

byco

Annual Report

2011

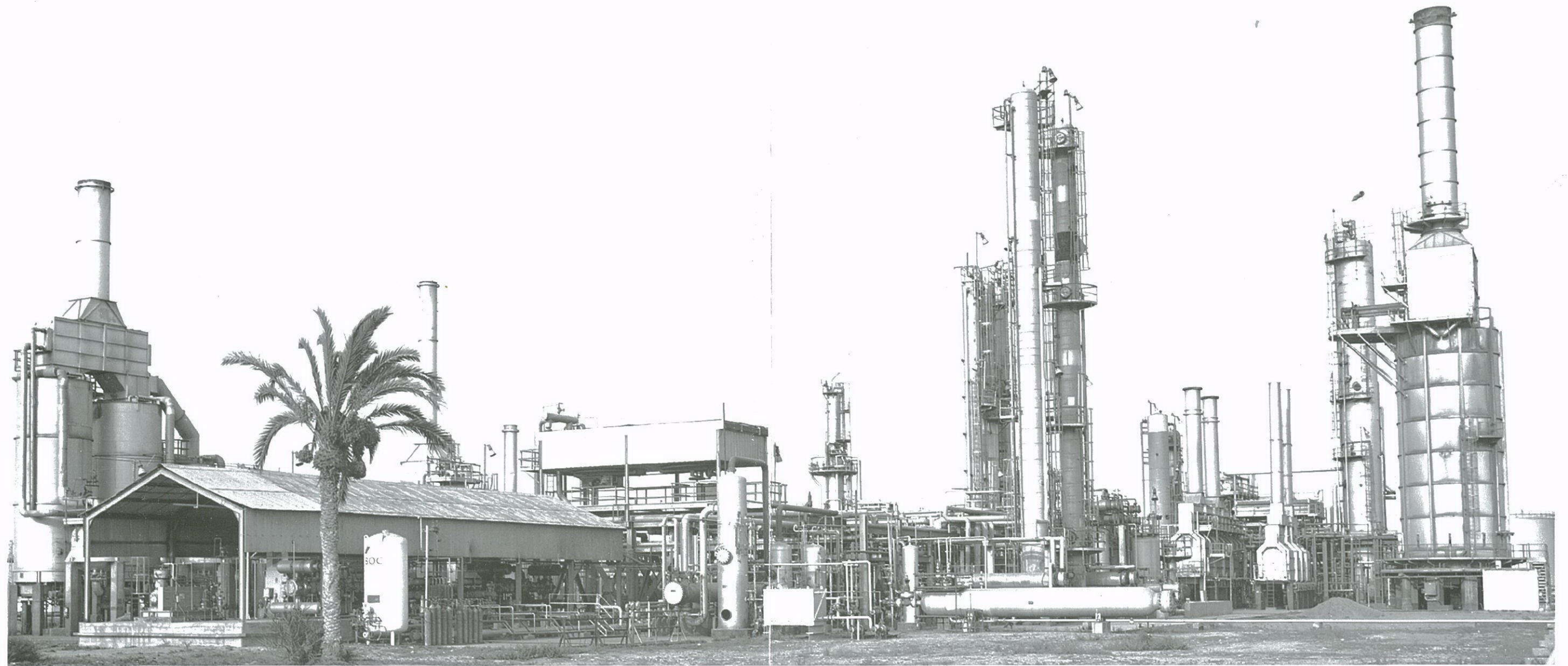
Building a success story...

byco





Our first retail outlet was established in July 2007. We have reached 213 outlets in the last fiscal year, achieving this milestone in merely 4 years.



BYCO at District Hub, Lasbela, Balochistan

Contents

Vision- Mission

02

Statement of Ethics and Business

Practices, 2010 - 11

03

Company Information

04

Environment, Health and Safety Policy

05

Financial Highlights

07

Board of Directors

09

Corporate Secretariat Team

12

Supervisory Secretariat Team

13

Directors' Report

15

Statement of Compliance with the Code of
Corporate Governance

25

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

28

Pattern of Shareholding

95

Notice of Annual General Meeting

99

Financial Statements

Auditors' Report to the Members

29

Balance Sheet

30

Profit and Loss Account

31

Statement of Comprehensive Income

32

Cash Flow Statement

33

Statement of Changes in Equity

34

Notes to the Financial Statements

35

Consolidated Financial Statements

Auditors' Report to the Members

62

Balance Sheet

63

Profit and Loss Account

64

Statement of Comprehensive Income

65

Cash Flow Statement

66

Statement of Changes in Equity

67

Notes to the Financial Statements

68

(You will find the 'Admission Slip' & 'Form of Proxy' towards the end of the Annual Report)





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 to develop infrastructure in order to become a single source chain for meeting the economy's chemicals, energy, petroleum and petrochemical requirements, thereby provide the best possible returns to our stakeholders.

Statement of Ethics and Business Practices, 2010 - 11

Byco is engaged in the manufacturing of a wide range of petroleum products with the objectives to achieve sustainable productivity, profitability and high standards of care for environment, health and safety. This entails human resource development, enhancing value addition, implementing conservation measures and growth up-gradation and addition of newer generation technologies. Our Company believes in the application of business ethics as have been embodied in this document.

- 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 its entire business activities.
 - Safeguarding of Shareholders' interest and a worthwhile return on equity is an integral part of our business ethics.
 - We believe in servicing customers by providing products, which are manufactured and priced competitively and in line with the environmental standards of the Country.
 - We proactively invest in our human capital, offer competitive employment terms and provide safe and congenial working environment, and an equal opportunity for all our employees.
 - We believe that profits are 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.
- In view of the critical importance of the business and impact on national economy, our Company provides all relevant information concerning its activities to interested parties, subject to any overriding confidentiality.



