilities	15,411	15,411	36,118	36,118
	4,948	4,948	31,913	31,913

19.1 Presently, the Company has lease agreements with the leasing companies to acquire vehicles. The rentals under the lease agreements are payable upto December 2016. The cost of operating and maintaining the leased assets is borne by the Company. The Company intends to exercise the option to purchase the leased assets at the residual value of assets upon the completion of respective lease periods.

	Notes	2014	2013
		..... (Rupees in '000) .....	

## 20. LONG TERM DEPOSITS

Deposit from related parties against land lease rentals		3,646	3,646
Trade and other deposits		83,832	59,061
		87,478	62,707

	Notes	2014	2013 (Restated)
		..... (Rupees in '000) .....	

## 21. DEFERRED LIABILITIES

Deferred taxation	21.1	1,739,647	2,240,192
Employees retirement benefits	21.2	54,991	44,673
		1,794,638	2,284,865

### 21.1 DEFERRED TAXATION

Taxable temporary differences arising in respect of:			
- accelerated tax depreciation		1,393,687	1,187,348
- finance lease transactions		102	8,263
Deductible temporary differences arising in respect of:			
- staff gratuity fund		(19,247)	(15,636)
- provision for impairment (against debts - considered doubtful)		(627,628)	(465,799)
- carry forward of income tax losses		(6,160,753)	(5,662,884)
		(5,413,839)	(4,948,708)
Deferred tax asset not recognised		4,690,712	4,948,708
		(723,127)	-
Taxable temporary differences arising in respect of:			
- surplus on revaluation of property, plant and equipment		2,462,774	2,240,192
<b>Net Liability</b>		<b>1,739,647</b>	<b>2,240,192</b>

# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

**21.1.1** Considering the fact that financing facilities have now been made available to the Company by the banks, the management is optimistic of generating profits in future. However, as a matter of prudence, deferred tax asset of Rs. 4,690.712 million as at 30 June 2014 has not been recognized in these unconsolidated financial statements.

## 21.2 Employees retirements benefits- staff gratuity

### 21.2.1 General description

The Company operates a funded gratuity scheme for its eligible employees payable on attainment of normal retirement age of 60 years, voluntary retirement, death in service and termination from service, other than for misconduct, negligence or incompetence. Benefit entitlement is equal to 30 days basic salary for each completed year of service, provided that the minimum qualifying period for eligibility is five years of service, except in case of death of an employee.

The Company's obligation under the above scheme as of 30 June 2014 has been determined by a qualified actuary. Details of the results of actuarial valuation are given below:

	Notes	2014	2013 (Restated)
		..... (Rupees in '000) .....	
<b>21.2.2 Reconciliation of amount payable to defined benefit plan</b>			
Present value of defined benefit obligation		70,969	44,673
Fair value of plan assets		(15,978)	-
		<u>54,991</u>	<u>44,673</u>
<b>Reconciliation of present value of defined benefit obligation</b>			
Present value of defined benefit obligation - opening		44,673	47,764
Current service cost		16,800	15,097
Interest cost		5,025	4,372
Transfer from the Subsidiary Company		37	-
Transfer to the Parent Company		(3,273)	(19,515)
Curtailment gain		-	(3,445)
Benefits paid		(1,949)	(7,007)
Actuarial loss on obligation - net		9,656	7,407
		<u>70,969</u>	<u>44,673</u>
<b>Reconciliation of fair value of plan assets</b>			
Fair value of plan assets - opening		-	-
Expected return on plan assets		865	-
Contributions		16,997	4,921
Total benefits paid		(1,948)	(7,007)
Benefits paid on behalf of the fund		-	2,086
Actuarial gain on plan assets		64	-
		<u>15,978</u>	<u>-</u>
<b>21.2.3 Movement in net liability</b>			
Opening net liability		44,673	47,764
Charge for the year	21.2.4	20,960	16,024
Transfer from the Subsidiary Company		37	-
Transfer to the Parent Company		(3,273)	(19,515)
Benefits paid on behalf of the fund		-	(2,086)
Other comprehensive income - Actuarial loss		9,591	7,407
Contributions		(16,997)	(4,921)
Closing net liability		<u>54,991</u>	<u>44,673</u>

# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

	Notes	2014	2013 (Restated)
		(Rupees in '000)	
<b>21.2.4 Charge for the year</b>			
Current service cost		16,800	15,097
Interest cost		4,160	4,372
Curtailment gain		-	(3,445)
		<u>20,960</u>	<u>16,024</u>
<b>21.2.5 Actuarial gain / (loss) on remeasurement</b>			
Actuarial (loss) on obligations		(9,656)	(7,407)
Actuarial gain on assets		65	-
		<u>(9,591)</u>	<u>(7,407)</u>
<b>21.2.6 Composition of plan assets</b>			
Cash at bank		<u>15,978</u>	-

## 21.2.7 Principal actuarial assumption

Following assumptions have been used for the actuarial valuation as of 30 June 2014 under the Projected Unit Credit Actuarial Cost method:

	2014	2013
Discount factor used	13.5%	11.5%
Expected rate of increase in salaries	11.5%	9.5%
Expected return of plant assets	13.5%	11.5%
Normal retirement age of employees	60 years	60 years

## 21.2.8 Balance sheet date sensitivity analysis ( $\pm 100$ bps) on present value of defined benefit obligation

	2014			
	Discount rate		Salary increase	
	+100 bps	-100 bps	+100 bps	-100 bps
	(Rupees in '000)			
Present value of defined benefit obligation	<u>62,748</u>	<u>80,808</u>	<u>80,904</u>	<u>62,544</u>

21.2.9 As of 30 June 2014, a total of 363 employees have been covered under the above scheme.

21.2.10 Charge for the next financial year as per the actuarial valuation report amounts to Rs. 21.778 million.

	2014	2013	2012	2011	2010
	(Rupees in '000)				
<b>21.2.11 Historical information</b>					
Present value of defined benefit obligation	<u>70,969</u>	<u>44,673</u>	<u>47,764</u>	<u>37,313</u>	<u>22,959</u>
Fair value of plan assets	<u>15,978</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

	Notes	2014	2013 (Restated)
..... (Rupees in '000) .....			
<b>22. TRADE AND OTHER PAYABLES</b>			
Creditors for supplies and services	22.1	15,737,957	14,660,009
Accrued expenses		592,109	296,617
Advances from customers	22.2	984,642	1,561,127
Sales tax, Duties and Levies payable		10,470,096	3,524,161
Withholding tax deductions payable		13,356	8,229
Workers' profit participation fund	22.3	56,823	53,593
Dividend payable		1,146	1,146
Other payables		124,884	71,386
		<u>27,981,013</u>	<u>20,176,268</u>

**22.1** This includes Rs. 12.014 million (2013: Rs. 12.014 million) payable to BII (ultimate Parent Company) in respect of services.

**22.2** This includes Rs. 230 million (2013: Rs. 373.259 million) received in respect of demarcated plots of land for setting up of Liquefied Petroleum Gas storage and filling facilities (LPG village facility). The amount has been received in advance from consumers under LPG village facility utilization agreement. The agreements are effective for 10 years from the date of signing or any period thereafter as mutually agreed. During the year, the advance was returned to certain consumers on their demand however, the facility is expected to commence shortly after commissioning of refinery of the Parent Company and completion of certain legal formalities upon which the advance will be classified as deferred revenue and will be amortized over the period of the agreed terms.

	Notes	2014	2013
..... (Rupees in '000) .....			
<b>22.3 Workers' profit participation fund</b>			
Opening balance		53,593	50,540
Mark-up for the year	22.3.1	3,230	3,053
		<u>56,823</u>	<u>53,593</u>

**22.3.1** Mark up has been charged at KIBOR plus 2.5% as per the Companies profit (Workers' Participation) Act, 1968.

## 23. ACCRUED MARK-UP

**On:**

- restructured principal facilities	18	200,781	326,569
- short term borrowings		62,798	26,606
- advance from customers		153,406	110,534
		<u>416,985</u>	<u>463,709</u>

## 24. SHORT TERM BORROWINGS - secured

Finance against trust receipt	24.1	<u>6,402,108</u>	<u>6,800,000</u>
-------------------------------	------	------------------	------------------

**24.1** The facility has been extended by a local bank for working capital. The facility carries mark-up at 3 month's KIBOR plus 1%. The facility is secured against documents of title of goods, stock of crude and petroleum products, and receivables, lien on the bank's collection account and a 15,000 million corporate guarantee furnished by the ultimate parent company.

## 25. CURRENT PORTION OF NON-CURRENT LIABILITIES

Long term loans	18	2,455,000	1,600,000
Liabilities against assets subject to finance lease	19	15,411	36,118
		<u>2,470,411</u>	<u>1,636,118</u>

# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

## 26. CONTINGENCIES AND COMMITMENTS

### 26.1 Contingencies

26.1.1 The Company received orders from Deputy Commissioner Inland Revenue for tax periods January 2010, July 2010 to June 2011, July 2012 to October 2012, and December 2012, whereby default surcharge of Rs. 213.035 million and penalty amounting to Rs. 14.634 million were levied on late payment of sales tax. The Company filed appeals against the said orders with Appellate Tribunal Inland Revenue (ATIR) who in its order dated 16 April 2014 waived the aforementioned default surcharge and penalty.

Further, the Company received orders from Deputy Commissioner Inland Revenue in respect of tax periods from April 2013 to December 2013, January 2014 to April 2014, and May 2014 whereby default surcharge of Rs. 41.847 million and penalty of Rs. 318.108 million were levied on the Company. However, on the appeal filed by the Company, the Commissioner Inland Revenue Appeals (CIRA) has waived the default surcharge amounting to Rs 10.683 million and also waived the penalty on late payment of sales tax amounting to Rs.318.108 million.

An appeal can be filed against the said orders by the ATIR and CIRA by the sales tax department in light of the provisions of the Sales Tax Act, 1990.

26.1.2 Claims against the Company not acknowledged as debts amounting to Rs. 3,182.141 million (2013: Rs. 3,162.191 million) comprise of late payment charges on account of delayed payments against crude oil supplies from Oil and Gas Development Company (OGDCL), Mari Gas Limited (MGL) and Pakistan Petroleum Limited (PPL) amounting to Rs. 2,567 million, Rs. 211 million and Rs. 404 million respectively. The details of the cases filed by MGL and PPL are as follows:

Mari Gas Limited (MGL) has filed a suit bearing number 636 of 2012 in Honorable High Court of Sind at Karachi whereby a sum of Rs. 860 million has been claimed by MGL on account of its share of the price of condensate allocated to the Company from the Adam X-1 well together with associated legal and other costs amounting to Rs. 211 million.

Pakistan Petroleum Limited (PPL) has filed a suit bearing number 160 of 2013 in the Honorable High Court of Sind at Karachi for recovery and damages amounting to Rs. 1,156 million including alleged Late Payment Surcharge (LPS) amounting to Rs. 404 million, on account of sale of condensate.

The Company is of the view that there are no specific contractual arrangements with the above suppliers along with OGDCL which allow them to claim / recover LPS and other associated costs and hence no provision in respect of the same has been made in these unconsolidated financial statements.

26.1.3 The Company was served with a sales tax order from Federal Board of Revenue (FBR) claiming additional sales tax amounting to Rs. 99 million. The company has not adjusted its input claim of Rs. 99 million being Federal Excise Duty (FED) claim charged under Value Added Tax (VAT) mode by Banking Companies, Insurance Companies and Terminal Operators on various invoices in the relevant tax periods from July 2009 to June 2011. The Company Commissioner Inland Revenue (CIR) has condoned the time limit under section 43 of the Federal Excise Duty Act, 2005 and has allowed the Company to adjust Rs 66 million in the month of June 2014. The remaining amount to be adjusted is under consideration by FBR.

Management based on the opinion of its adviser is confident of a favourable decision and accordingly no provision has been made in this respect.

	2014	2013
	..... (Rupees in '000) .....	
<b>26.2 Commitments</b>		
26.2.1 Outstanding letters of credit	-	5,672,450
26.2.2 Commitment for payments in respect of fixed assets	138,974	109,147



# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

	2014	2013
	..... (Rupees in '000) .....	
<b>27. SALES</b>		
Gross Sales		
Local	102,016,710	76,896,355
Export	9,004,795	3,548,764
	<u>111,021,505</u>	<u>80,445,119</u>
Less: Sales discount, Sales tax, Excise duty and petroleum levy	(18,476,133)	(14,258,113)
	<u>92,545,372</u>	<u>66,187,006</u>

	Notes	2014	2013 (Restated)
		..... (Rupees in '000) .....	
<b>28. COST OF SALES</b>			
Opening stock		3,960,302	1,573,716
Cost of goods manufactured	28.1	79,452,558	62,798,081
Finished products purchased during the year		15,003,921	5,699,326
		<u>98,416,781</u>	<u>70,071,123</u>
Closing stock	10	(6,292,464)	(3,960,302)
Cost of Sales		<u>92,124,317</u>	<u>66,110,821</u>

<b>28.1 Cost of goods manufactured</b>		2014	2013
		..... (Rupees in '000) .....	
Raw material consumed	28.1.1	77,324,502	60,976,748
Salaries, wages and other benefits	28.1.2	268,739	222,479
Staff transportation and catering		71,453	61,471
Stores and spares consumed		52,258	31,822
Crude oil inspection and cleaning charges		531	3,762
Insurance		51,308	54,756
Industrial gases and chemicals		22,139	23,843
Fuel, power and water		620,273	452,614
Repairs and maintenance		117,613	54,224
Communications		707	1,773
Security expenses		17,218	15,888
Vehicle running		11,443	9,369
Depreciation	6.1.4	888,614	881,762
Others		5,760	7,570
		<u>79,452,558</u>	<u>62,798,081</u>

	Notes	2014	2013
		..... (Rupees in '000) .....	
<b>28.1.1 Raw material consumed</b>			
Opening stock		1,743,210	1,382,548
Purchases during the year		78,066,335	61,337,410
		<u>79,809,545</u>	<u>62,719,958</u>
Closing stock	10	(2,485,043)	(1,743,210)
Raw material consumed		<u>77,324,502</u>	<u>60,976,748</u>

# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

28.1.2 This includes a sum of Rs. 7.854 million (2013: Rs.6.738 million) in respect of staff retirement benefits.

	Notes	2014	2013 (Restated)
..... (Rupees in '000) .....			
<b>29. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances and other benefits	29.1	446,715	306,644
Vehicle running		26,855	19,323
Repairs and maintenance		26,479	23,675
Insurance		17,366	24,793
Fee and subscriptions		10,622	13,421
Utilities		10,054	6,974
Legal and professional		34,268	24,391
Travelling and conveyance		16,663	13,794
Advertisements and subscriptions		2,577	1,388
Rent, rates and taxes		58,099	25,827
Printing and stationary		4,785	3,141
Auditor's remuneration	29.2	2,800	2,599
SAP maintenance costs		11,985	8,418
Depreciation	6.1.4	111,513	134,382
Amortization of intangible asset	7	2,957	2,958
Security expenses		3,591	1,724
Others		8,141	7,948
		<u>795,470</u>	<u>621,400</u>

29.1 This includes a sum of Rs.13.106 million (2013: Rs.9.286 million) in respect of staff retirement benefits.

	Notes	2014	2013
..... (Rupees in '000) .....			
<b>29.2 Auditor's remuneration</b>			
Statutory audit		1,300	1,300
Half yearly review		400	400
Consolidation of financial statements		300	300
Certifications etc.		450	335
Out of pocket expenses		350	264
		<u>2,800</u>	<u>2,599</u>
<b>30. SELLING AND DISTRIBUTION EXPENSES</b>			
Transportation		1,336,817	591,055
Products handling charges		82,766	32,429
Wharfage and other export expenses		10,299	5,737
Export development surcharge		20,550	8,878
Rent, rates and taxes		59,782	54,679
Brokerage and commission		69,784	-
Others		9,245	1,489
		<u>1,589,243</u>	<u>694,267</u>
<b>31. OTHER CHARGES</b>			
Default surcharge and penalties		1,351,173	260,030
Provision for impairment (against debts - considered doubtful)	11.2	462,370	1,330,853
		<u>1,813,543</u>	<u>1,590,883</u>

# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

	Notes	2014	2013 (Restated)
		..... (Rupees in '000) .....	
<b>32. OTHER INCOME</b>			
Income from financial assets			
Gain on derecognition of financial liability	5	-	2,678,675
Interest income		927,608	856,956
Income from non financial assets			
Gain / (loss) on disposal of fixed assets		2,106	(6,255)
Joining income		8,100	400
Scrap sales		4,420	181
Land lease rent		53,556	50,875
Others		86,068	223
		<u>1,081,858</u>	<u>3,581,055</u>
<b>33. FINANCIAL CHARGES</b>			
Mark-up on:			
- Finance leases		2,658	10,093
- Long term loans		1,737,847	1,001,770
- Short term borrowings and FPADs		980,941	1,495,179
- Advance from Customers		47,326	110,534
- Workers' Profit Participation Fund		3,230	3,053
Bank and other charges		21,200	12,142
Loan arrangement and commitment fee		-	12,500
		<u>2,793,202</u>	<u>2,645,271</u>

## 34. TAXATION

The returns of income tax have been filed up to and including tax year 2013. These, except for the those mentioned below, are deemed to be assessed under section 120 of the Income Tax Ordinance, 2001.

Income tax and taxable losses in respect of tax years 2009, 2011, 2012 and 2013 have been assessed by Deputy Commissioner Inland Revenue under section 122(1) of the Income Tax Ordinance, 2001, whereas return submitted for the tax year 2008 has been amended by the Additional Commissioner Inland Revenue under section 122(5A). The amendments relate to proration of expense against income covered in NTR and FTR, disallowance of unrealized exchange loss and other expenses not allowed under section 21. The management has filed an appeal against the aforesaid notices and in consultation with its tax advisors is confident that no major liability is expected to arise.

### 34.1 Relationship between accounting loss and tax expense for the year

The current year provision is based on tax payable by the company under presumptive tax regime. Therefore, there is no relationship between accounting loss and tax expense for the year.