Amir Abbasciy
Chief Executive Officer

Company Information

Board of Directors

Waqar Hassan Siddique
Chairman

Amir Abbassciy
Director

Aziz Moolji
Director

Hamid Imtiaz Hanfi
Vice Chairman

Matteo Stefanel
Director

Muhammad Abdullah Yusuf
Director

Muhammad Raza Hasnani
Director

Uzma Abbassciy
Director

Compliance Committee of the Board

Muhammad Abdullah Yusuf
Chairman

Hamid Imtiaz Hanfi
Member

Muhammad Raza Hasnani
Member

Jawed Ahmad
Secretary

Strategy and Risk Management Committee of the Board

Amir Abbassciy
Member

Matteo Stefanel
Member

Iqbal Haris
Secretary

Services and Stakeholders Committee of the Board

Matteo Stefanel
Chairman

Hamid Imtiaz Hanfi
Member

Shahana Ahmed Ali
Secretary

Supervisory Secretariat

Hamid Imtiaz Hanfi
Head Supervisory Secretariat

Jawed Ahmad
Head Compliance

Shahana Ahmed Ali
Head Legal, Services and
Company Secretary

Iqbal Haris
Head of Strategy (Acting)

Corporate Secretariat

Amir Abbassciy
Chief Executive Officer

Mohammad Wasi Khan
Country Business Head
- Chemical Manufacturing
- Petroleum Marketing

Qaiser Jamal
Country Business Head
- Oil Refining

Humayon Shah
Head Administration and
Human Resource

Wajahat Athar Jafri
Head Commercial

Nawaz Ahmed Khan
Head Management
Applications and Systems

Syed Masood Raza
Head Technical

Abdul Ghani
Head Treasury and
Chief Financial Officer

Legal Counsel

Shahana Ahmed Ali
Head Legal

Auditors

Faruq Ali & Co.
Chartered Accountants

Bankers

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Islami Pakistan Limited
Barclays Bank PLC, Pakistan
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
KASB Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Standard Chartered Bank (Pakistan) Ltd.
Soneri Bank Limited
The Bank of Khyber
United Bank Limited

Share Registrar

FAMCO Associates (Pvt) Limited
First Floor, State Life Building No. 1A
I. I. Chundrigar Road, Karachi - 74000
Pakistan

Tel: (92 21) 3242 7012, 3242 6597,
3242 5467

Fax: (92 21) 3242 6752, 3242 8310

Registered Office

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

Website

www.byco.com.pk

Environment, Health and Safety Policy

We will develop our company on ethical and professional basis and be a responsible corporate entity with respect to Environment, Health and Safety.

Management Belief

Management Leadership, Participation & Accountability:

Our leaders from top management to frontline supervisors, are responsible and accountable for Environment, Health and Safety, its compliance and for managing such risks of their areas. Their active participation includes collaborating across organizational line to integrate risk management practices into our routine business processes.

Management Role

Workers Protection and Wellbeing:

To enable all employees to accept individual responsibility for EHS, implement best practices and work in partnership to create an ethos of continuous improvement by providing appropriate training & information.

Contractor Safety

To work with and demand compliance from our contractors for adhering to our EHS Policies and Procedures, thereby ensuring high standards for protection of our environment, workers and assets.

Employee Responsibilities

Environmental Protection:

Adopt best in class practices that protect the environment, including reducing the quantity of emissions, developing opportunities for recycling, pollution prevention and efficient use recyclable materials.

Emergency Vigilance:

Anticipate emergency situations and be ready to respond appropriately to eliminate harm to the environment, people and property.

Continual Improvement:

Strive to constantly improve our EHS performance and management processes by measures, including the following:

- Benchmarking industry best practices to identify improvement opportunities; and
- Conducting reviews and auditing our EHS management system and operations to monitor progress and compliance.
- Incorporating newer generation technology & advance management systems.
- Learning from events, accidents, close calls and identified substandard conditions.



Amir Abbassciy
Chief Executive Officer



Financial Highlights

Investor Information

Balance Sheet	2011	2010	2009	2008	2007	2006
Share capital	9,779	3,921	3,921	3,921	2,451	2,451
Share holders' equity	(3,992)	(8,069)	(6,676)	3,529	2,013	2,759
Property, plant and equipment	18,678	14,042	14,779	8,565	6,388	3,719
Intangible asset	9	15	7	11	14	18
Long term investment - At cost	2,087	2,087	--	--	300	--
Long term loan and receivable	2,346	2,349	31	--	--	--
Long term deposits	21	59	57	46	17	5
Stock in trade	4,113	4,928	4,488	11,934	5,177	3,909
Trade debts - Considered good	6,658	6,862	9,090	3,218	1,079	1,107
Total current assets	12,598	13,596	16,744	23,440	8,524	7,376
Total current liabilities	28,929	26,318	23,129	25,592	8,470	6,870
Short term borrowings - Secured	--	509	218	1,000	249	600
Current portion of non-current liabilities	1,933	1,977	1,443	606	610	290
Non-current liabilities	4,872	10,039	11,081	1,369	3,158	1,489
Loan from sponsors	--	5,001	4,023	170	--	453
Profit and Loss Accounts	2011	2010	2009	2008	2007	2006
Net sales	38,944	41,098	44,621	35,806	19,329	17,929
Cost of sales	38,273	40,430	48,530	33,664	19,401	17,304
Gross profit / (loss)	672	667	(3,909)	2,142	(72)	625
Operating profit / (loss)	(1,126)	(565)	(4,504)	1,762	(269)	502
Financial charges	2,096	3,026	6,432	497	355	286
(Loss) / profit before taxation	(1,850)	(1,488)	(10,327)	184	(628)	301
(Loss) / profit after taxation	(1,987)	(1,616)	(10,333)	15	(681)	197
(Loss) / earnings per share - Basic Rs.10/share	(4.91)	(4.12)	(26.35)	0.04	(2.37)	0.80

Financial Highlights

Investor Information

Profitability Ratios		2011	2010	2009	2008	2007	2006
Gross profit	%	1.72%	1.62%	-8.76%	5.98%	-0.38%	3.48%
Profit before Tax	%	-4.75%	-3.62%	-23.14%	0.51%	-3.25%	1.68%
Net profit	%	-5.10%	-3.93%	-23.2%	0.04%	-3.52%	1.10%
EBITDA Margin to sales	%	2.41%	5.29%	-7.64%	6.15%	0.00%	5.19%
Return on Equity	%	-102.5%	38.4%	398.7%	0.3%	-13.5%	7.1%
Liquidity Ratios							
Current Ratio	Times	0.44x	0.52x	0.72x	0.92x	1.01x	1.07x
Quick/Acid Test ratio	Times	0.29x	0.32x	0.52x	0.44x	0.38x	0.49x
Activity/Turnover Ratios							
Inventory turnover	Days	43.1	42.5	61.8	92.8	85.5	41.2
Debtors turnover	Days	63.4	70.8	50.3	21.9	20.6	22.5
Creditors turnover	Days	252.3	200.1	153.4	256.8	139.3	121.7
Inventory turnover	Times	9.47x	8.34x	9.94x	3.00x	3.73x	4.59x
Debtors turnover	Times	5.85x	5.99x	4.91x	11.13x	17.91x	16.20x
Creditors turnover	Times	1.45x	1.82x	2.38x	1.42x	2.62x	3.00x
Total Assets turnover ratio	Times	1.09x	1.28x	1.41x	1.12x	1.27x	1.61x
Fixed Assets turnover ratio	Times	1.68x	2.22x	3.00x	4.15x	2.88x	4.79x
Financial Leverage Ratios							
Interest Coverage ratio	Times	0.12x	0.51x	-0.61x	1.10x	-0.55x	2.00x
Debt to equity ratio	Times	1.84	(1.30)	(2.65)	0.30	0.41	0.47
Investment / Market Ratios							
Earnings per share - basic	Rs.	-4.91	-4.12	-26.35	0.04	-2.37	0.80
Earnings per share - diluted	Rs.	-4.91	-3.57	-25.74	0.04	-2.37	0.80

Board of Directors



7.

3.

2.

1.

4.

5.

6.

1. WAQAR HASSAN SIDDIQUE
Chairman

2. AMIR ABBASSCIY
Director

3. HAMID IMTIAZ HANFI
Vice Chairman

4. MUHAMMAD RAZA HASNANI
Director

5. MATTEO STEFANEL
Director

6. AZIZ MOOLJI
Director

7. MUHAMMAD ABDULLAH YUSUF
Director

UZMA ABBASSCIY
Director

Corporate Secretariat Team

1. WAJAHAT ATHER JAFRI
Head Commercial
2. SYED MASOOD RAZA
Head Technical
3. QAISER JAMAL
Country Business Head
- Oil Refining
4. AMIR ABBASSCIY
Chief Executive Officer
5. ABDUL GHANI
Head Treasury and Chief Financial Officer
6. MOHAMMAD WASI KHAN
Country Business Head
- Chemical Manufacturing
- Petroleum Marketing
7. HUMAYON SHAH
Head Administration and Human Resource
8. NAWAZ AHMED KHAN
Head Management Applications and Systems



1.

2.

3.

4.

5.

6.

7.

8.

Supervisory Secretariat Team

1. JAWED AHMAD
Head Compliance
2. SHAHANA AHMED ALI
Head Legal, Services and Company Secretary
3. HAMID IMTIAZ HANFI
Head Supervisory Secretariat
4. IQBAL HARIS
Head of Strategy (Acting)



1.

2.

3.

4.

Directors' Report

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

The Directors of your Company are pleased to present the Annual Report together with the audited financial statements and auditors' report thereon for the year ended June 30, 2011.

During the year, Byco Industries Incorporated (BII) (incorporated in Mauritius) which was holding 67.52% shareholding in the Company transferred its entire shareholding in the Company to Byco Oil Pakistan Limited ("BOPL", an associate of the Company incorporated in Pakistan and a wholly owned subsidiary of BII). Consequently, BOPL has now become an immediate parent company. Further shares were also issued to BOPL during the year as a result of which BOPL now holds 86.98% shareholding in the Company. Universal Terminal Limited (UTL), however, remains a wholly owned subsidiary of the Company. The above does not result in any change in the business of the Company or its subsidiary.

Company's Business

The Company commenced its Crude Oil refining business in 2004. Since then various up-gradations and revamps of its refinery have been completed and the refinery has now a rated capacity of 35,000 bpsd. The Company currently operates two business segments namely Oil Refining and Petroleum Marketing. Refining is primarily a diverse supplier of fuel products offering Liquid petroleum gas, motor gasoline, high speed diesel, jet fuels, furnace oil and specially formulated products catering to local and international clientele. Marketing is looking after the marketing component and has formally launched its marketing activities in 2007 and since then developed progressively

and now growing aggressively with 213 retail outlets operating across the country.