	2014	2013
	..... (Rupees in '000) .....	
<b>35. LOSS PER SHARE - basic &amp; diluted</b>		
Net loss after tax	<u>(5,937,146)</u>	<u>(2,259,313)</u>
	<b>(Number)</b>	
Weight average number of ordinary shares	<u>977,858,737</u>	<u>977,858,737</u>
	<b>(Rupees)</b>	
Loss per share - basic / diluted	<u>(6.07)</u>	<u>(2.31)</u>

# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

## 36. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties comprise of parent company, ultimate parent company and subsidiary company, associated undertakings, directors, key management personnel and staff provident fund. All transactions involving related parties arising in the normal course of business are conducted at agreed terms and conditions. Details of transactions and balances with related parties are as follows:

Transactions with related parties	2014	2013
	(Rupees in '000)	
<b>Parent Companies</b>		
Loan received and repaid	-	2,500,000
Land lease rentals	50,531	48,125
Mark-up on loan	-	12,477
Purchase of goods and services	21,904,290	1,835,259
Sale of goods and services	591,279	403,137
Mark-up charged	341,843	-
Sale of vehicle	-	3,403
Gratuity Expense allocated to the Parent Company	-	19,515
Common expenses charged and paid	289,583	139,970
<b>Subsidiary Company</b>		
Sale of finished goods	108,080	37,661
Storage services received	326,890	197,369
Expenses paid on behalf of subsidiary Company	283,545	167,408
Mark-up income on fuel supplied	54,863	55,963
Gratuity expense allocated to the Subsidiary Company	37	939
Land lease rental	3,025	2,750
<b>Associated Undertakings</b>		
Sale of petroleum products	9,711,358	12,025,304
Purchase of operating fixed assets and services	267,276	564,735
Mark-up income	283,195	283,957
<b>Other Related Parties</b>		
<b>Staff Provident Fund</b>		
Contribution made	47,927	33,108

Remuneration of key management personnel is disclosed in note 37 to the unconsolidated financial statements.

# Notes to the Unconsolidated Financial Statements

## For the year ended 30 June 2014

	2014	2013
	(Rupees in '000)	
<b>Balances with related parties</b>		
<b>Parent Companies</b>		
Mark-up receivable	18,924	18,923
Security deposits payable	3,646	3,646
Receivable against land lease rent	215,318	164,786
Payable against purchases of goods and services	68,348	127,001
Receivable against sale of goods and services	-	750,366
Advance against purchase of assets and services	-	537,818
<b>Subsidiary Company</b>		
Mark-up receivable	129,059	74,196
Trade debts	657,972	391,857
Receivable against land lease rent	11,275	8,250
Advance against purchases of assets and services	585,560	243,764
<b>Associated Undertakings</b>		
Mark-up receivable	287,069	188,007
Trade debts	2,461,632	3,274,929
Payable against purchases of assets and services	45,412	5,509
Security deposit receivable	95	95
Advance against purchases of assets and services	3,583	-
<b>Other Related Parties</b>		
<b>Staff Provident Fund</b>		
Payable to staff provident fund	15	3,145

### 37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount included in these unconsolidated financial statements for remuneration, including the benefits and perquisites, to the Chief Executive, Directors and Executives of the Company are as follows:

	2014			2013		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees in '000)					
Managerial remuneration	12,846	7,823	141,791	9,803	3,280	144,427
Staff retirement benefits	2,140	1,303	21,390	1,483	546	22,795
Housing and utilities	5,138	3,129	56,716	3,921	1,312	57,771
Leave fare assistance	1,070	652	11,811	817	272	12,031
	21,194	12,907	231,708	16,024	5,410	237,024
Number of persons	1	1	119	1	1	121

# Notes to the Unconsolidated Financial Statements

## For the year ended 30 June 2014

- 37.1 The Chief Executive and Executives have been provided with company maintained cars.
- 37.2 As at 30 June 2014, the Company's Board of Directors consists of 8 Directors (of which 6 are Non Executive Directors). Except for Chief Executive and a Director, no remuneration and other benefits have been paid to any Director.
- 37.3 In addition to Chief Executive and a Director, remuneration and other benefits amounting to Rs. 38.718 million (2013: Rs. 34.588 million) have been provided to Key Management Personnel.

### 38. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

#### Financial risk factors

The Company has exposure to the following risks arising from financial instruments:

- Market risk
- Credit risk
- Liquidity risk

This note presents information about the Company's exposure to each of the following risks, the Company's objectives, policies and processes for measuring and managing risks and the Company's management of capital.

#### Risk Management Framework

The Board of Directors have the overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established a Strategy and Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The Committee regularly reports to the Board on its activities.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix between various sources of finances to minimize the risk.

The Company's objective in managing risk is the creation and protection of shareholder's value. Risk is inherent in Company's activities but it is managed through monitoring and controlling activities which are based on limits established by the internal controls' set on different activities of the Company by the respective Board Committee through specific directives and constitutive documents. These controls and limits reflect the business strategy and market environment of the Company as well as the level of the risk that the Company is willing to accept.

The Company's audit committee oversee the management of the financial risk reflecting changes in market conditions and also the Company's risk taking activities providing assurance that these activities are governed by appropriate policies and procedures and that the financial risks are identified, measured and managed in accordance with the Company policies and risk appetite. The Audit Committee is assisted in its oversight role by the internal audit function. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures the results of which are reported to the Audit Committee.

The Company's principal financial instruments comprise loans from financial institutions, supplier's credit and trade payables, etc. Main purpose of these financial instruments is to raise funds for the import of crude oil for refining business and for its operations. The company has various financial assets such as cash (including balances with banks), deposits, loans, investment in subsidiary company, etc. which arise directly from its current activities.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

## 38.1 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market prices, such as foreign exchange rates, interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The company manages this risk through compliance with internal guidelines.

Under market risk, the company is exposed to currency risk, interest rate risk and fair value risk.

### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

The Company is exposed to foreign currency risk on purchase and borrowings that are denominated in a currency other than Pak Rupees. As the Company imports crude oil, items of operating fixed assets and stores and spares for refining plant, it is exposed to currency risk. The currency in which these transactions are undertaken is US Dollar.

### Exposure to Currency Risk

As at 30 June 2014, the company is not exposed to any foreign currency risk.

### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises from long term loans and short term borrowing facilities for financing its refining business operations and meeting working capital requirements at variable rates. The Company manages these mismatches through risk management policies where significant changes in gap position can be adjusted.

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

	2014	2013
	..... (Rupees in '000) .....	
<b><u>Fixed Rate Instruments</u></b>		
<b><u>Financial Assets</u></b>		
Saving deposit accounts	3,503	6,342
<b><u>Variable Rate Instruments</u></b>		
<b><u>Financial Assets</u></b>		
Trade debts	7,090,565	10,344,350
<b><u>Financial Liabilities</u></b>		
Long term loans and accrued mark-up	16,983,673	17,068,815
Liabilities against assets subject to finance lease	20,359	68,031
Short term borrowings	6,402,108	6,800,000
	<u>23,406,140</u>	<u>23,936,846</u>



# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

## Fair Value sensitivity analysis for fixed rate instruments

The impact of change in fair value due to a change in interest rate is not considered to be material to these unconsolidated financial statements.

## Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the end of the reporting period would have increased / (decreased) equity by Rs. 23.249 million (2013: Rs. 11.544 million). This analysis assumes that all other variables remain constant.

## 38.2 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counter party to a financial instrument fails to meet its contractual obligation, and arises principally from the Company's receivables from customers and balances held with banks.

### Management of credit risk

The Company's policy is to enter into financial contracts in accordance with the guidelines set by the Board of Directors and other internal guidelines.

Credit risk is managed and controlled by the management of the Company in the following manner:

- Credit rating and / or credit worthiness of the issuer is taken into account along with the financial background so as to minimize the risk of default.
- The risk of counterparty exposure due to failed agreements causing a loss to the Company is mitigated by a periodic review of the credit ratings, financial statements, credit worthiness, market information, etc. on a regular basis.
- Cash is held with reputable banks only.

### Exposure to credit risk

In summary, the maximum exposure to credit risk as at 30 June 2014 and 30 June 2013 was as follows:

	Notes	2014		2013	
		Financial assets	Maximum exposure	Financial assets	Maximum exposure
..... (Rupees in '000) .....					
Trade debts -unsecured	11	10,244,919	10,244,919	12,123,545	12,123,545
Long term deposits	9	7,314	7,314	13,571	13,571
Mark-up accrued		435,052	435,052	281,126	281,126
Trade deposits, prepayments and other receivables	13	665,235	226,593	830,526	580,564
Cash and bank balances	14	472,635	472,567	560,465	560,360
		<u>11,825,155</u>	<u>11,386,445</u>	<u>13,809,233</u>	<u>13,559,166</u>

Differences in the balances as per balance sheet and maximum exposures were due to the fact that trade deposits, prepayments and other receivables includes Rs. 438.642 million (2013: 249.962 million) against inland freight equalization margin.

# Notes to the Unconsolidated Financial Statements

## For the year ended 30 June 2014

### Impairment losses

The aging of trade debtors as at the balance sheet date was:

	2014		2013	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)			
Not past due	4,555,595	-	4,027,725	-
Past due 1-30 days	789,625	-	1,992,768	-
Past due 31-150 days	1,279,900	-	1,992,167	-
Past due 150 days	5,413,022	1,793,223	5,441,738	1,330,853
	<u>12,038,142</u>	<u>1,793,223</u>	<u>13,454,398</u>	<u>1,330,853</u>

The credit quality of the receivables can be assessed with reference to the historical performance with no or some defaults in recent history, however, no losses. The credit quality of Company's bank balances can be assessed with reference to external credit rating as follows:

Bank	Rating agency	Rating	
		Short-term	Long-term
<b>Public sector commercial banks</b>			
National Bank of Pakistan	JCR-VIS	A-1+	AAA
The Bank of Khyber	JCR-VIS	A-1	A
<b>Private sector commercial banks</b>			
Allied Bank Limited	JCR-VIS	A1+	AA
Askari Bank Limited	JCR-VIS	A-1+	AA
Bank Alfalah Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A-1+	AA+
NIB Bank Limited	PACRA	A1+	AA -
MCB Bank Limited	PACRA	A1+	AAA
JS Bank Limited	PACRA	A1	A+
KASB Bank Limited	PACRA	A3	BBB
<b>Development financial institutions</b>			
Bank Islami Pakistan Limited	PACRA	A-1	A
<b>Foreign banks operating in Pakistan</b>			
Barclays Bank PLC	Standard & Poor's	A-1	A+

# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

## 38.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments:

	2014					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Above two years
	(Rupees in '000)					
<b>Non-Derivative Financial liabilities</b>						
Long term loans and accrued mark-up	17,184,454	(23,869,505)	(1,392,332)	(1,337,173)	(3,729,000)	(17,411,000)
Liabilities against assets subject to finance leases	20,359	(23,369)	(7,102)	(10,652)	(5,615)	-
Long term deposits	87,478	(87,478)	-	-	-	(87,478)
Trade and other payables	9,345,653	(9,345,653)	(9,345,653)	-	-	-
Short term borrowings	6,402,108	(6,402,108)	(6,402,108)	-	-	-
Accrued mark-up	416,985	(416,985)	(263,579)	(153,406)	-	-
	<u>33,457,037</u>	<u>(40,145,098)</u>	<u>(17,410,774)</u>	<u>(1,501,231)</u>	<u>(3,734,615)</u>	<u>(17,498,478)</u>

	2013					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Above two years
	(Rupees in '000)					
<b>Non-Derivative Financial liabilities</b>						
Long term loans and accrued mark-up	17,395,384	(23,901,531)	(936,091)	(949,731)	(2,655,000)	(19,360,709)
Liabilities against assets subject to finance leases	68,031	(77,645)	(22,866)	(22,866)	(10,004)	(21,909)
Long term deposits	62,707	(62,707)	-	-	-	(62,707)
Trade and other payables	8,708,578	(8,708,578)	(8,708,578)	-	-	-
Short term borrowings	6,800,000	(6,800,000)	(6,800,000)	-	-	-
Accrued mark-up	463,709	(463,709)	(463,709)	-	-	-
	<u>33,498,409</u>	<u>(40,014,170)</u>	<u>(16,931,244)</u>	<u>(972,597)</u>	<u>(2,665,004)</u>	<u>(19,445,325)</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 June (and includes both principal and interest payable thereon). The rates of mark-up have been disclosed in notes 18 & 24 to these unconsolidated financial statements.

### Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability can be settled, between knowledgeable willing parties in an arm's length transaction. The carrying amounts of all the financial instruments reflected in these financial statements approximate to their fair value.

# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

## 38.4 Capital management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business, sustain the development of the business and maximize the shareholders value. The Company closely monitors the return on capital. The Company manages its capital structure and makes adjustment to it in light of changes in economic conditions and finances its activities through equity, borrowings and management of working capital with a view to maintain an approximate mix between various sources of finance to minimize the risk. No changes were made in the objectives, policies or processes during the year ended 30 June 2014.

The company is not exposed to externally imposed capital requirement.

## 39. OPERATING SEGMENTS

For management purposes, the Company has determined following reportable operating segments on the basis of business activities i.e. oil refining and petroleum marketing businesses. Oil refining business is engaged in crude oil refining and selling of refined petroleum products to oil marketing companies. Petroleum marketing business is engaged in trading of petroleum products, procuring products from Oil refining business as well as from other sources. The quantitative data for segments is given below:

	Oil Refining Business		Petroleum Marketing Business		Total	
	2014	2013 (Restated)	2014	2013 (Restated)	2014	2013 (Restated)
..... (Rupees in '000) .....						
<b>Revenue</b>						
Net Sales to external customers	51,952,601	40,179,129	40,592,771	26,007,877	92,545,372	66,187,006
Inter-segment transfers	30,412,803	19,725,148	-	-	30,412,803	19,725,148
Eliminations	(30,412,803)	(19,725,148)	-	-	(30,412,803)	(19,725,148)
<b>Total revenue</b>	<b>51,952,601</b>	<b>40,179,129</b>	<b>40,592,771</b>	<b>26,007,877</b>	<b>92,545,372</b>	<b>66,187,006</b>
<b>Result</b>						
Segment results - (loss)	(1,996,306)	(998,153)	32,648	(241,329)	(1,963,658)	(1,239,482)
Other charges					(1,813,543)	(1,590,883)
Interest expense					(2,793,202)	(2,645,271)
Gain on derecognition of financial liability					-	2,678,675
Interest income					927,608	856,956
Other income					154,250	45,424
Exchange loss					(836,051)	(190,025)
Taxation					387,450	(174,707)
Loss for the year					(5,937,146)	(2,259,313)
Segmental Assets	48,812,315	34,592,711	4,762,177	5,579,843	53,574,492	40,172,554
Unallocated Assets					5,679,065	3,735,406
	<b>48,812,315</b>	<b>34,592,711</b>	<b>4,762,177</b>	<b>5,579,843</b>	<b>5,925,557</b>	<b>43,907,960</b>
Segmental Liabilities	44,418,484	38,551,897	4,333,511	6,145,405	48,751,995	44,697,302
Unallocated Liabilities					5,450,043	2,621,339
	<b>44,418,484</b>	<b>38,551,897</b>	<b>4,333,511</b>	<b>6,145,405</b>	<b>54,202,038</b>	<b>47,318,641</b>
Capital expenditure	385,170	237,860	55,150	51,816	440,320	289,676
<b>Other information</b>						
Depreciation and amortization	2,627	931,432	330	87,670	2,957	1,019,102

Four Oil Marketing Companies (OMCs) contributed 34.94 % (2013 : 44.47%), a power generation Company contributed 10.49% (2013 : 18.17%), and a Company involved in sale of solvents contributed 8.48 % (2013 : 3.07 %) of the net revenues during the year.

# Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2014

## 40. PROVIDENT FUND DISCLOSURE

The Company operates approved funded contributory provident fund for both its management and non-management employees. Details of net assets and investments of the fund is as follows:

	2014	2013
	..... (Rupees in '000) .....	
Size of the fund - Net assets	<u>121,044</u>	<u>92,124</u>
Cost of the investment made	<u>104,831</u>	<u>75,349</u>
Percentage of the investment made	<u>87%</u>	<u>88%</u>
Fair value of the investment made	<u>107,542</u>	<u>81,161</u>

The break up of fair value of the investment is :

	2014		2013	
	(Rupees in '000)	%	(Rupees in '000)	%
Bank Deposits	13,706	12.74%	19,648	24.21%
Debt securities	45,247	42.07%	12,000	14.79%
Equity securities	-	0.00%	13,400	16.51%
Unit trust schemes	48,589	45.18%	36,113	44.50%
	<u>107,542</u>	<u>100%</u>	<u>81,161</u>	<u>100%</u>

The management, based on the un-audited financial statements of the fund, is of the view that the investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

## 41. CAPACITY AND ANNUAL PRODUCTION

Against the designed annual refining capacity (based on 330 days) of 11.550 million barrels (2013: 11.550 million barrels), the actual throughput during the year was 6.79 million barrels (2013: 5.729 million barrels) mainly due to higher working capital available with the Company.

## 42. NUMBER OF EMPLOYEES

The total number of employees as at year end were 411 (2013: 405) and average number of employees were 408 (2013: 448).

## 43. RECLASSIFICATION


Following corresponding figures have been reclassified for better presentation:

From	To	(Rupees in '000)
<b>Unconsolidated Balance Sheet</b>		
Trade and other payables - other payable	Trade deposits, prepayments and other receivables - Inland Freight Equalisation Margin	<u>65,926</u>

## 44. DATE OF AUTHORISATION OF ISSUE

The unconsolidated financial statements were authorised for issue on 16th December, 2014 by the Board of Directors of the Company.

  
\_\_\_\_\_  
Chief Executive

  
\_\_\_\_\_  
Director



Unconsolidated  
Financial Statements  
For The Year Ended June 30, 2014





## Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Byco Petroleum Pakistan Limited (the "Holding Company") and its subsidiary (the "Group") as at 30 June 2014 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its subsidiary. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Byco Petroleum Pakistan Limited and its subsidiary as at 30 June 2014 and the results of their operations, changes in equity and cash flows for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

We draw attention to note 2 to the consolidated financial statements which indicates that the Group has incurred net loss of Rs. 6,347 million during the year ended 30 June 2014, and as of that date, its accumulated losses amounted to Rs. 26,873 million; as at 30 June 2014 current liabilities exceeded the current assets by Rs. 20,384 million. These conditions, along with other matters as set forth in note 2 including matter relating to financial covenants, indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. However consolidated financial statements have been prepared on going concern basis based on mitigating factors as more fully explained in note 2 to the consolidated financial statements. Our opinion is not qualified in respect of this matter.

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Mazhar Saleem  
Karachi.