Oil Refining Business

During the fiscal year 2011, the average refinery throughput was lower at approximately 30% as compared to 54% last year mainly due to working capital constraints which remained a bottleneck for continuous refining operations and arose as a consequence of varying crude oil prices and PKR/USD parity in previous years. During the year, your refinery operated for 232 stream days as compared to 335 stream days last year and has processed approximately 3.48 million barrels of crude oil as compared to 5.38 million barrels last year. Post revamping, the refining capacity has increased to 35,000 barrels per day. The Ministry of Petroleum and Natural Resources (MP&NR) has approved recovery of crude transportation cost through IFEM Pool which will result in substantial cost savings to the Company, as at present, all this transportation cost is borne by the Company itself without any reimbursements from the pool or from the Government. On an overall basis, the refining operations have remained under utilized primarily due to working capital constraints which hampered the continuous operations of the refinery for which the Company has been reinforcing its views to its lenders for additional working capital lines. Various meetings have been held during the year with the lenders. The Company is of the view that it has been able to register its views to the lenders who have also been forthcoming. Accordingly, subsequent to the balance sheet date, the Company has approached the lenders for conversion of existing syndicated short term financing facilities into term financing and has requested for additional working capital lines, which is under consideration of the lenders and the Company expects a positive outcome of the same.

Petroleum Marketing Business

The Petroleum Marketing Business (PMB) has progressively evolved as a strong marketing arm driving the fuel marketing activities of the group since 2007. After a revamped brand identity, Byco has established market presence and a competitive edge amongst its peers. Despite fluctuating marketing dynamics and stiff industry competition, Byco has successfully maintained 6th position amongst the 13 Oil Marketing Companies presently operative in Pakistan.

Furthering business expansion, PMB has successfully concluded various fuel supply agreements thus effectively penetrating into the market by adding major players from the shipping, E&P and mining sectors. It has tapped a high margin aviation fuel export market and continues to export liquid fuel internationally through state of the art, jet fuel terminal of our subsidiary, Universal Terminal Limited (UTL) which is spread over 1.5 acres and operates with over 12,500 metric tons capacity at Keamari. Along with extending our reach to our customers we are also committed to enhancing the experience of our clients by ensuring they get the right quality and quantity of products and in this context we have invested in and commissioned three state of the art mobile testing laboratories..

PROJECTS IN PROGRESS

Single Point Mooring (SPM)

The contract for installation of Offshore Pipeline, PLEM and associated equipment has been awarded to China Harbor Engineering Co. Limited by UTL. The contractor is already mobilized and work has commenced at the project site with expected completion during first calendar quarter of 2012.

This facility once operational will bring logistical advances in importing crude oil by enabling larger size crude oil vessels to sail and berth without loss of time which generally lead to demurrages.

Isomerization Plant

All equipment, Plant and machinery of the Unit re completely installed including all piping networks. Solo run of motors are in progress and the Distributed Control System is already powered up. The Isomerization Plant is mechanically completed and will be commissioned with the Byco Oil Pakistan Limited's refinery as its vast quantity of Light Naphtha feed can only be met when the larger Refinery commences operations. This will enable the Company to process light naphtha into low benzene environmental friendly motor gasoline and is expected to yield better returns to the Company.

FINANCIAL RESULTS

Rationalization of Costs

Your Company is also in process of reviewing its costs, operating expenditures as well as capital expenditures, with a view to optimize the associated benefits and/or reduce/eliminate such costs, as appropriate. Based on the foregoing, the Group has also evaluated an installment plan in respect of payments to certain creditors.



Directors' Report

Currently, negotiations are underway with the Syndicate banks and other financial institutions for enhanced working capital lines for import of crude oil and petroleum products, to cater for varying crude oil prices and to sustain the growth momentum of Company's Petroleum Marketing

Business. The Company's request is under consideration of the lenders and the Company expects a positive outcome of the same.