*KPMG Taseer Hadi & Co.*

16<sup>th</sup> December 2014

# Consolidated Balance Sheet

As at 30 June 2014

	Notes	2014	2013 (Restated)
..... (Rupees in '000) .....			
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	6	38,998,130	23,362,469
Intangible asset	7	23,746	26,703
Long term receivable - considered good	8	830,000	830,000
Long term deposits	9	28,579	36,694
		<u>39,880,455</u>	<u>24,255,866</u>
<b>CURRENT ASSETS</b>			
Stores and spares		204,298	163,318
Stock in trade	10	8,777,507	5,703,512
Trade debts	11	9,596,672	11,731,688
Loans and advances - considered good	12	1,014,543	469,479
Trade deposits, prepayments and other receivables	13	818,363	1,289,446
Mark-up accrued		305,993	206,930
Cash and bank balances	14	473,535	561,940
		<u>21,190,911</u>	<u>20,126,313</u>
		<u>61,071,366</u>	<u>44,382,179</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	15	9,778,587	9,778,587
Accumulated losses		<u>(26,873,272)</u>	<u>(20,975,363)</u>
		(17,094,685)	(11,196,776)
<b>Surplus on revaluation of property, plant and equipment</b>	16	15,091,908	5,283,485
<b>NON CURRENT LIABILITIES</b>			
Long term loans and accrued mark-up	17	14,528,673	15,810,931
Liabilities against assets subject to finance lease	18	4,948	34,673
Long term deposits	19	87,478	62,707
Deferred liabilities	20	6,878,205	2,307,159
		<u>21,499,304</u>	<u>18,215,470</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	21	28,754,247	20,918,680
Accrued mark-up	22	758,013	516,715
Book overdrawn		-	3,420
Short term borrowings	23	8,723,108	8,606,300
Current portion of non current liabilities	24	2,815,742	1,638,209
Provision for taxation		523,729	396,676
		<u>41,574,839</u>	<u>32,080,000</u>
Contingencies and commitments	25		
		<u>61,071,366</u>	<u>44,382,179</u>

The annexed notes from 1 to 43 form an integral part of these consolidated financial statements.



Chief Executive



Director


# Consolidated Profit and Loss Account

For the year ended 30 June 2014

	Notes	2014 ..... (Rupees in '000) .....	2013 (Restated)
Sales	26	92,795,030	66,149,345
Cost of sales	27	92,659,974	66,044,333
Gross profit		135,056	105,012
Administrative expenses	28	855,774	669,319
Selling and distribution expenses	29	1,513,225	694,267
		2,368,999	1,363,586
Operating loss		(2,233,943)	(1,258,574)
Other income	30	1,078,120	3,522,942
Other charges	31	(1,824,047)	(1,590,883)
		(2,979,870)	673,485
Financial charges	32	(2,980,789)	(2,645,672)
Exchange loss		(836,051)	(161,170)
Loss before taxation		(6,796,710)	(2,133,357)
<b>Taxation</b>	33		
- Current		(521,298)	(351,002)
- Deferred		971,050	180,066
		449,752	(170,936)
<b>Loss after taxation</b>		<b>(6,346,958)</b>	<b>(2,304,293)</b>
			<b>(Rupees)</b>
<b>Loss per share - basic / diluted</b>	34	<b>(6.49)</b>	<b>(2.36)</b>

The annexed notes from 1 to 43 form an integral part of these consolidated financial statements.

  
Chief Executive

  
Director

# Consolidated Statement of Other Comprehensive Income

For the year ended 30 June 2014

	Notes	2014	2013 (Restated)
		..... (Rupees in '000) .....	
Net loss after taxation		(6,346,958)	(2,304,293)
<b>Other comprehensive income</b>			
Remeasurement: Actuarial loss on defined benefit obligation		(11,380)	(7,407)
Total comprehensive income for the year		<u>(6,358,338)</u>	<u>(2,311,700)</u>

The annexed notes from 1 to 43 form an integral part of these consolidated financial statements.

  
 \_\_\_\_\_  
 Chief Executive

  
 \_\_\_\_\_  
 Director

# Consolidated Cash Flow Statement

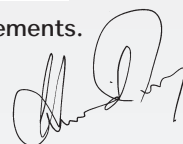
For the year ended 30 June 2014

	2014	2013
	..... (Rupees in '000) .....	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(6,796,710)	(2,133,357)
Adjustments for non cash and other items:		
Depreciation	1,401,187	1,048,725
Amortization	2,957	2,958
Gain on derecognition of financial liability		(2,678,675)
Financial charges	2,980,789	2,645,672
Provision for impairment against doubtful debts	462,370	1,330,853
Provision for gratuity	23,895	20,572
(Gain) / loss on disposal of assets	(2,106)	6,255
Net cash flow before working capital changes	(1,927,618)	243,003
<b>Movement in working capital</b>		
(Increase) / decrease in current assets		
Stores and spares	(40,980)	(4,038)
Stock in trade	(3,073,995)	(2,747,248)
Trade debts	1,672,646	(3,707,960)
Loans and advances	(545,064)	(32,489)
Trade deposits, prepayments and other receivables	237,111	(42,656)
Mark up accrued	(99,063)	(3,998)
Increase / (decrease) in current liabilities		
Trade and other payables	7,835,567	(5,328,498)
	5,986,222	(11,866,887)
<b>Cash generated from operations</b>	4,058,604	(11,623,884)
<b>Payments for:</b>		
Financial charges	(2,741,321)	(3,347,400)
Gratuity paid	(10,602)	(22,498)
Income taxes	(160,273)	(267,069)
Net cash generated from operating activities	1,146,408	(15,260,851)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(1,256,005)	(1,409,771)
Proceeds from disposal of property, plant and equipment	9,368	15,182
Long term deposits	8,115	5,817
Net cash used in investing activities	(1,238,522)	(1,388,772)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term loans	(1,282,258)	18,525,499
Liabilities against assets subject to finance lease - net	(29,725)	(44,632)
Long term deposits	24,771	23,794
Short term borrowings - net	1,294,341	(1,567,772)
Net cash generated from financing activities	7,129	16,936,889
Net (decrease) / increase in cash and cash equivalents	(84,985)	287,266
Cash and cash equivalents at beginning of the year	558,520	271,254
Cash and cash equivalents at end of the year	473,535	558,520
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	473,535	561,940
Book overdrawn	-	(3,420)
	473,535	558,520

The annexed notes from 1 to 43 form an integral part of these consolidated financial statements.



Chief Executive



Director

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

	Issued, subscribed and paid up capital	Accumulated loss	Total
	(Rupees in '000)		
Balance as at 1 July 2012	9,778,587	(18,959,448)	(9,180,861)
Effect of change in accounting policy - note 3.6.2	-	(3,848)	(3,848)
Balance as at 1 July 2012 - restated	9,778,587	(18,963,296)	(9,184,709)
Total comprehensive income for the year ended 30 June 2013			
Loss for the year ended 30 June 2013 - restated	-	(2,311,700)	(2,311,700)
Restatement - refer note 5.1.2		(34,777)	(34,777)
Incremental depreciation relating to surplus on revaluation of property, plant and equipment equipment - net of deferred tax			
As previously reported	-	326,862	326,862
Restatement - refer note 5.1.2	-	7,548	7,548
As restated	-	334,410	334,410
Balance as at 30 June 2013	9,778,587	(20,975,363)	(11,196,776)
Total comprehensive income for the year ended 30 June 2014			
Loss for the year ended 30 June 2014	-	(6,358,338)	(6,358,338)
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	460,429	460,429
<b>Balance as at 30 June 2014</b>	<b>9,778,587</b>	<b>(26,873,272)</b>	<b>(17,094,685)</b>

The annexed notes from 1 to 43 form an integral part of these consolidated financial statements.



Chief Executive



Director



# Notes to the Consolidated Financial Statements

## For the year ended 30 June 2014

### 1. LEGAL STATUS AND NATURE OF BUSINESS

The "Group" consists of:

Holding Company

#### i) Byco Petroleum Pakistan Limited (the Company)

The Company was incorporated in Pakistan as a public limited company on 09 January 1995 under the Companies Ordinance, 1984 and was granted a certificate of commencement of business on 13 March 1995. The shares of the company are listed on Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Company is situated at The Harbour Front, 9th Floor, Dolmen City, HC-3, Block 4, Marine Drive, Clifton, Karachi – 75600, Pakistan. Byco Oil Pakistan Limited (the Parent Company) holds 80.84% (30 June 2013: 80.84%) shares in the Company. The Parent Company is a wholly owned subsidiary of Byco Industries Incorporated (BII), Mauritius (the Ultimate Parent Company). The Company is principally engaged in the production, marketing and sale of petroleum products.

The Company currently operates two business segments namely Oil Refinery Business and Petroleum Marketing Business (refer note 39). The Company commenced its crude oil refining business in 2004. The refinery has a rated capacity of 35,000 bpd (barrels per day). Petroleum Marketing Business was formally launched in 2007 and now growing aggressively with 250 retail outlets across the country.

Subsidiary Companies

#### i) Byco Terminals Pakistan Limited (BTPL)

BTPL was incorporated in Pakistan as a Private Limited Company on 14 June 2002 under the Companies Ordinance, 1984. BTPL has been converted from Private Limited Company to Public Limited Company on 24 May 2010. The registered office of BTPL is situated at 9th Floor, Harbour Front Tower, Dolmen City, HC-3, Block 4, Marine Drive, Clifton, Karachi. BTPL is principally engaged in the provision of bulk storage services of petroleum products.

BTPL has developed an offshore jetty (Single Point Mooring) along with the pipelines for facilitating movement of petroleum products. The "Buoy" which is an integral part of SPM facility is owned by Coastal Refinery Limited with whom BTPL is in agreement regarding its operation at agreed terms.

BTPL is a wholly owned subsidiary of the Company by virtue of share purchase agreement dated 17 February 2010.

#### ii) Byco Isomerization Pakistan (Private) Limited (BIPL)

BIPL was incorporated in Pakistan as a private limited company on 14 May 2014 under the Companies Ordinance, 1984. The registered office of BIPL is proposed to be situated in Islamabad Capital Territory. BIPL will principally be engaged in blending, refining and processing of petroleum naphta to produce petroleum products such as premium motor gasoline.

BIPL is a wholly owned subsidiary of the Company. Furthermore, the Company intends to sell Isomerization plant to BIPL against issuance of shares the detail of which is mentioned in note 6.1.1.

### 2. GOING CONCERN ASSUMPTION

The management of the Group has reported the following in their consolidated financial statements: During the year ended 30 June 2014, the Group incurred a net loss after tax of Rs. 6,347 million (2013: loss of Rs. 2,304 million) and as of that date its accumulated losses amounted to Rs. 26,873 million (2013: Rs. 20,975 million). Current liabilities of the Company exceeded its current assets by Rs. 20,384 million (2013: Rs. 11,954 million). Further the Group is making efforts to comply with the financial covenants relating to restructured finance facility, and the syndicate of banks have not taken any adverse view against the Company.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

The conditions indicate existence of material uncertainty which may cast significant doubt about the Group's ability to continue as going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. The consolidated financial statements have been prepared using the going concern assumption as the management is confident that all these conditions are temporary, and would reverse in foreseeable future due to the reasons given below:

- The annual throughput of the refinery was 6.79 million barrels as compared to 5.7 million barrels representing an increase of 19.12% from last year.
- The Company has competitive edge over other refineries in Pakistan due to its Isomerisation unit. The Isomerisation unit will convert light Naphtha into Motor Spirit which is a value addition and would increase the profitability margin of the Company. Furthermore, this conversion of light Naphtha would reduce the export of Naphtha. As a result it would bring substantial savings on account of transportation cost, in-transit losses, reduction in handling charges and storage cost and increased future profitability of the Company and increase the sale of Motor Spirit in local market.
- The Company's Petroleum Marketing Business (PMB) has entered into various fuel supply arrangements with different marketable sectors such as Shipping, Power & Energy. High margin aviation fuel export market has also been tapped through these arrangements. Further, during the period, PMB segment has increased their retail business by entering into different dealer financed, semi-financed and company financed agreements for opening of various retail outlets across the country. These factors of PMB segment has been and is expected to yield significant contribution towards the profitability of the Company.
- The Economic Coordination Committee (ECC) has approved the recovery of crude oil transportation through Inland Freight Equalization Margin (IFEM) pool which would result in future cost savings for the Company.
- Subsequent to the year end, the Parent company has carried out extended trial run of its entire plant in order to operate the refinery on sustainable basis. The operation of the Parent Company's refinery would bring sustainable cost savings to the Company. The Parent Company's refinery is expected to commence its operations in 2015.
- The Group is continuously reviewing its administrative costs, operating expenditures as well as capital expenditures, with a view to optimize the associated benefits through reduction / elimination of such costs as they find appropriate.
- Further, the Ultimate Parent Company has given its commitment to give financial support to the Company as and when required. The support is available during the next financial year and beyond that.
- The management has also prepared financial projections to demonstrate the financial benefits of above measures.

The results of the above efforts, activities and actions are expected to contribute significantly towards the profitability, cost reduction, cash flows and equity position of the Group and mitigate the risks involved therefore, the preparation of consolidated financial statements on going concern assumption is justified.

## 3. BASIS OF PREPARATION

### 3.1 Statement of compliance

These consolidated 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 and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

# Notes to the Consolidated Financial Statements

## For the year ended 30 June 2014

### 3.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for certain class of assets included in property, plant and equipment that are stated at revalued amounts as referred to in notes 4.1.1 and 6.

### 3.3 Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights, if any, that are currently exercisable are taken into account. However, potential voting rights that are not currently exercisable are not included in determination of the proportions of profit or loss and changes in equity attributable to the Group.

The financial statements of the subsidiary are included in the consolidated financial statements. The accounting policies of subsidiaries are changed when necessary to align them with those adopted by the Group. The assets and liabilities of the subsidiaries are consolidated on a line-by-line basis and the carrying amount of the investment in subsidiaries is eliminated against the subsidiaries' share capital, pre-acquisition reserves and pre-acquisition surplus on revaluation of property, plant and equipment. All intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in full in preparing these consolidated financial statements.

### 3.4 Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. These consolidated financial statements are presented in Pakistani Rupees, which is also the Group's functional currency. All the financial information presented in Pakistani Rupees has been rounded off to the nearest thousand, except where stated otherwise.

### 3.5 Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual result may differ from estimation.

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 the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates underlying the assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only the period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

#### 3.5.1 Property, plant and equipment

The Group reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. The estimates of revalued amounts of leasehold land, freehold land, buildings, roads and civil works, generators, safety & lab equipment and plant and machinery are based on a valuation carried out by a professional valuers. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Group uses the technical resources available with the Group. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

## 3.5.2 Trade debts

The Group reviews its doubtful trade debts at each reporting date to assess whether impairment allowance should be recorded to reduce the trade debts to their recoverable amounts. In particular, judgment by the management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance.

## 3.5.3 Stock in trade

The Group reviews the net realizable value (NRV) of stock in trade to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock in trade, and corresponding effect in consolidated profit and loss account of those future years. Net realizable value is determined with respect to estimated selling price less estimated expenditures to make the sales.

## 3.5.4 Stores and spares

The Group reviews the net realizable value (NRV) and impairment of stores and spare parts to assess any diminution in the respective carrying values and wherever required provision for NRV / impairment is made. The calculation of provision involves the use of estimates with regards to future estimated use and past consumption along with stores and spares holding period.

## 3.5.5 Employees retirement benefits

Certain actuarial assumptions have been used as disclosed in note 20.2 to these consolidated financial statements for the valuation of defined benefit obligations. Any changes in these assumptions in future years may effect the liability under these schemes in those years.

## 3.5.6 Taxation

In making the estimates for income taxes currently payable by the Group, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

## 3.5.7 Financial assets

Impairment loss against doubtful financial assets is determined on a judgemental basis, for which provisions may differ in future years based on the actual experience. The difference in provisions if any, would be recognised in the future periods.

## 3.6 Standards, amendments or interpretation which became effective during the year

During the year certain amendments to standards or new interpretations became effective. However, except for IAS 19, "Employee Benefits", other amendments were either not relevant or did not have any material effect on the consolidated financial statements of the Group.

**3.6.1** IAS 19 (revised) ' Employee Benefits' amends the accounting for employment benefits which became effective to the Company from 1 July 2013. The changes introduced by the IAS 19 (revised) are as follows:

- (a) The standard requires past service cost to be recognised immediately in consolidated profit or loss;
- (b) The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit assets or liability and the discount rate, measured at the beginning of the year;
- (c) There is new term "remeasurement". This is made up of actuarial gains and losses, the differences between actual investment returns and return implied by the net interest cost; and
- (d) The amendment requires an entity to recognise remeasurements immediately in consolidated other comprehensive income. Actuarial gains or losses beyond corridor limits were previously amortised over the expected future services of the employees.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

The adoption of the revised standard has resulted in a change in the Group's accounting policy related to recognition of actuarial gains and losses. Consequently, the Group now recognizes all actuarial gains and losses directly in other comprehensive income with no subsequent recycling through the profit and loss account. Previously, the Group was recognising actuarial gains and losses in consolidated profit and loss account using the corridor method.

**3.6.2** The effect of the change in accounting policy on the prior period consolidated financial statements have been disclosed in note no. 5.1.3.

## **3.7 Standards, Interpretations and Amendments not yet effective**

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014:

- IFRIC 21 - Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on Group's financial statements.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on Group's financial statements.
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.
- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.
- Amendments to IAS 38 "Intangible Assets" and IAS 16 "Property, Plant and Equipment" (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Group's financial statements.
- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016.
- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and / or unconsolidated structured entities, into one place.
- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.
- Amendment to IAS 27 'Separate Financial Statement' (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.
- 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.
- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:
- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

### 4.1 Property, plant and equipment

#### 4.1.1 Operating fixed assets

##### Initial recognition

The cost of an item of property, plant and equipment is recognized as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of such item can be measured reliably. Recognition of the cost in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

##### Measurement

Except freehold land, leasehold land, building on freehold land, roads and civil works, plant and machinery, generators and safety and lab equipments all others items of property, plant and equipment (refer note 6.1) are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Freehold land, leasehold land, building on freehold land, roads and civil works, plant and machinery, generators and safety and lab equipments are measured at revalued amounts, which is the fair value at the date of revaluation less accumulated depreciation and accumulated impairment losses, if any, recognised subsequent to the date of revaluation. The surplus arising on revaluation is disclosed as surplus on revaluation of property, plant and equipment.

Cost in relation to items of property, plant and equipment stated at cost represent historical costs. Stores and spares which form part of the contract under which the project was undertaken are also capitalized with the plant and machinery.

Expenditure incurred to replace a component of an item of operating assets is capitalised and the asset so replaced is retired. Other subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised.

##### Capital work in progress

Capital work-in-progress is stated at cost less accumulated impairment, if any, and consists of expenditure incurred and advances made in respect of operating fixed assets in the course of their acquisition, erection, construction and installation, including salaries and wages directly attributable to capital work-in-progress, determined by the management. The assets are transferred to relevant category of operating fixed assets when they are available for use.