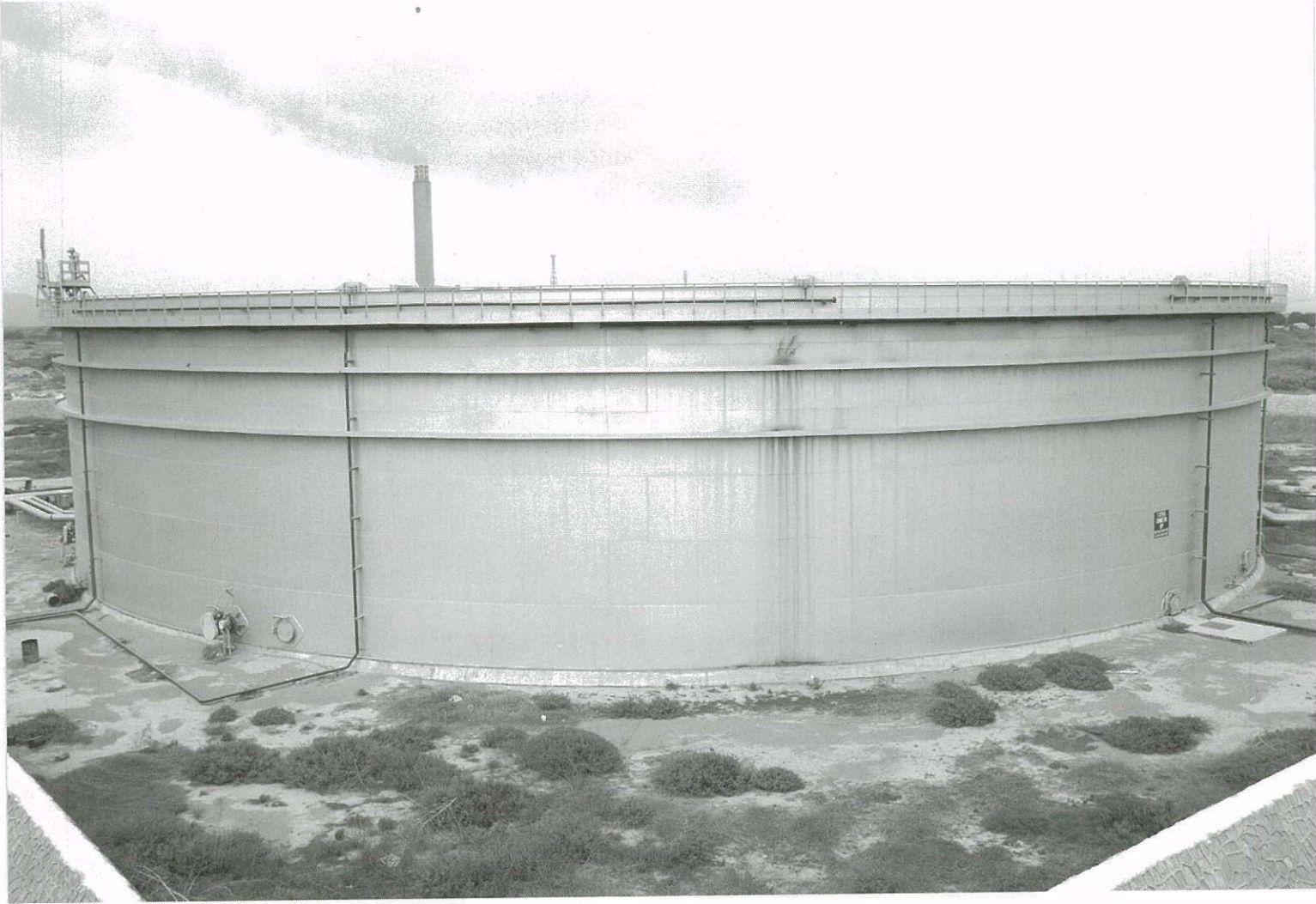
As mentioned above, due to suppressed margins, constraints in working capital lines, vertical growth in the PMB business related costs, the overall position of the Company remained pressed. The sponsors of the group extended their support and during the year, sponsors' foreign currency loans of US\$ 27.012 million and Pak Rupee loans of Rs. 3,529.24 million were converted into equity; thereby reducing financial cost, foreign exchange devaluation risk and hence improving the equity at the same time.

Subsequent to the balance sheet date, your Company successfully negotiated with its bankers' reduction in markup rates by around 200 basis points, reduction in Letter of Credit related charges and has also regularized its forced payments against documents as running finance upto a maximum of Rs. 7.65 billion. The conversion of mark-up bearing loans into equity and above mentioned cost reducing steps are expected to result in financial cost saving and consequently improve the profit & loss and equity position of the Group.



	2011 *	2010 *
	Rs. in '000	
Operating Loss	(1,123,840)	(569,271)
Other Income	976,192	742,966
	(147,648)	173,695
Financial & Other Charges	2,096,783	3,026,132
Loss before taxation	(2,244,431)	(2,852,437)
Taxation	67,748	333,769
Loss after Taxation	(2,312,179)	(3,186,206)
Un-appropriated loss - as at July	(13,559,848)	(10,597,517)
Transfer from surplus on revaluation of PPE - net of tax	206,080	223,875
Unappropriated loss - as at June 30	(15,665,947)	(13,559,848)
Loss per share	5.71	8.13

*Consolidated



BYCO takes pride in having the largest capacity crude oil storage tanks in the country

Directors' Report

Reasons for Not Declaring Dividend

The refining sector operates in a regulated environment and the prices of petroleum products are set and controlled by the Government of Pakistan and not the refineries themselves, the financial impact of the crash in oil prices was absorbed by the Company, which adversely impacted the Company's finances in FY 2009 and 2010. The foregoing factors resulted in increased financial costs to the Company during 2010-11 bringing stress to its working capital and operations. As a result, the Directors do not recommend any appropriations for the year ended June 30, 2011.

Auditors' Observations

The Company has a contractually signed agreement with Pakistan State Oil Company Limited (PSOCL) which entitles it to charge markup on delayed payments from PSOCL. PSOCL has neither confirmed nor refuted such claims of the Company which is being charged on the basis of the aforementioned agreement therewith. Since PSOCL has neither confirmed the amount of markup on delayed payment nor any amount has been received therefrom on this account, the auditors are of the view that the amount of markup on delayed payment is doubtful of recovery and a provision for doubtful debt should be made in these financial statements. This, in view of the company, is against the spirit of the agreement with PSOCL and it strongly believes that the amount is due from PSOCL and would be recovered. Hence in view of the Company, it is not doubtful of recovery and therefore no provision there-against has been made in these financial statements.

The auditors have expressed their doubts about the use of the going concern assumption in preparation of the financial

statements. The auditors' observation is based on some negative indicators like loss after taxation, net current liability position and negative equity. The management is of the view that these 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.

ISO Certification and Branding

In line with Group objectives of bringing its activities at par with international requirements, your Company has recently been awarded with ISO 9001:2008 certifications and is constantly endeavoring to optimize its business activities and processes. In our efforts to further capitalize our brand identity, Byco branded tank lorry fleet have been introduced which can now be seen on roads, transporting our product in a safe, secure and reliable way to our customers ensuring quality and quantity.

In order to constantly reinforce our brand presence, Byco is regularly represented at various forums to develop sustainable networks and foster business relationships. Like other leading companies, Byco is frequently represented at industry forums to present views on energy scenario in Pakistan and on other diversified subjects of considerable socio-economic importance. As acknowledgement of the efforts in the transformation Byco received the First Global CEO Excellence award for life time achievement and was adjudged as the best petroleum Company at the 6th Consumer Choice Award 2010.