##### Depreciation

Depreciation is charged to profit and loss account, applying the straight line method whereby costs of assets, less their residual values, is written off over their estimated useful lives at rates disclosed in note 6.1.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

Depreciation on additions is charged from the month in which the asset is available for use up to the month preceding the disposal.

Useful lives are determined by the management based on expected usage of asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of assets and other similar factors.

The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated profit and loss account in the year the asset is derecognized.

When revalued assets are sold, the relevant remaining surplus is transferred directly by the Group to its retained earnings.

Normal repairs and maintenance are charged to the consolidated profit and loss account during the financial year in which they are incurred.

## 4.1.2 Assets subject to finance lease

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of leased assets or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments, the discount factor is the effective interest rate.

The outstanding obligations under the lease less finance charges allocated to future periods are shown as liability. Financial charges are calculated at the interest rate implicit in the lease and are charged to the consolidated profit and loss account.

Depreciation is charged to consolidated profit and loss account applying the straight-line method on a basis similar to owned assets.

## 4.1.3 Assets held under operating leases / Ijarah financing

Assets held under operating leases / Ijarah financing are accounted for using the guidelines of IFAS 2. The assets are not recognised on the Group's financial statements or balance sheet and payments made under operating leases / Ijarah financing are recognised in consolidated profit or loss on a straight line basis over the term of the lease.

## 4.2 Intangible assets

### 4.2.1 Goodwill acquired in business combination

Goodwill acquired in business combination represents future economic benefits arising from assets that are not capable of being individually identified and separately recognized. Goodwill is initially recognized at cost which is determined as the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquire. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses, if any.

### 4.2.2 Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Costs that are directly associated with identifiable software products controlled by the Group and have probable economic benefit beyond one year are recognized as intangible assets. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

Intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. In respect of additions and deletions of intangible assets during the year, amortization is charged from the month of acquisition and up to the month preceding the deletion, respectively.

Intangible assets with finite lives are amortized on a straight line basis over their economic useful lives as specified in note 7.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in consolidated profit or loss when the asset is derecognised.

## 4.3 Borrowing costs

Borrowing costs are recognised in profit and loss account in the period in which these are incurred except to the extent of borrowing costs on long term finances that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised, during the period of time that is required to complete and prepare the asset for its intended use.

## 4.4 Loans, advances and deposits

These are initially recognised at cost, which is the fair value of the consideration given. Subsequent to initial recognition assessment is made at each balance sheet date to determine whether there is an indication that a financial asset or group of assets may be impaired. If such indication exists, the estimated recoverable amount of that asset or group of assets is determined and any impairment loss is recognised for the difference between the recoverable amount and the carrying value.

## 4.5 Stock in trade

All stock-in-trade is valued at the lower of cost and net realisable value (NRV).

### Raw materials

Crude oil in transit is valued at cost comprising invoice value plus other charges incurred thereon accumulated to the balance sheet date. Cost in relation to crude oil is determined on the basis of First-In-First-Out (FIFO) basis. Net realizable value in relation to crude oil represents replacement cost at the balance sheet date.

### Finished products

Cost of finished products comprises of the cost of crude oil and refining charges consisting of direct expenses and appropriate production overheads. Direct expenses are arrived at on the basis of average cost for the year per barrel of throughput. Production overheads, including depreciation, are allocated to throughput proportionately on the basis of normal capacity. Net realizable value in relation to finished products is the estimated selling price in the ordinary course of business, less the estimated cost of completion and estimated cost necessary to make the sale.

## 4.6 Stores and spares

These are stated at moving average cost less impairment loss, if any, except items in transit, which are stated at cost. For items which are slow moving and / or identified as surplus to the Group's requirements, adequate provision is made for any excess book value over estimated realizable value. The Group reviews the carrying amount of the stores and spares on a regular basis and provision is made for obsolescence.

Provision is made for obsolete and slow moving items where necessary and is recognized in the consolidated profit and loss account.

## 4.7 Trade debts and other receivables

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortized cost using the effective interest rate method, if applicable, less provision for impairment, if any. A provision for impairment is established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Trade debts and receivables are written off when considered irrecoverable.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

## 4.8 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, balances with banks and book overdrawn and which are subject to insignificant risk of changes in their fair value. Cash and cash equivalents also include bank overdrafts which form an integral part of the Group's cash management.

## 4.9 Surplus on revaluation of property, plant and equipment

The surplus arising on revaluation of property, plant and equipment is credited to the "Surplus on Revaluation of property, plant and equipment" shown below equity in the consolidated balance sheet in accordance with the requirements of section 235 of the Companies Ordinance, 1984. The said section was amended through the Companies (Amendment) Ordinance, 2002. The Group has adopted following accounting treatment of depreciation / amortisation on revalued assets, in accordance with Securities and Exchange Commission of Pakistan's (SECP) SRO 45(1)/2003 dated 13 January 2003:

- depreciation / amortisation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation / amortisation charge for the year is taken to the consolidated profit and loss account; and
- an amount equal to incremental depreciation / amortisation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Property, plant and equipment" to accumulated profit through consolidated Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation / amortisation charge for the year.

## 4.10 Interest / Mark-up bearing loans and borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

Loans and borrowings are subsequently stated at amortized cost with any difference between the proceeds (net of transaction cost) and the redemption value recognised in the consolidated profit and loss account over the period of the borrowing using the effective interest method.

## 4.11 Employee retirement benefits

### 4.11.1 Defined benefit plans

#### Holding Company

The Company operates a funded defined benefit gratuity scheme for all its eligible employees. The Scheme provides for a graduated scale of benefits dependent on the length of service of the employee on terminal date, subject to the completion of minimum qualifying period of service. Gratuity is based on employees' last drawn salary.

Provisions are made to cover the obligations under defined benefit gratuity scheme on the basis of actuarial valuation and are charged to consolidated profit and loss account. All actuarial gains / (losses) are recognised in consolidated other comprehensive income. The most recent valuation was carried out as of 30 June 2014 using the "Projected Unit Credit Method".

The amount recognized in the consolidated balance sheet represents the present value of defined benefit obligations.

#### Subsidiary Company

BTPL operates a gratuity scheme covering all its permanent employees who have completed minimum qualifying period of service. The Company's obligation under the scheme is determined through actuarial valuations carried out under the "Projected Unit Credit Method". The first Actuarial valuation was carried out at 30 June 2013 and based on the actuarial valuation, BTPL had first time recognised the liability for retirement benefits and the corresponding expenses. Actuarial gains and losses that arise are recognised in consolidated other comprehensive income in the period in which they arise. Past service costs are recognised immediately in profit and loss account irrespective of the fact that the benefits are vested or non-vested. Current service costs and any past service costs together with the effect of the unwinding of the discount on plan liabilities are charged to operating expenses.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

The amount recognised in the balance sheet represents the present value of defined benefit obligation as reduced by the fair value of plan assets.

## 4.11.2 Defined contributory provident fund

The Group also operates an approved funded contributory provident fund for all its eligible management and non-management employees. Equal monthly contributions are made, both by the Group and the employees, to the fund at the rate of 8.33% of basic salary.

## 4.11.3 Leave Encashment

The Group accounts for liability in respect of un-availed compensated absences after accumulation of maximum 40 days for all its permanent employees, in the period of absence. Provision for liabilities towards compensated absences is made on the basis of last drawn gross salary.

## 4.12 Taxation

### 4.12.1 Current

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax credits and rebates available, if any, in accordance with the provision of the Income Tax Ordinance, 2001. It also includes any adjustment to tax payable in respect of prior years.

### 4.12.2 Deferred

Deferred tax is recognized using balance sheet liability method, providing for all significant temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the balance sheet date. The Group recognizes a deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## 4.13 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost.

## 4.14 Provisions

A provision is recognized in the consolidated balance sheet when the Group 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.

## 4.15 Dividends and appropriations

Dividends and reserve appropriations are recognised in the period in which these are declared / approved. The distribution of dividend is subject to the covenants as mentioned in note 17.1

## 4.16 Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and is recognised on the following basis:

- Sales are recognized when the significant risk and rewards of ownership of the goods have passed to the customer which coincide with the dispatch of goods to the customers.
- Export sales are recognized on the basis of product shipped to the customers.
- Mark-up on delayed payments charges are recognized on the time proportionate basis.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

- Interest income / mark-up on short term deposits and interest bearing advances are recognized on the proportionate basis.
- Handling income including income from gantry operation, pipeline charges, scarp sales and rental income are recognized on accrual basis.

## 4.17 Impairment

### 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.

### Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the consolidated profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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

## 4.18 Foreign currencies translation

Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the balance sheet date. Gains and losses on translation are taken to consolidated profit and loss account.

## 4.19 Financial instruments

All financial assets and liabilities are initially measured at fair value, and subsequently re-measured at fair value or amortized cost as the case may be. The Group derecognizes the financial assets and financial liabilities when it ceases to be a party to such contractual provisions of the instruments.

## 4.20 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated financial statements only when there is legally enforceable right to set-off the recognized amounts and the Group intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

## 4.21 Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Chief Executive Officer of the Group.

## 5. RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS

- 5.1 During the year, the Group has restated its prior period financial statements in accordance with International Accounting Standard (IAS) 8 'Accounting Policies, Changes in Accounting Estimates and Errors' to account for derecognition of financial liability as described below:



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

## 5.1.1 Financial liability

As at 31 December 2012, the terms and conditions of the Group's principal payable and mark-up accrued as at that date were substantially modified by the commercial banks as disclosed in more detail in note 17 to these consolidated financial statements for the year ended 30 June 2014. Therefore, the financial liability has been derecognised and a new liability has been recognised in accordance with International Accounting Standard 39 'Financial Instruments: Recognition and Measurement'. Accordingly, following adjustments and restatements have been made in the consolidated financial statements for the year ended 30 June 2014.

## 5.1.2 Revaluation surplus

In previous year's financial statements, revaluation surplus was understated due to some erroneous omission. The same has been corrected in the prior period.

5.1.3 The effects of the above adjustments and retrospective application of IAS 19 as disclosed in note 3.6.1 is summarised below:

	As at 30 June 2014				Restated
	As previously reported	Employee retirement benefits (note 3.6.1)	Financial liability (note 5.1.1)	Revaluation surplus (note 5.1.2)	
	----- (Rupees in '000) -----				
<b>Effect of changes on balance sheet item</b>					
Revaluation surplus	5,256,256	-	-	27,229	5,283,485
Deferred liabilities	2,300,740	6,419	-	-	2,307,159
Long term loans and accrued markup	19,575,402	-	(2,639,168)	-	16,936,234
Accumulated losses	(23,580,883)	(6,419)	2,639,168	(27,229)	(20,975,363)
	<u>3,551,515</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,551,515</u>
<b>Effect of changes on profit and loss account</b>					
Salaries and wages - cost of sales	(248,430)	2,805	-	-	(245,625)
Salaries and wages - Administrative expenses	(337,289)	2,031	-	-	(335,258)
Financial charges	(2,606,165)	-	(39,507)	-	(2,645,672)
Other income	844,267	-	2,678,675	-	3,522,942
	<u>(2,347,617)</u>	<u>4,836</u>	<u>2,639,168</u>	<u>-</u>	<u>296,387</u>

## 5.1.4 Effect of changes on other comprehensive income

	As at 30 June 2013				Restated
	As previously reported	Employee retirement benefits (note 3.6.1)	Financial liability (note 5.1.1)	Revaluation surplus (note 5.1.2)	
	----- (Rupees in '000) -----				
Total comprehensive income for the year	<u>(4,948,297)</u>	<u>(2,571)</u>	<u>2,639,168</u>	<u>-</u>	<u>(2,311,700)</u>

During the current year, due to the above adjustments, financial charges have increased by Rs. 129.039 million, remeasurement: actuarial loss on obligation have increased by Rs. 11.380 million, long term financing and accrued mark-up have increased by Rs. 129.039 million (30 June 2013: decreased by Rs. 2,639.168 million), employee staff retirement benefits have increased by Rs. 11.380 million (30 June 2013 : 2.571 million) and accumulated losses by Rs. 140.419 million (30 June 2013: decreased by 2,636.597 million) Loss per share has increased by Rs 0.14.

6. PROPERTY, PLANT AND EQUIPMENT	Notes	2014		2013	
		----- (Rupees in '000) -----			
Operating fixed assets	6.1	37,973,692		13,391,603	
Capital work in progress - at cost	6.2	1,024,438		9,970,866	
		<u>38,998,130</u>		<u>23,362,469</u>	

# Notes to the Consolidated Financial Statements

## For the year ended 30 June 2014

### 6.1 Operating fixed assets

	2014					2014					Rate of Depreciation
	COST / REVALUATION			ACCUMULATED DEPRECIATION		COST / REVALUATION			ACCUMULATED DEPRECIATION		
	As at 01 July 2013	Additions	Revaluation Surplus	Transfer (Disposals)	As at 30 June 2014	As at 01 July 2013	Charge for the year	Transfer (Disposal)	Revaluation surplus adjustment	As at 30 June 2014	Written Down Value As at 30 June 2014
<b>Owned</b>											
Freehold land	655,850	3,923	1,077	-	660,850	-	-	-	-	-	660,850
Leasehold land	755,700	-	54,381	-	810,081	22,280	11,140	-	2,405	35,825	774,256
Plant and machinery	15,144,017	4,096,428	16,490,400	53,343	35,784,188	4,165,890	1,122,049	26,007	898,444	6,212,390	29,571,798
Single point mooring and installations	-	5,513,062	-	-	5,513,062	-	110,261	-	-	110,261	5,402,801
Generators	201,921	1,212	216,289	-	419,422	95,913	17,589	-	120,853	234,355	185,067
Building, on freehold land, roads and civil works	340,793	516,303	-	-	857,096	79,481	17,128	-	-	96,609	760,487
Building on leasehold land	67,473	6,206	3,260	-	76,939	3,351	2,947	-	279	6,577	70,362
Furniture and fixtures	53,661	-	-	-	53,661	29,580	4,960	-	-	34,540	19,121
Filling stations (6.1.1)	573,335	30,618	-	-	603,953	130,085	54,006	-	-	184,091	419,862
Computer and allied equipments	81,494	25,132	-	(45)	106,581	70,601	10,324	(16)	-	80,909	25,672
Safety and lab equipments	89,459	-	1,030,413	-	1,119,872	67,862	16,889	-	976,185	1,060,936	58,936
Vehicles	196,071	-	-	35,177	196,139	181,163	14,688	27,944	(27,876)	195,919	220
Portable cabins	11,199	-	-	-	11,199	9,061	469	-	-	9,530	1,669
	18,170,953	10,192,884	17,795,820	88,520	46,213,023	4,855,267	1,382,450	53,951	1,998,166	8,261,942	37,951,081
<b>Leased</b>											
Plant and machinery	53,343	-	-	(53,343)	-	23,507	2,500	(26,007)	-	-	-
Vehicles	81,087	-	-	(35,177)	45,910	35,006	16,237	(27,944)	-	23,299	22,611
	134,430	-	-	(88,520)	45,910	58,513	18,737	(53,951)	-	23,299	22,611
	18,305,383	10,192,884	17,795,820	-	46,258,933	4,913,780	1,401,187	(27,892)	1,998,166	8,285,241	37,973,692

Additions of Rs. 10,193 million as shown above, include an amount of Rs. 10,188 million transferred from capital work-in-progress during the year, as shown in note 6.2.

# Notes to the Consolidated Financial Statements

## For the year ended 30 June 2014

6.1.1 Plant and Machinery includes an Isomerization unit (ISOM) that converts and upgrades light naphtha into environmental friendly motor gasoline. The Board of Directors of the Company in their meeting held on 21 May 2014 have proposed to sell Isomerization unit having carrying value of Rs. 16,931,504 million based on an independent valuation to BIPL which shall be paid in the form of ordinary shares of BIPL. An Extra Ordinary General Meeting seeking approval of the shareholders was held on 16 June 2014.

	COST / REVALUATION				ACCUMULATED DEPRECIATION				Written Down Value As at 30 June 2013	Rate of Depreciation	
	As at 01 July 2012	Additions	Revaluation Surplus	Transfer / (Disposals) / (Adjustment)	As at 30 June 2013	Charge for the year	Transfer / (Disposals) / (Adjustment)	Revaluation surplus adjustment			As at 30 June 2013
<b>Owned</b>											
Freehold land	655,830	-	-	-	655,830	-	-	-	-	655,830	-
Leasehold land	755,700	-	-	-	755,700	11,140	11,140	-	22,280	733,420	20%
Plant and machinery	15,104,071	11,069	-	217,708	15,144,017	3,443,810	861,927	48,984	4,165,890	10,978,127	4-5%
				(188,831)				(188,831)			
Generators	198,532	3,389	-	-	201,921	82,509	13,404	-	95,913	106,008	6.70%
Building, on freehold land, roads and civil works	311,220	29,573	-	-	340,793	66,348	13,133	-	79,481	261,312	4%
Building on leasehold land	64,760	2,713	-	-	67,473	706	2,645	-	3,351	64,122	4%
Furniture and fixtures	54,087	1,067	-	(1,493)	53,661	24,605	5,130	(155)	29,580	24,081	0.1
Filling stations (6.1.1)	561,751	29,027	-	(17,443)	573,335	77,516	57,055	(4,486)	130,085	443,250	5-12.5%
Computer and allied equipments	79,870	1,904	-	(280)	81,494	56,646	14,146	(191)	70,601	10,893	0.33
Safety and lab equipments	88,594	865	-	-	89,459	56,196	11,666	-	67,862	21,597	20.00%
Vehicles	198,316	4,827	-	6,542	196,071	155,791	33,706	5,280	181,163	14,908	20%
Portable cabins	11,189	10	-	-	11,199	8,268	793	-	9,061	2,138	10%
	18,083,920	84,444	-	224,250	(221,661)	3,983,535	1,024,745	54,264	(207,277)	4,855,267	13,315,686
<b>Leased</b>											
Plant and machinery	271,051	-	-	(217,708)	53,343	65,327	7,164	(48,984)	23,507	29,836	4-5%
Vehicles	104,708	-	-	(6,542)	81,087	33,496	16,816	(5,280)	35,006	46,081	20%
	375,759	-	-	(224,250)	134,430	98,823	23,980	(54,264)	58,513	75,917	
	18,459,679	84,444	-	(238,740)	18,305,383	4,082,358	1,048,725	-	4,913,780	13,391,603	

Additions of Rs. 84,444 million, as shown above, include an amount of Rs. 57,946 million transferred from capital work-in-progress during the year, as shown in note 6.2.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

6.1.2 The Group's assets located at filling stations are not in possession of the Group. In view of large number of dealers, the management considers it impracticable to disclose particulars of assets not in possession of the Group as required under para 5 of part I of the Fourth Schedule to the Companies Ordinance, 1984.

6.1.3 During the year ended 30 June 2007, 30 June 2009, 30 June 2011, 30 June 2012 and 30 June 2014 revaluation exercises were carried out by independent valuers of the Company resulting in surplus on revaluations amounting to Rs.1,901.021 million, Rs. 4,062.989 million, Rs. 3,484.024 million, Rs. nil and Rs. 1,150.540 million respectively.

Further during the year ended 30 June 2010 and 30 June 2014 revaluation exercises were carried out by independent valuers of the BTPL resulting in surplus on revaluation amounting to Rs. 120.888 million and 66.298 million respectively.

The fair values were determined with reference to market based evidence, based on active market prices and relevant enquiries and information as considered necessary, adjusted for any difference in nature, location or condition of the specific property and in case where market based evidence was not available or not applicable due to the specialized nature of asset, than it was based on depreciated replacement cost method.

6.1.4 Had there been no revaluation, the net book value of specific classes of operating property, plant and equipment would have amounted to:

	Notes	2014	2013
		----- (Rupees in '000) -----	
Free hold land		50,654	46,731
Lease hold land		213,200	268,940
Plant and Machinery		8,313,066	4,617,965
Generators		57,802	69,495
Buildings on Free hold land, leasehold land, roads & civil works		814,508	299,240
Safety and lab equipment		4,865	21,597
		<u>9,454,095</u>	<u>5,323,968</u>

6.1.5 Depreciation charge for the year has been allocated as follows:

	Notes	2014	2013
Cost of sales	27.1	1,287,300	912,188
Administrative expenses	28	113,887	136,537
		<u>1,401,187</u>	<u>1,048,725</u>

6.1.6 Detail of assets disposed off during the year:

	Cost	Accumulated depreciation	Book value	Sale proceeds / disposal value	Gain / (loss)	Mode of Disposal	Particulars of Buyer	
							Name	Status
----- (Rupees in '000) -----								
Suzuki Cultus	755	604	151	189	38	Group Policy	Rizwana Ghani	Employee
Toyota Corolla	1,314	1,051	263	329	66	Group Policy	Rizwan Gilani	Employee
Suzuki Cultus	770	616	154	193	39	Group Policy	Naveed Rabbani	Employee
Suzuki Cultus	765	612	153	191	38	Group Policy	Adil Mannan	Employee
Toyota Corolla	1,269	1,015	254	317	63	Group Policy	Majid Muqtadir	Employee
Suzuki Cultus	765	612	153	191	38	Group Policy	Shah Mohiuddin Qadri	Employee
Suzuki Cultus	770	616	154	193	39	Group Policy	Nasir Hussain	Employee
Suzuki Cultus	770	616	154	193	39	Group Policy	Farhan Saeed	Employee
Toyota Corolla	1,269	704	565	628	63	Group Policy	Nawaz Khan	Employee
Suzuki Cultus	770	616	154	193	39	Group Policy	Shabbir Hussain	Employee
Suzuki Cultus	770	616	154	193	39	Group Policy	Zafar Iqbal	Employee
Suzuki Cultus	770	616	154	193	39	Group Policy	Kamran Adnan	Employee
Suzuki Cultus	770	616	154	193	39	Group Policy	Kashif Bashir	Employee
Honda Civic	1,846	1,477	369	462	93	Group Policy	Ata Rehman	Employee
Toyota Corolla	1,269	1,015	254	317	63	Group Policy	Sanaullah	Employee
Honda Civic	1,470	1,176	294	368	74	Group Policy	Ahmed Arif	Employee
Honda Civic	1,470	1,176	294	368	74	Group Policy	Iqbal Harris	Employee
Honda Civic	1,467	1,174	293	367	74	Group Policy	Kamran Lari	Employee
Honda Civic	1,719	966	753	839	86	Group Policy	Wasi Alvi	Employee
Suzuki Cultus	770	616	154	193	39	Group Policy	Jehanzeb	Employee
Honda Civic	1,846	1,477	369	462	93	Group Policy	Masood Raza	Employee
Toyota Corolla	1,289	1,031	258	322	64	Group Policy	Abdul Sattar	Employee
Honda Civic	1,470	1,176	294	368	74	Group Policy	Faraz Ahmed	Employee
Toyota Corolla	1,289	1,031	258	322	64	Group Policy	Ghulam Sarwar	Employee
Suzuki Cultus	810	648	162	203	41	Group Policy	Usman	Employee
Suzuki Cultus	810	648	162	203	41	Group Policy	Siraj	Employee
Suzuki Cultus	810	648	162	203	41	Group Policy	Tabinda	Employee
Suzuki Cultus	770	616	154	193	39	Group Policy	Muhammad Haseeb	Employee
Suzuki Cultus	770	616	154	193	39	Group Policy	Aslam Soomro	Employee
Toyota Corolla	916	758	158	229	71	Group Policy	Nasir Ahmed	Employee
Suzuki Cultus	712	712	-	416	416	Tender	Ittehad Motors	Employee
Suzuki Cultus	810	648	162	203	41	Group Policy	Amir Ali Virani	Employee
Toyota Corolla	1,269	1,269	-	-	-	Snatched	N/A	N/A
<b>Computer and Allied Laptop</b>	<b>45</b>	<b>16</b>	<b>29</b>	<b>29</b>	<b>-</b>	<b>Group Policy</b>	<b>Jawed Ahmed</b>	<b>Employee</b>
<b>2014</b>	<b>35,154</b>	<b>27,892</b>	<b>7,262</b>	<b>9,368</b>	<b>2,106</b>			
<b>2013</b>	<b>49,909</b>	<b>28,472</b>	<b>21,437</b>	<b>15,182</b>	<b>(6,255)</b>			

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

	Notes	2014	2013
..... (Rupees in '000) .....			
<b>6.2 Capital work in progress - at cost</b>			
Opening balance		9,970,866	9,709,039
Additions during the year		662,083	1,105,977
Net test run cost	6.2.2	588,973	277,296
		<u>11,221,922</u>	<u>11,092,312</u>
Capitalized during the year		(10,187,935)	(57,946)
Charged off / disposal during the year		(9,549)	(471,695)
Construction cost transferred to Coastal Refinery Limited (Related party)		-	(591,805)
Closing balance		<u>1,024,438</u>	<u>9,970,866</u>
<b>6.2.1 Single Point Mooring Project (SPM)</b>			
Plant and machinery		522,235	3,989,348
Civil and mechanical works		18,196	364,021
Generators		6,764	7,491
Tanks		-	1,507,150
Filling stations		8,907	12,521
Computer and allied equipment		3,159	16,161
Safety and lab equipment		227,515	242,155
Upcountry project		237,662	-
		<u>1,024,438</u>	<u>9,970,866</u>

**6.2.2** BTPL in collaboration with Coastal Refinery Limited (CRL) has incurred certain costs in relation to its SPM project accordingly BTPL has capitalised the operating results of trial run.

During the year all requisite work on SPM project has been completed, further OGRA vide its letter No. OGRA (Oil)-19-3-(22)/(07)-SBM dated 19 November 2013 has also granted No Objection Certificate (NOC) for commencement of commercial operations to BTPL. Therefore the said SPM project was duly transferred to operating fixed assets.

## 7. INTANGIBLE ASSET

Computer software	7.1	-	2,957
Goodwill acquired on business combination	7.2	23,746	23,746
		<u>23,746</u>	<u>26,703</u>
<b>7.1 Computer software</b>			
<b>Cost</b>			
at the beginning		32,484	32,484
<b>Amortization</b>			
at the beginning		(29,527)	(26,569)
for the year	28	(2,957)	(2,958)
at the closing		<u>(32,484)</u>	<u>(29,527)</u>
		<u>-</u>	<u>2,957</u>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

7.1.1 Computer software includes SAP which is being amortized on a straight line basis over the use life of five years.

7.2 During the year ended 30 June 2010, the Company acquired 100% shares of BTPL from all of its shareholders for a consideration of Rs. 87.155 million. The effective control was obtained on 17 February 2010. The acquisition brought about expansion and diversification of the Company's business as BTPL is engaged in provision of bulk storage services and mooring services of petroleum products.

Goodwill acquired through acquisition has an indefinite life. The Group assessed the recoverable amount of the goodwill by determining the value in use over a ten year period as the business is long term by nature. The recoverable value exceed its carrying value and hence no impairment exists. The management believes that any reasonable possible changes to the key assumptions on which the calculation of recoverable amount is based would not significantly cause the carrying amount to exceed the recoverable amount.

## 8. LONG TERM RECEIVABLE - considered good

On 12 April 2013, BTPL entered into an Amended and Restated Share Purchase Agreement (the Agreement) with Coastal Refinery Limited (CRL). As per the terms of the Agreement, the Company has financed the construction cost of the buoy amounting Rs. 830 million which will be recovered from CRL through issuance of CRL's shares to the Company at a face value of Rs. 10 each.

	Notes	2014	2013
..... (Rupees in '000) .....			
<b>9. LONG TERM DEPOSITS</b>			
In respect of:			
- Finance lease		4,955	8,338
- Rental premises and Others		3,453	6,525
- Ijarah finance		20,321	22,150
- Central Depository Company of Pakistan		13	43
		28,742	37,056
Current portion		(163)	(362)
		28,579	36,694
<b>10. STOCK IN TRADE</b>			
Raw material - Crude Oil	10.1	2,485,043	1,743,210
Finished products	10.2 & 10.3	6,292,464	3,960,302
		8,777,507	5,703,512

10.1 Crude oil having cost of Rs. 2,710.043 million have been written down by Rs. 225 million to net realizable value.

10.2 Finished products having cost of Rs. 6,536.343 million (2013: Rs. 4004.875 million) have been written down by Rs. 243.879 million (2013: Rs. 44.573 million) to net realizable value.

10.3 Stock of finished products includes stock held by third parties amounting to Rs. 1,950.455 million (2013: Rs. 128.095 million).



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

	Notes	2014	2013
(Rupees in '000)			
<b>11. TRADE DEBTS</b>			
Considered good			
Due from:			
- Pakistan State Oil Company limited	11.1	3,970,961	6,677,564
Due from related parties:			
- K-Electric Limited		2,461,669	3,274,929
- Byco Oil Pakistan Limited		5,984	750,366
		2,467,653	4,025,295
Others		3,158,058	1,028,829
Considered doubtful		1,793,223	1,330,853
		11,389,895	13,062,541
Provision for impairment (against trade debts - considered doubtful)	11.2	(1,793,223)	(1,330,853)
		9,596,672	11,731,688

11.1 This represents amount due from Pakistan State Oil Company Limited (PSO) against supplies of products and on account of mark up on delayed payments . The Company had entered into a "sale and purchase of product" agreement with PSO on 5 April 2002 for a period of 10 years. The said agreement mentions that in the event of late payment of invoices by PSO, the Company would be entitled to recover mark-up from PSO for the period of delay on daily compounding basis at one percent above normal lending rate of commercial banks, being the lending rates applicable for short term running finance of Company or PSO whichever is lower. The mark up on delayed payments relates only to purchases made by PSO under agreement dated 02 April 2002, which expired on 02 April 2012. Subsequent to the expiry of the agreement all purchases made by PSO do not carry any mark up on delayed payment.

## 11.2 Provision for impairment (against trade debts - considered doubtful)

Opening balance		1,330,853	-
Provision made during the year	31	462,370	1,330,853
Closing balance		1,793,223	1,330,853

11.3 The aging of above related parties balances at the balance sheet date is as follows:

Not past due		138,509	422,241
Past due 1-30 days		1,856,449	1,016,181
Past due 31-150 days		372,488	1,857,185
Past due 150 days		100,207	729,688
		2,467,653	4,025,295

## 12. LOANS AND ADVANCES - considered good

- Employees		100	145
- Suppliers and contractors		162,574	260,453
- Coastal refinery limited	12.1	426,946	208,881
- Loan to Byco Oil Pakistan Limited	12.2	424,923	-
		1,014,543	469,479

12.1 During the year, BTPL has incurred certain costs of capital and revenue nature on account of Coastal Refinery Limited (CRL). These are being adjusted from the cost payable to CRL on account of usage of Buoy.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

12.2 This carries mark-up at the rate of six months KIBOR plus 3.25% per annum, payable semi-annually in arrears. The principal amount outstanding is to be received on 25 September 2014.

	Notes	2014	2013
----- (Rupees in '000) -----			
<b>13. TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Deposits		6,893	1,892
Margin against letter of credits		1,211	5,642
Prepayments		22,379	42,554
Advance income tax		107,410	341,382
Inland freight equalization margin		438,642	249,941
Sales tax refundable		12,671	67,147
Excise duty refundable		13,839	8,575
Lease rentals receivable from related party	13.1	215,318	164,785
Receivable from Parent company		-	407,171
Others		-	357
		<u>818,363</u>	<u>1,289,446</u>

13.1 This represents receivable in respect of land situated at Mauza Kund, Baluchistan, sub-leased to the Parent Company.

## 14. CASH AND BANK BALANCES

Cash in hand		71	105
Stamp papers		100	100
Cash at banks			
- Current accounts		469,861	555,393
- Saving / deposit accounts	14.1	3,503	6,342
	14.2	473,364	561,735
		<u>473,535</u>	<u>561,940</u>

14.1 These carry mark-up ranging from 6.5% to 9.1% (2013: 6% to 9%) per annum.

14.2 This includes Rs. 68.01 million (2013: Rs. 61.208 million) kept under lien against letter of credit facilities obtained from banks.

## 15. SHARE CAPITAL

2014	2013		2014	2013
(Number of Shares)			(Rupees in '000)	
		<b>Authorized share capital</b>		
<u>1,200,000,000</u>	<u>1,200,000,000</u>	Ordinary shares of Rs. 10 each	<u>12,000,000</u>	<u>12,000,000</u>
		<b>Issued, subscribed and paid-up capital</b>		
<u>977,858,737</u>	<u>977,858,737</u>	Ordinary shares of Rs. 10 each	<u>9,778,587</u>	<u>9,778,587</u>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

	2014	2013
	(Rupees in '000)	
<b>16. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>		
Balance as at 1 July	7,538,339	8,052,815
Surplus on revaluation carried out during the year	2,136,568	-
Surplus on revaluation of Isomerization Plant	13,661,086	-
	15,797,654	-
Transfer to accumulated losses in respect of		
- incremental depreciation charged during the year - net of tax	(460,429)	(334,410)
- related deferred tax liability	(247,923)	(180,066)
	(708,352)	(514,476)
Balance as at 30 June	22,627,641	7,538,339
Less: Related deferred tax liability on:		
- revaluation at the beginning of the year	2,254,854	2,434,920
- related to revaluation carried out during the current year	5,528,802	-
- incremental depreciation charged during the year	(247,923)	(180,066)
	7,535,733	2,254,854
	15,091,908	5,283,485

	Notes	2014	2013 (Restated)
		(Rupees in '000)	
<b>17. LONG TERM LOANS AND ACCRUED MARK-UP</b>			
<b>From Banks</b>			
Restructured principal and accrued mark-up	17.1,17.2 & 17.3	15,123,156	16,936,234
Total deferred mark-up on restructured principal	17.1,17.2 & 17.3	2,061,298	801,266
Long term financing	17.4	342,116	-
		17,526,570	17,737,500
Current maturity of restructured principal facilities		(2,455,000)	(1,600,000)
Current maturity long term financing		(342,116)	-
	24	(2,797,116)	(1,600,000)
Current maturity of deferred mark-up on restructured principal	22	(200,781)	(326,569)
		14,528,673	15,810,931

**17.1** The syndicate banks upon request of the Company have restructured the outstanding amount in accordance with the terms and subject to the conditions mentioned in the Restructured Agreement (the Agreement) made on 31 December 2012. As per the Agreement, principal amount of Rs. 17,379.700 million has been restructured over a period of maximum 7 years from 2013 to 2019 and carries mark-up at the rate of 6 months Karachi Inter-Bank Offer Rate (KIBOR) whereas accrued mark-up of Rs. 1,853.586 million is interest-free and is to be paid within a period of two years commencing after the payment of restructured principal facilities. Further the restructured facility contains a covenant that the Company cannot pay dividend to its shareholders if an event of default has occurred and / or is continuing.

**17.2** As per the terms of the Agreement, National Bank of Pakistan (NBP) is being paid on a priority basis in unequal semi-annual instalments whereas payment in respect of the remaining principal amount will be made in fourteen unequal semi-annual instalments commencing upon the discharge of full obligation of the NBP restructured facility or expiry of 2.5 years (June 2015) from the Agreement date whichever is earlier. Further, an amount of Rs. 50 million out of the total mark-up accrued during the restructured period shall be payable by the Company on each instalment date in the first year and Rs. 100 million on each instalment date in the following six years which is being paid by the Company. Remaining accrued mark-up shall be payable within a period of two years commencing after the repayment of the restructured principal facilities.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

- 17.3 The restructuring of loans as mentioned had resulted in substantial modification of the financing terms. Accordingly, the previous liability has been derecognised and new liability has been recognized at fair value as more fully explained in note 5. The difference between the carrying amount of the liability extinguished and the fair value of the new liability has been recognized in the unconsolidated profit and loss account which is being amortised on effective interest rate over the remaining tenor of the loan.

The restructured facility is secured by way of:

- (i) first Joint Pari Passu charge over fixed assets to the extent of Rs. 7,670 million, first Pari Passu equitable mortgage charge over fixed assets (land and building only) to the extent of Rs. 7,670 million;
  - (ii) first Pari Passu equitable mortgage charge over fixed assets (exclusive of land and building) to the extent of Rs. 20,400 million;
  - (iii) first Joint Charge on the assets of Byco Terminals Pakistan Limited (a wholly owned subsidiary of the Company) including storage related assets and crude oil tanks;
  - (iv) first Pari Passu Hypothecation charge to the extent of Rs. 20,400 million on all present and future current assets of the Company; and
  - (v) the Syndicate banks will have a lien and right of set off on an account maintained with an assigned agent bank wherein the Company will route all its revenues / receipts.
- 17.4 This represents loan from a bank carrying mark-up at the rate of one year KIBOR plus 2.75% per annum, payable annually in arrears. This is secured by hypothecation on all movable assets of BTPL. The amount outstanding is repayable in two equal annual instalments in arrears with a grace period of one year from the date of disbursement i.e. 13 February 2013. BTPL has defaulted on the repayment of loan considering which it has been transferred to current liabilities. BTPL is currently under negotiation with the bank for restructuring of the facility and expects deferment in payment terms.