Management Application and Systems

Back office automation has been a strong force in the success of our petroleum marketing businesses. We have implemented various administrative and operational Information Technology (IT) tools as a beginning step towards speedy processing of documents and a paperless environment. All our Group Companies operates SAP, one of the leading ERP

System which has enhanced the system efficiencies by providing real time information to the management. Since its implementation, various improvements and enhancements have been done to cater for new business process requirements of the Group including implementation of Sales and Distribution module at UTL, Two-factor and three-factor strong authentication mechanism for SAP users for improved security, revamping of Plant Maintenance module at oil refining facility, computerized maintenance management system, implementation of Voice over internet protocol Communication System between Company's corporate office and oil refining site.

In addition, your Company is now on using Content Management and Archiving system whereby all records of the organization are now digitized, archived and available in electronic form. The biggest challenge is to ensure that evolving information is updated in the system on regular basis, which is being done and monitored. All letters of Credit are now being processed through system i.e. for origination till payment, which not only give a complete MIS to the management but also improve the turnaround time.



Directors' Report

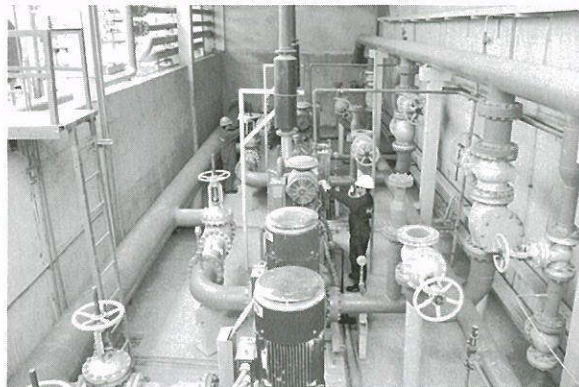
Corporate Social Responsibility

In the realm of Corporate Social Responsibility and with a particular focus on education, health, and sports, your Company is actively participating in socio-development activities to fulfill its responsibilities as a responsible corporate citizen. We have been associated with various charitable institutions and have actively contributed through rehabilitation activities for the flood victims displaced by the devastation last year.

In line with your Company's Social Responsibility Vision, We continued our investment and support in the following areas:

- Provided support to the local residents for re-construction and repair of houses damaged during torrential rain fall.
- Arranged medical camps of Diabetics, Hypertension, and Eye clinics for locals to improve awareness and to provide free medical check-up.
- Scrap, water and civil works related contracts awarded to the local contractors.
- Refinery visits have been arranged for upcoming graduates from well reputed Universities.
- Provision of ambulance facility for emergency transportation to hospitals at Hub and Karachi.
- Supply of filtered drinking water to local residents.
- Arrangement of sports and recreation activities for local residents by organizing and sponsoring Cricket tournaments.

- Arrangement of Coffin carrier service from local Goth to Graveyard.
- Provided firefighting facility to local area.
- Provision of food items to Internally Displaced Persons (IDP) of flood & cyclone victims.
- Eid gift packages for local children
- Marriage support for poor families
- Miscellaneous Compensations



Environment, Health, Safety and Security (EHSS).

During the year, significant achievements were made by your Company in the area of EHSS. A total of 3.84 million safe man hours were achieved since November 2005 without a lost time injury. A number of in-house training sessions were conducted for contractor and casual staff. To minimize paper consumption "Three R" cycle (Reuse, Reduce, Recycle) strategy was implemented at the refinery. In addition all documents related to Integrated Management System (IMS) were made available online for all refinery users through the IMS Data Share Folder to reduce the paper waste consumption.

In-House campaign for Safety Slogan Contest 2010-11 was initiated. Selected Safety Slogan was "Safety is a Team Work". Slogan's stickers' tickets were prepared and distributed through to the refinery and contractor's employees.

Contribution To The National Exchequer

During the current year, your Company contributed an amount of Rs. 5,305 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\$ 94.70 million into the economy, through the exports of various petroleum products including HSD, PMG, and Naphtha 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. There is no departure from the best practice of corporate

governance, as detailed in the listing regulations. The Company has been 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 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.
- The Company has followed consistent and appropriate accounting policies in the preparation of the financial statements. Changes, wherever made, have been adequately disclosed. Accounting estimates are on the basis of prudent and reasonable judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of the 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 regularly by the Internal Audit Function.
- There is no departure from the best practice of corporate governance, as detailed in the listing regulations.

Directors' Report

- The Company has been and shall remain committed to the conduct of its business in line with the Code of Corporate Governance and the listing regulations of the stock exchanges, which specify the role and responsibilities of the Board of Directors and Management.

Value of Investment in Post Employment Benefit Fund

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

	2011	2010
As at June 30 (Rs. in '000)	95,546	44,217

- The meeting of the Compliance Committee is held at least once every quarter prior for approval of interim and final financial results of the Company as required by the code.
- The Company's ability to continue as a going concern is explained in more detail in note 2 to the financial statements.
- Financial highlights for the last six years are summarized on page 7.
- During the financial year 5 meetings of the Board of Directors were held. Attendance by each director was as follows:

Name of Directors	No. of BOD meetings attended
1. Mr. Amir Abbassciy	5/5
2. Mr. Hamid Imtiaz Hanfi	5/5
3. Mr. Waqar Hassan Siddique	4/5
4. Mr. Matteo Stefanel	5/5
5. Mr. Muhammad Raza Hasnani	5/5
6. Mr. Aziz Moolji	0/5
7. Mr. Muhammad Abdullah Yusuf	5/5
8. Mrs. Uzma Abbassciy (i)	1/5
9. Mr. Tariq Kirmani (ii)	1/5
10. Mrs. Samia Roomi (iii)	0/5
11. Mr. Kashif Shah (iv)	3/5

- (i) Mrs. Uzma Abbassciy was appointed in place of Mr. Tariq Kirmani on 15th August 2011.
- (ii) Mr. Tariq Kirmani resigned on 30th June 2011.
- (iii) Mrs. Samia Roomi resigned on 30th June 2011.
- (iv) Mr. Kashif Shah resigned on 30th June 2011.