## 18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2014		2013	
	Lease Payments		Lease Payments	
	Minimum	Present Value	Minimum	Present Value
..... (Rupees in '000) .....				
Less than one year	21,019	18,625	48,136	38,208
One to five years	5,615	4,949	36,498	34,674
<b>Total minimum lease payments</b>	<b>26,634</b>	<b>23,574</b>	<b>84,634</b>	<b>72,882</b>
Less: Financial charges allocated to the future period	(3,060)	-	(11,752)	-
<b>Present value of minimum lease payments</b>	<b>23,574</b>	<b>23,574</b>	<b>72,882</b>	<b>72,882</b>
Current portion under current liabilities	(18,626)	(18,626)	(38,209)	(38,209)
	4,948	4,948	34,673	34,673

- 18.1 The Group has entered into lease agreements with the leasing companies to acquire vehicles. The rentals under the lease agreements are payable upto December 2016. The cost of operating and maintaining the leased assets is borne by the Group. The Group intends to exercise the option to purchase the leased assets at the residual value of assets upon the completion of respective lease periods.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

	Notes	2014	2013
..... (Rupees in '000) .....			
<b>19. LONG TERM DEPOSITS</b>			
Deposit from Parent Company against land lease rentals	13.1	3,646	3,646
Trade and other deposits		83,832	59,061
		<u>87,478</u>	<u>62,707</u>
<b>20. DEFERRED LIABILITIES</b>			
Deferred taxation	20.1	6,812,606	2,254,853
Employees retirements benefits	20.2	65,599	52,306
		<u>6,878,205</u>	<u>2,307,159</u>
<b>20.1 Deferred taxation</b>			
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation		2,372,928	1,224,276
- finance lease transactions		(364)	7,684
Deductible temporary differences arising in respect of:			
- staff gratuity fund		(25,272)	(17,761)
- provision for impairment (against debts - considered doubtful)		(627,628)	(465,799)
- carry forward of income tax losses		(7,287,144)	(6,718,245)
		<u>(5,567,480)</u>	<u>(5,969,845)</u>
Deferred tax asset not recognised	20.1.1	4,844,353	5,969,845
		<u>(723,127)</u>	-
Taxable temporary differences arising in respect of:			
- surplus on revaluation of property, plant and equipment	20.1.2	7,535,733	2,254,853
		<u>6,812,606</u>	<u>2,254,853</u>

**20.1.1** Considering the fact that financing facilities have now been made available to the Group by the banks, the management is optimistic of generating profits in future. However, as a matter of prudence, deferred tax asset of Rs. 4,844.353 million as at 30 June 2014 has not been recognized in these consolidated financial statements.

**20.1.2** This includes deferred tax liability relating to BTPL amounting to Rs. 33.801 million.

## **20.2 Employees retirements benefits- staff gratuity**

### **20.2.1 General description**

#### **The Company:**

The Company operates a funded gratuity scheme for its eligible employees payable on attainment of normal retirement age of 60 years, voluntary retirement, death in service and termination from service, other than for misconduct, negligence or incompetence. Benefit entitlement is equal to 30 days basic salary for each completed year of service, provided that the minimum qualifying period for eligibility is five years of service, except in case of death of an employee.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

## BTPL:

BTPL operates an unfunded gratuity scheme for its eligible employees payable on attainment of normal retirement age of 60 years, voluntary retirement, death in service and termination from service, other than for misconduct, negligence or incompetence. Benefit entitlement is equal to 30 days basic salary for each completed year of service, provided that the minimum qualifying period for eligibility is five years of service, except in case of death of an employee.

The Group's obligation under the above schemes as of 30 June 2014 has been determined by a qualified actuary. Details of the results of actuarial valuation are given below:

	Notes	2014	2013
		(Rupees in '000)	
<b>20.2.2 Reconciliation of amount payable to defined benefit plan</b>			
Present value of defined benefit obligation		81,577	52,306
Fair value of plan assets		(15,978)	-
	20.2.5	<u>65,599</u>	<u>52,306</u>
<b>20.2.3 Reconciliation of present value of defined benefit obligation</b>			
Present value of defined benefit obligation - opening		52,306	47,764
Current service cost		18,964	15,097
Interest cost		5,797	4,372
Past service cost		-	4,548
Transfer to the Parent Company		(3,148)	(16,429)
Curtailment gain			(3,445)
Benefits paid		(3,787)	(7,007)
Actuarial loss on obligation		11,445	7,406
		<u>81,577</u>	<u>52,306</u>
<b>20.2.4 Reconciliation of fair value of plan assets</b>			
Fair value of plain assets - opening		-	-
Expected return on plan assets		865	-
Contributions		16,997	4,921
Total benefits paid		(1,948)	(7,007)
Benefits paid on behalf of the fund		-	2,086
Actuarial gain on plan assets		64	-
		<u>15,978</u>	<u>-</u>
<b>20.2.5 Movement in net liability</b>			
Opening net liability		52,306	47,764
Charge for the year	20.2.6	23,895	20,572
Transfer to the Parent Company		(3,273)	(19,514)
Received from previous employers		126	3,085
Benefits paid on behalf of the fund		(1,838)	(2,086)
Other comprehensive income - actuarial (gain) / loss	20.2.7	11,380	7,407
Contributions		(16,997)	(4,922)
Closing net liability		<u>65,599</u>	<u>52,306</u>
<b>20.2.6 Charge for the year</b>			
Current service cost		18,963	14,158
Interest cost		4,932	4,372
Curtailment gain		-	(2,794)
Recognition of actuarial gain due to curtailment		-	4,836
		<u>23,895</u>	<u>20,572</u>



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

	Notes	2014	2013
		(Rupees in '000)	
<b>20.2.7 Actuarial remeasurements</b>			
Actuarial loss on obligations		(11,445)	(7,407)
Actuarial gain on assets		65	-
		<u>(11,380)</u>	<u>(7,407)</u>
<b>20.2.8 Composition of plan assets</b>			
Cash at bank		<u>15,978</u>	<u>-</u>

## 20.2.9 Principal actuarial assumption

Following assumptions have been used for the actuarial valuation as of 30 June 2014 under the Projected Unit Credit Actuarial Cost method:

	2014	2013
Expected rate of increase in salaries	11.5%	9.5%
Discount factor used	13.5%	11.5%
Expected return of plan assets	13.5%	11.5%
Normal retirement age of employees	60 years	60 years

## 20.2.10 Balance sheet date sensitivity analysis ( + 100 bps) on present value of defined benefit obligation

	2014			
	Discount rate		Salary increase	
	+100 bps	-100 bps	+100 bps	-100 bps
	(Rupees in '000)			
Present value of defined benefit obligation	<u>72,402</u>	<u>92,517</u>	<u>92,623</u>	<u>72,174</u>

20.2.11 A total of 401 employees as of 30 June 2014 have been covered under the above scheme.

20.2.12 Charge for the next financial year as per the actuarial valuation report amounts to Rs. 25.437 million.

	2014	2013	2012	2011	2010
	(Rupees in '000)				
<b>20.2.13 Historical information</b>					
Present value of defined benefit obligation	<u>81,577</u>	<u>52,306</u>	<u>47,764</u>	<u>37,313</u>	<u>22,959</u>
Fair value of plan assets	<u>15,978</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

	Notes	2014	2013 (Restated)
		..... (Rupees in '000) .....	
<b>21. TRADE AND OTHER PAYABLES</b>			
Creditors for supplies and services	21.1 & 21.3	16,345,015	15,164,259
Payable to Parent Company	21.2	68,598	125,927
Accrued expenses		602,025	359,157
Advances from customers	21.4	984,642	1,561,127
Sales tax, Duties and Levies payable		10,470,096	3,524,161
Withholding tax deductions payable		71,711	43,729
Workers profit participation fund	21.5	56,823	53,593
Payable to staff provident fund		14,278	12,492
Dividend payable		1,146	1,146
Other payables		139,913	73,089
		<u>28,754,247</u>	<u>20,918,680</u>

**21.1** This includes an amount of Rs. 156.389 million (2013: Rs. 156.389 million) payable to China Harbour Engineering Company (CHEC) with respect to engineering, fabrication and installation of SPM offshore / onshore pipelines.

**21.2** This represents advance against storage and handling services and group expenses allocated to Byco Oil Pakistan Limited

**21.3** This includes Rs. 12.014 million payable to BII (Ultimate Parent Company) in respect of services.

**21.4** This includes Rs. 230 million (2013: Rs. 373.259 million) received in respect of demarcated plots of land for setting up of Liquefied Petroleum Gas storage and filling facilities (LPG village facility). The amount has been received in advance from consumers under LPG village facility utilization agreement. The agreements are effective for 10 years from the date of signing or any period thereafter as mutually agreed. During the year, the advance was returned to certain consumers on their demand however, the facility is expected to commence shortly after commissioning of refinery of the Parent Company and completion of certain legal formalities upon which the advance will be classified as deferred revenue and will be amortized over the period of the agreed terms.

## **21.5 Workers profit participation fund**

Opening balance		53,593	50,540
Mark-up for the year	21.5.1	3,230	3,053
		<u>56,823</u>	<u>53,593</u>

**21.5.1** Mark up has been charged at KIBOR plus 2.5% as per the Companies Profit (Workers' Participation) Act, 1968.

## **22. ACCRUED MARK-UP**

On:			
- restructured principal facilities	17	200,781	326,569
- short term and long term borrowings		403,826	79,612
- advance from customers		153,406	110,534
		<u>758,013</u>	<u>516,715</u>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

	Notes	2014	2013
..... (Rupees in '000) .....			
<b>23. SHORT TERM BORROWINGS</b>			
From banks			
- Short term running finance - secured	23.1	1,800,000	1,800,000
- Short term running finance - secured	23.2	400,000	-
- Finance against trust receipt - secured	23.3	6,402,108	6,800,000
From a related party - unsecured	23.4	121,000	6,300
		8,723,108	8,606,300

23.1 This carries mark-up at the rate of six month KIBOR plus 2.75% per annum, payable semi-annually from the date of first disbursement and is secured by hypothecation on all movable assets of BTPL. The principal outstanding was repayable as a bullet payment in November 2013. However the Company was unable to repay the said amount.

23.2 This represents loan obtained from a bank carrying mark-up at the rate of six months KIBOR plus 3.25% per annum, payable semi-annually in arrears. The amount outstanding is repayable on 25 September 2014. This is secured by pledge on shares of the Company with 35% margin.

23.3 The facility has been extended by a local bank for working capital. The facility carries mark-up at 3 month's KIBOR plus 1%. The facility is secured against documents of title of goods, stock of crude and petroleum products, and receivables, lien on the bank's collection account and a 15,000 million corporate guarantee furnished by the Ultimate Parent Company.

23.4 This represents interest free loan from CUSP Pakistan Limited, a related party, which is repayable on demand.

## 24. CURRENT PORTION OF NON-CURRENT LIABILITIES

Long term loans	17	2,797,116	1,600,000
Liabilities against assets subject to finance lease	18	18,626	38,209
		2,815,742	1,638,209

## 25. CONTINGENCIES AND COMMITMENTS

### 25.1 Contingencies

25.1.1 The Company received orders from Deputy Commissioner Inland Revenue for tax periods January 2010, July 2010 to June 2011, July 2012 to October 2012, and December 2012, whereby default surcharge of Rs. 213.035 million and penalty amounting to Rs. 14.634 million were levied on late payment of sales tax. The Company filed appeals against the said orders with Appellate Tribunal Inland Revenue (ATIR) who in its order dated 16 April 2014 waived the aforementioned default surcharge and penalty.

Further, the Company received orders from Deputy Commissioner Inland Revenue in respect of tax periods from April 2013 to December 2013, January 2014 to April 2014, and May 2014 whereby default surcharge of Rs. 41.847 million and penalty of Rs. 318.108 million were levied on the Company. However, on the appeal filed by the Company, the Commissioner Inland Revenue Appeals (CIRA) has waived the default surcharge amounting to Rs 10.683 million and also waived the penalty on late payment of sales tax amounting to Rs.318.108 million.

An appeal can be filed against the said orders by the ATIR and CIRA by the sales tax department in light of the provisions of the Sales Tax Act, 1990.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

**25.1.2** Claims against the Company not acknowledged as debts amounting to Rs. 3,182.141 million (2013: Rs. 3,162.191 million) comprise of late payment charges on account of delayed payments against crude oil supplies from Oil and Gas Development Company (OGDCL), Mari Gas Limited (MGL) and Pakistan Petroleum Limited (PPL) amounting to Rs. 2,567 million, Rs. 211 million and Rs. 404 million respectively. The details of the cases filed by MGL and PPL are as follows:

Mari Gas Limited (MGL) has filed a suit bearing number 636 of 2012 in Honourable High Court of Sind at Karachi whereby a sum of Rs. 860 million has been claimed by MGL on account of its share of the price of condensate allocated to the company from the Adam X-1 well together with associated legal and other costs amounting to Rs. 211 million.

Pakistan Petroleum Limited (PPL) has filed a suit bearing number 160 of 2013 in the Honourable High Court of Sind at Karachi for recovery and damages amounting to Rs. 1,156 million including alleged Late Payment Surcharge (LPS) amounting to Rs. 404 million, on account of sale of condensate.

The Company is of the view that there are no specific contractual arrangements with the above suppliers along with OGDCL which allow them to claim / recover LPS and other associated costs and hence no provision in respect of the same has been made in these consolidated financial statements.

**25.1.3** The Company was served with a sales tax order from Federal Board of Revenue (FBR) claiming additional sales tax amounting to Rs. 99 million. The company has not adjusted its input claim of Rs. 99 million being Federal Excise Duty (FED) claim charged under Value Added Tax (VAT) mode by Banking Companies, Insurance Companies and Terminal Operators on various invoices in the relevant tax periods from July 2009 to June 2011. The Company Commissioner Inland Revenue (CIR) has condoned the time limit under section 43 of the Federal Excise Duty Act, 2005 and has allowed the Company to adjust Rs 66 million in the month of June 2014. The remaining amount to be adjusted is under consideration by FBR.

The management based on the opinion of its adviser is confident of a favourable decision and accordingly no provision has been made in this respect.

**25.1.4** A supplier of generators to BTPL has filed a suit against BTPL for a sum of Rs. 2.115 million on account of increased cost of materials, financial losses etc. resulting due to delay in delivery, which in the view of plaintiff was caused due to the acts of BTPL. However, the delay was on part of supplier which compelled the BTPL to hire the generators during delayed period on which BTPL incurred and recovered a sum of Rs. 1.238 million through encashment of guarantees provided by supplier. The suit is pending and no accrual of amount in question has been made in these consolidated financial statements, as there is no contractual or other basis on which the plaintiff can rest its claim and accordingly the same is likely to be rejected by the Honourable Court.

**25.1.5** China Harbour Engineering Company (CHEC), engaged by BTPL for the construction of its SPM on 19 August 2011, demanded a penalty of Rs. 22 million from BTPL on account of delayed payments in accordance with the terms of the agreement entered into between the Subsidiary company and the CHEC. However, BTPL has not acknowledged the said demand as it believes that delay was on part of contractor's bank. No demand of notice or any correspondences have been received from CHEC regarding follow up of this penalty based on which no accrual of amount in question has been made in these consolidated financial statements.

	Notes	2014	2013
..... (Rupees in '000) .....			
<b>25.2 Commitments</b>			
<b>25.2.1 Outstanding Letters of Credit</b>		-	5,678,100
<b>25.2.2 Commitment for payments in respect of fixed assets</b>		138,974	109,147
<b>25.2.3 Commitments in respect of Ijarah of plant and machinery</b>			
Not later than one year		75,279	75,279
Later than one year and not later than five years		112,929	112,929

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

	Notes	2014	2013
..... (Rupees in '000) .....			
<b>26. SALES</b>			
<b>Gross Sales</b>			
Local		102,332,701	76,858,694
Export		9,004,795	3,548,764
		<u>111,337,496</u>	<u>80,407,458</u>
Less: Sales discount, Sales tax, Excise duty and petroleum levy		<u>(18,542,466)</u>	<u>(14,258,113)</u>
		<u>92,795,030</u>	<u>66,149,345</u>

<b>27. COST OF SALES</b>			
Opening stock		3,960,302	1,573,716
Cost of goods manufactured	27.1	79,988,215	62,731,593
Finished products purchased during the year		15,003,921	5,699,326
		<u>98,952,438</u>	<u>70,004,635</u>
Closing stock		<u>(6,292,464)</u>	<u>(3,960,302)</u>
<b>Cost of Sales</b>		<u>92,659,974</u>	<u>66,044,333</u>

	Notes	2014	2013
..... (Rupees in '000) .....			
<b>27.1 Cost of goods manufactured</b>			
Raw material consumed	27.1.1	77,086,521	60,779,379
Salaries, wages and other benefits	27.1.2	310,543	245,625
SPM Operation cost		224,583	-
Staff transportation and catering		71,453	61,471
Stores and spares consumed		52,258	31,822
Crude oil inspection and cleaning charges		531	3,762
Insurance		56,993	54,756
Ijarah lease rentals		-	77,263
Industrial gases and chemicals		22,139	23,843
Fuel, power and water		624,412	452,614
Repairs and maintenance		125,765	54,224
Communications		707	1,773
Rent, rates and taxes		85,544	46
Security expenses		17,218	15,888
Vehicle running		11,443	9,369
Depreciation	6.1.5	1,287,300	912,188
Others		10,805	7,570
		<u>79,988,215</u>	<u>62,731,593</u>

	Notes	2014	2013
..... (Rupees in '000) .....			
<b>27.1.1 Raw material consumed</b>			
Opening stock		1,743,210	1,382,548
Purchased during the year		77,828,354	61,140,041
		<u>79,571,564</u>	<u>62,522,589</u>
Closing stock		<u>(2,485,043)</u>	<u>(1,743,210)</u>
<b>Raw material consumed</b>		<u>77,086,521</u>	<u>60,779,379</u>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

27.1.2 This includes a sum of Rs. 9.41 million (2013: Rs.8.023 million) in respect of staff retirement benefits.

	Notes	2014	2013 (Restated)
..... (Rupees in '000) .....			
<b>28. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances and other benefits	28.1	467,817	335,258
Vehicle running		26,855	19,323
Repairs and maintenance		31,690	25,011
Insurance		18,920	24,980
Fee and subscriptions		11,139	13,703
Utilities		14,103	10,533
Legal and professional		38,181	25,760
Travelling and conveyance		20,426	15,073
Advertisements and subscriptions		2,577	1,388
Rent, rates and taxes		67,750	31,576
Printing and stationary		4,829	3,618
Auditor's remuneration	28.2	3,281	3,080
SAP maintenance costs		11,985	8,418
Depreciation	6.1.5	113,887	136,537
Amortization of intangible asset	7.1	2,957	2,958
Security expenses		3,591	1,971
Others		15,786	10,132
		855,774	669,319

28.1 This includes a sum of Rs.14.590 million (2013: Rs. 12.549 million) in respect of staff retirement benefits.

	Notes	2014	2013
..... (Rupees in '000) .....			
<b>28.2 Auditor's remuneration</b>			
Statutory audit		1,700	1,700
Half yearly review		400	400
Consolidation of financial statements		300	300
Certification		450	335
Out of pocket expenses		431	345
		3,281	3,080
<b>29. SELLING AND DISTRIBUTION EXPENSES</b>			
Transportation		1,336,817	591,055
Products handling charges		6,748	32,429
Wharfage and other export expenses		10,299	5,737
Export development surcharge		20,550	8,878
Rent, rates and taxes		59,782	54,679
Brokerage and commission		69,784	-
Others		9,245	1,489
		1,513,225	694,267



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

	2014	2013 (Restated)
	(Rupees in '000)	
<b>30. OTHER INCOME</b>		
<b>Income from financial assets</b>		
Gain on derecognition of financial liability	-	2,678,675
Interest income	925,987	800,993
<b>Income from non financial assets</b>		
Gain / (loss) on disposal of fixed assets	2,106	(6,255)
Joining income	8,100	400
Scrap sales	4,420	781
Land lease rent	50,531	48,125
Others	86,976	223
	<u>1,078,120</u>	<u>3,522,942</u>

	Notes	2014	2013
		(Rupees in '000)	
<b>31. OTHER CHARGES</b>			
Default surcharge and penalties		1,361,677	260,030
Provision for impairment (against trade debts - considered doubtful)	11.2	462,370	1,330,853
		<u>1,824,047</u>	<u>1,590,883</u>

	2014	2013 (Restated)
	(Rupees in '000)	
<b>32. FINANCIAL CHARGES</b>		
Mark-up on:		
- Finance leases	2,972	10,465
- Long term loans	1,925,009	1,001,770
- Short term borrowings	980,941	1,495,179
- Advance from Customer	47,326	110,534
- Workers' Profit Participation Fund	3,230	3,053
Bank charges	21,311	12,171
Loan arrangement and commitment fee	-	12,500
	<u>2,980,789</u>	<u>2,645,672</u>

## 33. TAXATION - Current

The returns of income tax have been filed up to and including tax year 2013. These, except for the those mentioned below, are deemed to be assessed under section 120 of the Income Tax Ordinance, 2001.