Leave of absence was given to directors who could not attend the board meetings.

Pattern of Shareholding

- The pattern of shareholding and additional information as at 30th June 2011 appears on page 95.
- Byco Oil Pakistan Limited holds 86.98% shares while institutions and banks hold 1.86% and individuals hold the balance 11.16%.
- The highest and lowest market prices during 2011 were Rs. 13.05 and Rs. 7.93 per share, respectively.
- No trading in the shares of the Company was done by the Directors, Chief Executive Officer, Chief Financial Officer and the Company Secretary and their spouses and minor children during the year.

Subsequent to the year end the following changes have taken place in the composition of the board:

- 1. Mrs. Uzma Abbassciy was appointed to fill the vacancy for the remainder of the term to expiring on 23rd June 2013.

2. Mr. Tariq Kirmani, Mr. Kashif Shah and Mrs. Samia Roomi resigned as of 30th June 2011.

Trading in Company's Shares

Directors, CEO, CFO, Company Secretary and their spouses and minor children have not traded in the shares of the Company during the year under consideration.

External Auditors

The existing auditors Messrs Faruq Ali & Co. Chartered Accountants retire on 27th February 2012. Auditors for the year ending June 30, 2012 shall be appointed at the forthcoming Annual General Meeting.

Acknowledgement

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

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

On behalf of the Board of Directors


Chief Executive Officer


Director
Karachi
27th January 2012



Growing at an unprecedented rate without losing focus, branching out in new businesses within the industry.

Statement of Compliance

with the Code of Corporate Governance

for the year ended June 30th, 2011

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of the stock exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in 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. At present, the Board includes one independent non-executive director.
2. The directors have voluntarily confirmed that none of them is serving as a director in more than ten listed companies, including Byco Petroleum Pakistan Limited.

The directors have voluntarily declared that

3. all the resident directors of the Company are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFIs. None of the directors is a member of any of the stock exchanges on which the Company's shares are listed.

The Directors were apprised of their duties and responsibilities from time to time.

4. During the year five casual vacancies occurred in the Board of Directors on 4th August 2010, 11th August 2010 and 30th June 2011. The casual vacancies occurred in the Board of Directors on 4th August 2010 and 11th August 2010, were filled up by the directors on the same dates.

6. The Board of Directors has adopted a 'Statement of Ethics and Business Practices, 2010-11', which has been signed by all the directors and employees of the Company.
7. The Board of Directors has approved and adopted the vision and mission statements, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
8. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and other executive directors, have been taken by the Board. The roles and responsibilities of the Chairman and Chief Executive Officer have been clearly defined.
9. During the year five meetings of the Board were held which were presided over by the Chairman, and in his absence, by a director elected by the Board for this purpose and all such meetings were attended by the Chief Financial Officer and the Company Secretary. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of all meetings were appropriately recorded and circulated in time.
10. The related party transactions have been placed before the compliance committee and approved by the Board of Directors along with pricing methods for such transactions.

11. The directors have been provided with copies of the Listing Regulations of the stock exchanges, the Company's Memorandum and Articles of Association and the Code of Corporate Governance. The directors were apprised of their duties and responsibilities through various in-house and external orientation courses.
12. Mrs. Roshan B. Mehri resigned as Chief Financial Officer of the Company and the Board appointed Mr. Abdul Ghani as Chief Financial Officer of the Company with effect from 19th May 2011.
13. The Directors' report for the year ended June 30th, 2011 has been prepared in compliance with the requirements of the code and fully describes the salient matters required to be disclosed.
14. The Company has complied with all the corporate and financial reporting requirements of the code.
15. The financial statements of the Company were duly endorsed by the Chief Executive Officer and the Chief Financial Officer, before approval of the Board.
16. The Directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
17. The Board has formed a Compliance Committee. It comprises of three members, one of whom is an executive director while the Chairman of the committee is non-executive director.
18. The meetings of the Compliance Committee were held at least once every quarter prior to approval of quarterly, half yearly and final results of the Company as required by the code. The terms of reference of the committee have been formed and advised to the committee for compliance.
19. The Board has set-up an effective internal audit function which is involved in the Internal Audit activities on full time basis.
20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the 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 International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. We confirm that all other material principles contained in the code have been complied with.