Income tax and taxable losses in respect of tax years 2009, 2011, 2012 and 2013 have been assessed by Deputy Commissioner Inland Revenue under section 122(1) of the Income Tax Ordinance, 2001, whereas return submitted for the tax year 2008 has been amended by the Additional Commissioner Inland Revenue under section 122(5A). The amendments relate to proration of expense against income covered in NTR and FTR, disallowance of unrealized exchange loss and other expenses not allowed under section 21. The management has filed an appeal against the aforesaid notices and in consultation with its tax advisors is confident that no major liability is expected to arise.

### 33.1 Relationship between accounting loss and tax expense for the year

The current year provision is based on tax payable by the company under presumptive tax regime. Therefore, there is no relationship between accounting loss and tax expense for the year.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

	Notes	2014	2013 (Restated)
		..... (Rupees in '000) .....	
<b>34. LOSS PER SHARE - basic / diluted</b>			
Loss after taxation		<u>(6,346,958)</u>	<u>(2,304,293)</u>
Weight average number of ordinary shares	Number	<u>977,858,737</u>	<u>977,858,737</u>
Loss per share - basic / diluted	Rupees	<u>(6.49)</u>	<u>(2.36)</u>

## 35. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The Group has related party transactions with its parent company (refer note 1), associated undertakings, employee benefit plans and its key management personnel. The transactions with related parties are executed at agreed terms.

The detail of transactions with related parties is given below:

	2014	2013
	..... (Rupees in '000) .....	
<b>Transactions with related parties</b>		
<b>Parent Company</b>		
Loan received and repaid	<u>400,000</u>	<u>2,500,000</u>
Land lease rentals	<u>50,531</u>	<u>48,125</u>
Rent of equipment, storage and handling income	<u>373,693</u>	<u>4,970</u>
Mark-up on loan	<u>24,923</u>	<u>12,477</u>
Purchase of goods and services	<u>21,904,586</u>	<u>1,835,259</u>
Sale of goods and services	<u>591,279</u>	<u>403,137</u>
Mark-up charged	<u>341,843</u>	<u>-</u>
Sale proceeds on sale of vehicle	<u>-</u>	<u>3,403</u>
Common expenses charged	<u>316,612</u>	<u>139,970</u>
Gratuity expense allocated to Parent Company	<u>126</u>	<u>19,515</u>
<b>Associated Companies</b>		
Sale of petroleum products and port services	<u>9,749,893</u>	<u>12,025,304</u>
Purchase of operating fixed assets and services	<u>273,008</u>	<u>564,735</u>
Mark-up income	<u>283,195</u>	<u>283,957</u>
Receipt of short term loan	<u>121,000</u>	<u>6,300</u>
<b>Other Related Parties</b>		
<b>Staff Provident Fund</b>		
Payment of employees and company's contribution	<u>51,039</u>	<u>33,108</u>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

	2014	2013
	(Rupees in '000)	
<b>Balances with related parties</b>		
<b>Parent Company</b>		
Mark-up receivable	18,924	18,923
Security deposits payable	3,646	3,646
Receivable against land lease rent	215,318	164,785
Payable against purchases of goods and services	136,945	127,001
Receivable against sale of goods	5,984	750,366
Advance against purchase of assets and services	-	537,818
<b>Associated Companies</b>		
Mark-up receivable	287,069	188,007
Trade debts	2,461,632	3,274,929
Purchase of asset and services	45,412	5,509
Loan to related party	-	6,300
<b>Staff Provident Fund</b>		
Payable to staff provident fund	15	3,145

## 36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these consolidated financial statements for remuneration, including the benefits, to the Chief Executive, Directors and Executives of the Group are as follows:

	Chief Executive		Directors		Executives		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	(Rupees in '000)							
Managerial remuneration	21,193	17,803	7,823	3,280	171,263	168,697	200,279	189,780
Housing and utilities	8,477	7,121	3,129	1,312	68,505	67,479	80,111	75,912
Leave fare assistance	1,070	817	652	27	11,811	12,031	13,533	13,121
Medical	835	800	-	-	2,947	2,427	3,782	3,227
Staff retirement benefits	3,531	2,926	1,303	546	26,300	26,594	31,134	30,065
	<u>35,106</u>	<u>29,467</u>	<u>12,907</u>	<u>5,412</u>	<u>280,826</u>	<u>277,228</u>	<u>328,839</u>	<u>312,105</u>
Number of persons	<u>2</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>134</u>	<u>136</u>	<u>137</u>	<u>138</u>

- 36.1** The Chief Executive and Executives have been provided company maintained cars and medical benefit facility.
- 36.2** As at 30 June 2014, the Company's Board of Directors consists of 8 Directors (of which 6 are Non Executive Directors). Except for Chief Executive and a Director, no remuneration and other benefits have been paid to any Director.
- 36.3** In addition to Chief Executive and a Director, remuneration and other benefits amounting to Rs. 38.718 million (2013: Rs. 34.588 million) have been provided to Key Management Personnel.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

## 37. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

### Financial risk factors

The Group has exposure to the following risks arising from financial instruments:

- Market Risk
- Credit Risk
- Liquidity Risk

This note presents information about the Group's exposure to each of the following risks, the Group's objectives, policies and processes for measuring and managing risks and the Group's management of capital.

### Risk Management Framework:

The Group finances its operations through equity, contribution against future issue of shares, borrowings and management of working capital with a view to maintain an appropriate mix between various sources of finances to minimize the risk.

The Group's objective in managing risk is the creation and protection of shareholder's value. Risk is inherent in Group's activities but it is managed through monitoring and controlling activities which are based on limits established by the internal controls' set on different activities of the Group by the Board of Directors through specific directives and constitutive documents. These controls and limits reflect the business strategy and market environment of the Group as well as the level of the risk that the Group is willing to accept.

The Group's management oversee the management of the financial risk reflecting changes in market conditions and also the Group's risk taking activities providing assurance that these activities are governed by appropriate policies and procedures and that the financial risk are identified, measured and managed in accordance with the Group policies and risk appetite.

The Group's principal financial instruments comprise loans from financial institutions and associated undertakings, supplier's credit and trade payables, etc. Main purpose of these financial instruments is to raise funds for the purpose of setting up of single point mooring project plant and machinery, pipelines, etc. and for its operations. The Group has various financial assets such as cash (including balances with banks), deposits, receivables, etc. which arise directly from its current activities.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

### 37.1 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Group manages this risk through compliance with internal guidelines.

Under market risk, the Group is exposed to currency risk and interest rate risk.

### 37.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

The Group is exposed to foreign currency risk on purchase and borrowings that are denominated in a currency other than Pak Rupees. As the Group imports crude oil, items of operating fixed assets and stores and spares for refining plant accordingly it is exposed to currency risk, primarily with respect to liabilities denominated in US Dollars.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

## Exposure to Currency Risk

The summary of the quantitative data about the Company's exposure to foreign currency risk is as follows:

	30 June 2014			30 June 2013		
	Rate	USD	Total	Rate	USD	Total
	(Rupees in '000)					
Current Liabilities						
Trade and other payables	98.75	407	40,191	98.80	3,702	365,758

	Average rate for the year		Spot rate as at 30 June	
	2014	2013	2014	2013
	(Rupees in '000)			
Rupees per USD	102.98	96.50	98.75	98.80

## Sensitivity analysis

A five percent strengthening / (weakening) of the Rupee against Foreign Currency as at 30 June 2014 would have increased / (decreased) equity and profit and loss account by Rs. 2.011 million (2013: Rs. 26.684 million). This analysis assumes that all other variables, in particular interest rates, remaining constant.

## Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from long term loans and short term borrowing facilities for financing its refining business operations and meeting working capital requirements at variable rates. The Group manages these mismatches through risk management policies where significant changes in gap position can be adjusted.

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

	2014	2013
	(Rupees in '000)	
<b>Fixed Rate Instruments</b>		
Financial assets		
Deposit account	3,503	6,342
<b>Variable Rate Instruments</b>		
Financial assets		
Trade debts	6,432,630	9,952,493
Financial liabilities		
Long term loans and accrued mark-up	17,325,789	17,410,931
Lease liabilities	23,574	72,882
Short term borrowing	8,723,108	8,606,300
	26,072,471	26,090,113

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

## Fair Value sensitivity analysis for fixed rate instruments

The impact of change in fair value due to a change in interest rate is not considered to be material to these consolidated financial statements.

## Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the end of the reporting period would have increased / (decreased) equity by Rs. 26.659 million (2013: Rs. 12.074 million). This analysis assumes that all other variables remain constant.

### 37.3 Credit risk

Credit Risk is the risk of financial loss to the Group if a customer or a counter party to a financial instrument fails to meet its contractual obligation, and arises principally from the Group's receivables from customers and balances held with banks.

#### Management of credit risk

The Group's policy is to enter into financial contracts in accordance with the guidelines set by the Board of Directors and other internal guidelines.

Credit risk is managed and controlled by the management of the Group in the following manner:

- Credit rating and / or credit worthiness of the issuer is taken into account along with the financial background so as to minimize the risk of default.
- The risk of counterparty exposure due to failed agreements causing a loss to the Group is mitigated by a periodic review of the credit ratings, financial statements, credit worthiness, market information, etc. on a regular basis.
- Cash is held with reputable banks only.

#### Exposure to credit risk

In summary, the maximum exposure to credit risk as at 30 June 2014 and 30 June 2013 was as follows:

	2014		2013	
	Financial assets	Maximum exposure	Financial assets	Maximum exposure
	..... (Rupees in '000) .....			
Trade debts	9,596,672	9,575,503	11,731,688	11,710,519
Long term deposits	28,579	28,579	36,694	36,694
Mark-up accrued	305,993	305,993	206,930	206,930
Trade deposits, prepayments & other receivables	697,114	673,524	873,584	825,388
Cash and bank balances	473,535	473,364	561,940	561,735
	<u>11,101,893</u>	<u>11,056,963</u>	<u>13,410,836</u>	<u>13,341,266</u>



# Notes to the Consolidated Financial Statements

## For the year ended 30 June 2014

### Impairment losses

The aging of trade debtors as at the balance sheet date was:

	2014		2013	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)			
Not past due	3,907,348	-	3,635,868	-
Past due 0-30 days	765,485	-	1,992,768	-
Past due 30-150 days	1,279,900	-	1,992,167	-
Past due 150 days	5,437,162	1,793,223	5,441,738	1,330,853
	<u>11,389,895</u>	<u>1,793,223</u>	<u>13,062,541</u>	<u>1,330,853</u>

The credit quality of the receivables can be assessed with reference to the historical performance with no or some defaults in recent history, however, no losses. The credit quality of Group's bank balances can be assessed with reference to external credit rating as follows:

Bank	Rating agency	Rating	
		Short-term	Long-term
<b>Public sector commercial banks</b>			
National Bank of Pakistan	JCR-VIS	A-1+	AAA
The Bank of Khyber	JCR-VIS	A-1	A
<b>Private sector commercial banks</b>			
Allied Bank Limited	JCR-VIS	A1+	AA
Askari Bank Limited	PACRA	A-1+	AA
Bank Alfalah Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A-1+	AA+
NIB Bank Limited	PACRA	A1+	AA -
MCB Bank Limited	PACRA	A1+	AA+
JS Bank Limited	PACRA	A1	A+
KASB Bank Limited	PACRA	A3	BBB
<b>Development financial institutions</b>			
Bank Islami Pakistan Limited	PACRA	A-1	A
<b>Foreign Banks Operating In Pakistan</b>			
Barclays Bank PLC	Standard & Poor's	A-1	A+

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

## 37.4 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Group could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The following are the contractual maturities of financial liabilities, including interest payments:

	2014					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	(Rupees in '000)					
<b>Non-Derivative</b>						
<b>Financial liabilities</b>						
Long term loans and accrued mark-up	17,526,570	(23,869,505)	(1,392,332)	(1,337,173)	(3,729,000)	(17,411,000)
Lease liabilities	23,574	(26,634)	(8,650)	(12,369)	(5,615)	-
Long term deposits	87,478	(87,478)	-	-	-	(87,478)
Trade and other payables	10,060,532	(10,060,532)	(10,060,532)	-	-	-
Short term borrowings	8,723,108	(9,299,564)	(8,777,971)	(521,594)	-	-
Accrued mark-up	758,013	(758,013)	(758,013)	-	-	-
	<u>37,179,275</u>	<u>(44,101,726)</u>	<u>(20,997,498)</u>	<u>(1,871,136)</u>	<u>(3,734,615)</u>	<u>(17,498,478)</u>

	2013					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	(Rupees in '000)					
<b>Non-Derivative</b>						
<b>Financial liabilities</b>						
Long term loans and accrued mark-up	17,737,500	(2,487,618)	(1,756,640)	(730,978)	-	-
Lease liabilities	124,077	(149,397)	(34,068)	(22,541)	(48,239)	(44,549)
Long term deposits	38,913	(38,913)	-	-	-	(38,913)
Trade and other payables	9,481,416	(9,481,416)	(9,481,416)	-	-	-
Short term borrowings	9,368,914	(9,368,914)	(9,368,914)	-	-	-
Accrued mark-up	1,187,278	(1,187,278)	(1,187,278)	-	-	-
	<u>37,938,098</u>	<u>(22,713,536)</u>	<u>(21,828,316)</u>	<u>(753,519)</u>	<u>(48,239)</u>	<u>(83,462)</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 June (and includes both principal and interest payable thereon). The rates of mark-up have been disclosed in notes 16, 20 & 22 to these financial statements.

### Fair value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability can be settled, between knowledgeable willing parties in an arm's length transaction. The carrying amounts of all the financial instruments reflected in these financial statements approximate to their fair value.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

## 37.5 Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business, sustain the development of the business and maximize the shareholders value. The Group closely monitors the return on capital. The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions and finances its activities through equity, borrowings and management of working capital with a view to maintain an approximate mix between various sources of finance to minimize the risk. No changes were made in the objectives, policies or processes during the year ended 30 June 2014.

The Group is not exposed to externally imposed capital requirement.

## 38. OPERATING SEGMENTS

For management purposes, the Group has determined following reportable operating segments on the basis of business activities i.e. oil refining business, petroleum marketing businesses and petroleum storage services. Oil refining business is engaged in crude oil refining and selling of refined petroleum products to oil marketing companies. Petroleum marketing business is engaged in trading of petroleum products, procuring products from Oil refining business as well as from other sources. BTPL is engaged in provision of bulk petroleum storage services of petroleum products. The quantitative data for segments is given below:

	2014				Total
	Oil Refining Business	Petroleum Marketing Business	Petroleum storage services	Elimination	
	(Rupees in '000)				
<b>Revenue</b>					
Net sales to external customers	51,952,601	40,484,691	357,738	-	92,795,030
Inter-segment transfer	30,412,803	-	193,702	(30,606,505)	-
<b>Total revenue</b>	<u>82,365,404</u>	<u>40,484,691</u>	<u>551,440</u>	<u>(30,606,505)</u>	<u>92,795,030</u>
<b>Result</b>					
Segment results - (loss) / profit	(2,126,507)	293,392	(400,828)	-	(2,233,943)
Other charges					(2,660,098)
Interest expense					(2,980,789)
Interest income					925,987
Other income					152,133
Taxation					449,752
Loss for the year					<u>(6,346,958)</u>
Segmental Assets	48,812,315	4,762,177	10,321,839	(9,442,065)	54,454,266
Unallocated Assets	-	-	-	-	6,617,100
	<u>48,812,315</u>	<u>4,762,177</u>	<u>10,321,839</u>	<u>(9,442,065)</u>	<u>61,071,366</u>
Segmental Liabilities	44,418,484	4,333,511	5,186,304	(1,879,391)	52,058,908
Unallocated Liabilities	-	-	-	-	11,015,235
	<u>44,418,484</u>	<u>4,333,511</u>	<u>5,186,304</u>	<u>(1,879,391)</u>	<u>63,074,143</u>
Capital expenditure	385,170	55,150	819,760	(4,075)	1,256,005
<b>Other Information</b>					
Depreciation and amortization	891,241	111,843	420,430	(19,370)	1,404,144

Four Oil Marketing Companies (OMCs) contributed 34.85 % (2013 : 44.49%), a power generation Company contributed 10.47 % (2013 : 18.18 %), and a Company involved in sale of solvents contributed 8.45 % (2013: 3.07 %) of the net revenues during the year.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

	2013				Total
	Oil Refining Business	Petroleum Marketing Business	Petroleum storage services	Elimination	
	(Rupees in '000)				
<b>Revenue</b>					
Net Sales to external customers	40,179,129	25,970,216	-	-	66,149,345
Inter-segment transfer	19,725,148	-	58,500	(19,783,648)	-
<b>Total revenue</b>	<b>59,904,277</b>	<b>25,970,216</b>	<b>58,500</b>	<b>(19,783,648)</b>	<b>66,149,345</b>
<b>Result</b>					
Segment results - (loss) / profit	(927,176)	(233,248)	(98,150)	-	(1,258,574)
Other charges					(1,752,053)
Gain in derecognition of financial liability					2,678,675
Interest expense					(2,645,672)
Interest income					800,993
Other income					43,274
Taxation					(170,936)
Loss for the year					<b>(2,304,293)</b>
Segmental Assets	28,186,165	4,668,428	8,071,303	(2,769,197)	38,156,699
Unallocated Assets	-	-	-	-	6,225,480
	<b>28,186,165</b>	<b>4,668,428</b>	<b>8,071,303</b>	<b>(2,769,197)</b>	<b>44,382,179</b>
Segmental Liabilities	32,211,569	7,433,849	2,601,421	(2,769,197)	39,477,642
Unallocated Liabilities	-	-	-	-	10,817,828
	<b>32,211,569</b>	<b>7,433,849</b>	<b>2,601,421</b>	<b>(2,769,197)</b>	<b>50,295,470</b>
Capital expenditure	801,734	103,947	2,522,047	(2,017,957)	1,409,771
<b>Other Information</b>					
Depreciation and amortization	948,011	76,334	46,708	(19,370)	1,051,683

The group sells its manufactured product to Oil Marketing Companies (OMCs) and a Company. Out of these, 4 OMCs contributed 34.94 % (2013 : 44.46%) and a company contributed 8.96% (2013 : 37.92%) of the net revenues during the year. The net revenue from these OMCs amounts to Rs. 32,336 million (2013: Rs. 29,431 million).

## 39. PROVIDENT FUND DISCLOSURE

The Group operates approved funded contributory provident fund for both its management and non-management employees. Details of net assets and investments of the fund is as follows:

	2014	2013
	(Rupees in '000)	
Size of the fund - Net assets	121,044	92,124
Cost of the investment made	104,831	75,349
Percentage of the investment made	89%	88%
Fair value of the investment made	107,542	81,161

The break up of fair value of the investment is :

	2014		2013	
	(Rupees in '000)	%	(Rupees in '000)	%
Bank Deposits	13,706	12.74%	19,648	24.21%
Debt securities	45,247	42.07%	12,000	14.79%
Equity securities	-	0.00%	13,400	16.51%
Unit trust schemes	48,589	45.00%	36,113	44.50%
	<b>107,542</b>		<b>81,161</b>	

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

The management, based on the un-audited financial statements of the fund, is of the view that the investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

## 40. CAPACITY AND ANNUAL PRODUCTION

Against the designed annual refining capacity (based on 330 days) of 11.550 million barrels (2013: 11.550 million barrels), the actual throughput during the year was 6.79 million barrels (2013: 5.729 million barrels) mainly due to higher working capital available with the Company.

## 41. NUMBER OF EMPLOYEES

The total number of employees as at year end were 449 and average number of employees were 447.


## 42. RECLASSIFICATION

Following corresponding figures have been reclassified for better presentation:

From	To	(Rupees in '000)
<b>Consolidated Balance Sheet</b>		
Trade and other payables - other payables	Trade deposits, prepayments and other receivables - IFEM	<u>65,926</u>

## 43. DATE OF AUTHORISATION OF ISSUE

The consolidated financial statements were authorised for issue on 16th December, 2014 by the Board of Directors of the Company.

---

Chief Executive

---

Director

# Pattern of Shareholding

SHAREHOLDERS CATEGORY	NO. OF SHAREHOLDERS	NO. OF SHARES	%
Directors, CEO and their Spouse and minor children	8	281,000	0.03
Associated Companies, Undertakings and Related Parties	1	790,510,099	80.84
Executives	5	45,800	0.00
NIT and ICP	-	-	-
Banks, Development Finance Institutions, Non-Banking Financial Institutions	8	361,067	0.04
Insurance Companies	4	218,200	0.02
Modarabas and Mutual Funds	2	19,466	0.00
General Public	13,658	162,117,615	16.58
Others	99	24,305,490	2.49
<b>TOTAL</b>	<b>13,785</b>	<b>977,858,737</b>	<b>100.00</b>

## ADDITIONAL INFORMATION

SHAREHOLDERS' CATEGORY	NO. OF SHAREHOLDERS	NO. OF SHARES
Associated Companies, Undertakings and Related Parties (name wise details)		
BYCO OIL PAKISTAN LIMITED	1	790,510,099
NIT & ICP (name wise details)	-	-
Directors, CEO and their spouse and minor children. (name wise details)		
MR. HAMID IMTIAZ HANFI	1	268,000
MR. MUHAMMAD RAZA HASNANI	1	500
MS. DIANA BRUSH	1	500
MR. PHILIP HARRIS	1	500
MR. RICHARD LEGRAND	1	500
MR. OVAIS MANSOOR NAQVI	1	500
MR. ADNAN SIDDIQUI	1	500
MR. SYED MUHAMMAD MUJTABA JAFAREY	1	10,000
Executives	5	45,800
Public Sector Companies and Corporations	-	-
Banks, Development Finance Institutions & Non-Banking Financial Institutions, Insurance Companies Modarabas & Mutual Funds	14	598,733
Shareholders holding 5% or more voting rights in the listed company (name wise details)		
BYCO OIL PAKISTAN LIMITED	1	790,510,099

# Pattern of Shareholding

As on June 30, 2014

SIZE OF HOLDING		NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD
FROM	TO		
1	100	728	36,047
101	500	1,812	775,733
501	1,000	2,242	2,134,104
1,001	5,000	4,911	14,248,371
5,001	10,000	1,692	13,879,589
10,001	15,000	524	6,810,359
15,001	20,000	464	8,579,200
20,001	25,000	269	6,321,744
25,001	30,000	177	5,100,507
30,001	35,000	114	3,747,695
35,001	40,000	87	3,338,292
40,001	45,000	53	2,284,263
45,001	50,000	145	7,166,418
50,001	55,000	46	2,415,776
55,001	60,000	45	2,643,161
60,001	65,000	31	1,970,980
65,001	70,000	31	2,138,255
70,001	75,000	31	2,269,068
75,001	80,000	26	2,048,900
80,001	85,000	15	1,239,580
85,001	90,000	13	1,148,500
90,001	95,000	10	929,000
95,001	100,000	74	7,378,696
100,001	105,000	20	2,053,036
105,001	110,000	8	867,570
110,001	115,000	5	561,400
115,001	120,000	12	1,415,901
120,001	125,000	11	1,364,000
125,001	130,000	5	645,501
130,001	135,000	3	395,700
135,001	140,000	6	826,500
140,001	145,000	5	717,000
145,001	150,000	14	2,097,000
150,001	155,000	10	1,524,500
155,001	160,000	4	640,000
160,001	165,000	5	809,700
165,001	170,000	4	680,000
170,001	175,000	7	1,218,800
175,001	180,000	5	887,500
180,001	185,000	4	734,000
185,001	190,000	3	564,100
190,001	195,000	3	579,290
195,001	200,000	20	4,000,000
200,001	205,000	3	610,632
205,001	210,000	2	417,723
210,001	215,000	1	214,000
215,001	220,000	3	655,500
220,001	225,000	1	222,500
225,001	230,000	1	227,500
230,001	235,000	1	235,000
235,001	240,000	5	1,191,736
240,001	245,000	1	243,143



# Pattern of Shareholding

As on June 30, 2014

245,001	250,000	2	500,000
250,001	255,000	1	252,500
265,001	270,000	1	268,000
270,001	275,000	2	545,500
275,001	280,000	1	280,000
285,001	290,000	2	578,000
295,001	300,000	5	1,499,500
310,001	315,000	1	313,000
320,001	325,000	2	650,000
325,001	330,000	1	330,000
345,001	350,000	1	345,500
350,001	355,000	2	701,500
375,001	380,000	1	375,206
390,001	395,000	1	392,500
395,001	400,000	1	400,000
415,001	420,000	1	419,000
420,001	425,000	1	425,000
425,001	430,000	3	1,284,359
445,001	450,000	1	447,500
460,001	465,000	1	461,836
465,001	470,000	1	468,500
470,001	475,000	1	475,000
490,001	495,000	1	493,000
495,001	500,000	2	1,000,000
510,001	515,000	1	511,000
515,001	520,000	1	520,000
525,001	530,000	1	530,000
545,001	550,000	2	1,100,000
570,001	575,000	1	572,000
590,001	595,000	1	594,000
595,001	600,000	1	600,000
615,001	620,000	2	1,233,500
645,001	650,000	1	650,000
695,001	700,000	2	1,400,000
705,001	710,000	1	710,000
715,001	720,000	1	717,500
795,001	800,000	1	800,000
860,001	865,000	1	863,000
895,001	900,000	1	900,000
900,001	905,000	1	901,000
995,001	1,000,000	5	4,996,554
1,035,001	1,040,000	1	1,037,500
1,065,001	1,070,000	1	1,066,500
1,115,001	1,120,000	1	1,118,528
1,180,001	1,185,000	1	1,181,000
1,550,001	1,555,000	1	1,554,285
1,555,001	1,560,000	1	1,555,516
1,810,001	1,815,000	1	1,810,817
1,995,001	2,000,000	1	2,000,000
2,955,001	2,960,000	1	2,957,567
3,145,001	3,150,000	1	3,150,000
3,995,001	4,000,000	1	4,000,000
10,205,001	10,210,000	1	10,209,500
790,510,001	790,515,000	1	790,510,099
	<b>TOTAL</b>	<b>13,785</b>	<b>977,858,737</b>

# Notice of 20<sup>th</sup> Annual General Meeting

Byco Petroleum Pakistan Limited

Notice is hereby given that the 20<sup>th</sup> Annual General Meeting of Byco Petroleum Pakistan Limited will be held on Monday, 19<sup>th</sup> January 2015 at 9:30 am at the Beach Luxury Hotel, Karachi, to transact the following business:

## Ordinary Business

1. To confirm the minutes of the Extraordinary General Meeting of the Company held on 16<sup>th</sup> June 2014;
2. To receive, consider and adopt the audited separate and consolidated financial statements for the financial year ended June 30<sup>th</sup>, 2014, together with the Directors' and Auditors' reports thereon; and
3. To appoint auditors and to fix their remuneration for the financial year 2014-15.



Shahana Ahmed Ali  
Group Head Legal & Company Secretary

16<sup>th</sup> December 2014  
Karachi

## NOTES:

### Book Closure

The register of members and the share transfer books of the Company will remain closed from Monday, 12<sup>th</sup> January 2015 until Monday, 19<sup>th</sup> January 2015.

### Participation in the Meeting

Only persons whose names appear in the register of members of the Company as on Friday, 9<sup>th</sup> January 2015, are entitled to attend, participate in, and vote at the Meeting. A member entitled to attend and vote may appoint another member as proxy to attend and vote on their behalf. Proxies must be received at the registered office of the Company not less than 48 hours before the time for holding the Meeting. A form of proxy is included in the Annual Report.

### Notice to Members Who Have Not Provided CNIC Copies

As directed by the SECP through its Circular No. EMD/D-II/Misc./2009-1342 of 4<sup>th</sup> April 2013, dividend warrants cannot be issued without valid CNICs. Through the Company's letter of 4<sup>th</sup> April 2014, members were advised to submit copies of their valid CNICs. In the absence of a member's valid CNIC, the Company will be constrained to withhold dispatch of dividend to such members. Those members who hold shares certificates and have not yet submitted their valid CNICs, are once again advised to submit attested copies of their valid CNIC along with their folio numbers to the Company's Share Registrar, Messrs FAMCO Associates (Private) Limited, 8F, Block 6, P.E.C.H.S., Nursery next to Hotel Faran, Shahrah-e-Faisal, Karachi.

# Notice of 20<sup>th</sup> Annual General Meeting

## **Audited Financial Statements Through Email**

Pursuant to SRO No. 787(1)2014, dated 8<sup>th</sup> September 2014, the SECP has allowed circulation of Audited Financial Statements along with the Notice of the Annual General Meeting to the members via email. Therefore, all members who wish to receive a soft copy of Annual Report may send their email addresses to the Company Secretary. A consent form for electronic transmission may be downloaded from the Company's website: [www.byco.com.pk](http://www.byco.com.pk). A hard copy of the Audited Financial Statements will be provided to members on request, free of cost, within seven days.

## **Change of Address and Non-Deduction of Zakat Declaration Form**

Members holding share certificates should notify any change in their registered address and, if applicable, submit their non-deduction of Zakat Declaration Form to the Company's Shares Registrar. Members holding shares in CDC / Participants accounts are also requested to update their addresses and, if applicable, submit their non-deduction of Zakat Declaration Form to CDC or their Participants / Stock Brokers.

## **Guidelines for CDC Account Holders:**

CDC account holders should comply with the following guidelines of the Securities and Exchange Commission of Pakistan (SECP):

### **A For Attendance at the Meeting**

- (a) Individuals should be account holder(s) or sub-account holder(s) and their registration details should be uploaded as per CDC regulations and they must establish their identity by presenting their original Computerized National Identity Card (CNIC) or passport at the time of the Meeting.
- (b) Corporate entities should at the time of the Meeting, unless provided earlier, produce a certified copy of a resolution of the Board of Directors, or a Power of Attorney bearing the specimen signature of the attorney.

### **B For Appointing Proxies**

- (a) Individuals should be account holder(s) or sub-account holder(s) whose registration details should be uploaded as per CDC

regulations and their proxy forms must be submitted at the registered office of the Company not less than 48 hours before the time for holding the Meeting.

- (b) The proxy form must be attested by two persons whose names, addresses, and CNIC numbers must be mentioned therein.
- (c) Attested copies of the CNIC or passport of the beneficial owner and proxy must be furnished along with the form of proxy.
- (d) Proxies must produce their original CNIC or passport at the time of the Meeting.
- (e) Corporate entities should at the time of the Meeting, unless provided earlier, produce a certified copy of a resolution of the Board of Directors, or a Power of Attorney bearing the specimen signature of the attorney.

# Admission Slip

The 20<sup>th</sup> Annual General Meeting of Byco Petroleum Pakistan Limited will be held on Monday, 19<sup>th</sup> January 2015 at 9:30 am at the Beach Luxury Hotel, Karachi.

Kindly bring this Admission Slip duly signed by you for attending the Meeting.



**Shahana Ahmed Ali**  
Group Head Legal &  
Company Secretary

Name. \_\_\_\_\_

Folio / CDC Account No. \_\_\_\_\_ Signature \_\_\_\_\_

## NOTE

- (i) Signatures of the members should tally with the specimen signatures in the Company's record.
- (ii) Completed Admission Slips must be submitted prior to entering the hall where the Meeting is being held.

## CDC Account Holder(s) / Proxies / Corporate Entities

- (a) Account holder(s) / Sub-account holder(s) / Proxies must present their original CNICs or passports prior to entering the hall where the Meeting is being held.
- (b) Corporate entities should at the time of the Meeting, unless provided earlier, produce a certified copy of a resolution of the Board of Directors, or a Power of Attorney bearing the specimen signature of the attorney.

**This admission slip is not transferable.**

This page has been  
intentionally left blank

# Form of Proxy

20<sup>th</sup> Annual General Meeting

The Company Secretary  
**Byco Petroleum Pakistan Limited**  
9<sup>th</sup> Floor, The Harbour Front, Dolmen City  
HC-3, Block-4, Marine Drive, Clifton  
Karachi-75600

I / We \_\_\_\_\_

of \_\_\_\_\_

being member(s) of Byco Petroleum Pakistan Limited and holders of \_\_\_\_\_

\_\_\_\_\_ ordinary shares, hereby appoint \_\_\_\_\_

of \_\_\_\_\_ or failing him / her \_\_\_\_\_

of \_\_\_\_\_ who is / are also member(s) of Byco Petroleum Pakistan Limited, as my / our proxy in my / our absence to attend and vote on my / our behalf at the 20<sup>th</sup> Annual General Meeting of the Company to be held on Monday, 19<sup>th</sup> January 2015 and in case of adjournment, at any reconvened Meeting.

Signed / Seal and Delivered by \_\_\_\_\_

in the presence of:

1. Name: \_\_\_\_\_ 2. Name: \_\_\_\_\_

CNIC No.: \_\_\_\_\_ CNIC No.: \_\_\_\_\_

Address: \_\_\_\_\_ Address: \_\_\_\_\_

\_\_\_\_\_ Folio No. / CDC Account No.

\_\_\_\_\_ This signature should tally with the specimen signature in the Company's record

## Important

1. The duly completed and signed proxy form must be received at the registered office of the Company at 9<sup>th</sup> Floor, The Harbour Front, Dolmen City, HC-3, Block-4, Marine Drive, Clifton, Karachi-75600, not less than 48 hours before the time of holding the Meeting.
2. Only members of the Company may be appointed proxies except corporate members who may appoint non-members as their proxy.
3. If more than one proxy is appointed by an instrument or more than one instrument of proxy is deposited by any member, all such instruments shall be rendered invalid.

## For CDC account holder(s) / corporate entities

In addition to the above, the following requirements must be met:

- i) the execution of the proxy form should be attested by two witnesses, whose names, addresses and CNIC numbers shall appear in the form;
- ii) attested copies of the CNIC or passport of the beneficial owner and proxy should be submitted along with the proxy form;
- iii) the proxy shall produce his / her original CNIC or passport at the time of the Meeting; and
- iv) Corporate entities should at the time of the Meeting, unless provided earlier, produce a certified copy of a resolution of the Board of Directors, or a Power of Attorney bearing the specimen signature of the attorney.

**Ms. Shahana Ahmed Ali**  
The Company Secretary

**Byco Petroleum Pakistan Limited**  
9<sup>th</sup> Floor, The Harbour Front, Dolmen City  
HC-3, Block-4, Marine Drive, Clifton  
Karachi-75600, Pakistan

**AFFIX  
CORRECT  
POSTAGE  
STAMPS**