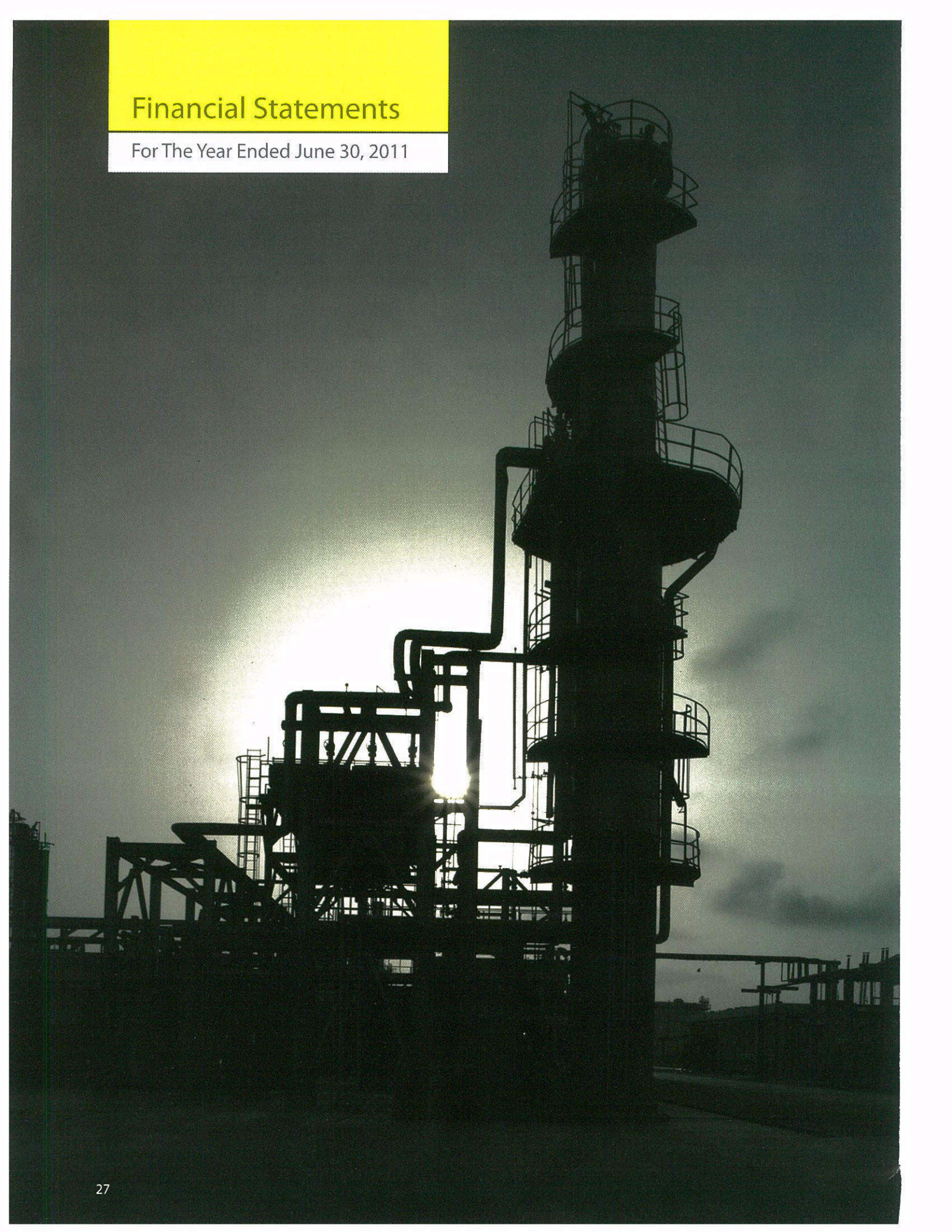
For and on behalf of the Board of Directors



Amir Abbasciy
Chief Executive Officer

Financial Statements

For The Year Ended June 30, 2011



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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Byco Petroleum Pakistan Limited ("the Company") to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of 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's 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.

Further, Sub-Regulation (xiii a) of Listing Regulation No. 35 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transaction which are not executed at arm's length price recording proper justifications for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken 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 of Corporate Governance as applicable to the Company for the year ended June 30, 2011.

Dated: January 27, 2012
KARACHI

Engagement Partner: Fasih uz Zaman


Faruq Ali & Company
CHARTERED ACCOUNTANTS

Auditors' Report to the Members

We have audited the annexed balance sheet of BYCO PETROLEUM PAKISTAN LIMITED as at June 30, 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

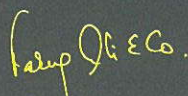
It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an 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 above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) We refer to note 9 (i) to the financial statements wherein a sum of Rs.1.953 billion (2010: Rs.1.167 billion) has been disclosed as receivable from Pakistan State Oil Company Limited ('PSOCL') on account of markup on delayed payments against which no amount has been recovered so far. Furthermore, as per the balance confirmation received from PSOCL, no amount of markup payable has been confirmed therein. Since the markup receivable by the Company has not been confirmed by PSOCL and no amount has been recovered by the Company against markup so far, therefore the markup receivable is doubtful of recovery and hence, provision for doubtful debt should be made in these financial statements. Had the provision been made the loss for the year would have been higher by Rs.1.953 billion.
- b) In our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- c) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- d) in our opinion and to the best of our information and according to the explanations given to us, except for the matter discussed in para (a) above, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2011 and of the loss, comprehensive loss, its cash flows and changes in equity for the year then ended; and
- e) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without further qualifying our opinion we draw attention to note 2 to the financial statements which indicates that the company incurred a net loss after tax of Rs.1.987 billion during the year ended June 30, 2011 and as of that date it has accumulated loss of Rs.13.771 billion which resulted in net capital deficiency of Rs.3.992 billion and its current liabilities exceeded its current assets by Rs.16.331 billion. These conditions, along with other matters as set forth in note 2, indicate the existence of material uncertainty which may cast significant doubt about company's ability to continue as going concern. The going concern assumption used in preparation of these financial statements is largely dependent upon the acceptance of restructuring proposal offered to the lenders in respect of existing liabilities and fresh working capital lines in respect of purchase of crude oil.

Dated: January 27, 2012
Place: Karachi
Engagement Partner: Fasih uz Zaman


Chartered Accountants

Balance Sheet

As at June 30, 2011

	Note	2011 (Rs '000)	2010 (Rs '000)
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	4	18,677,832	14,041,553
Intangible asset	5	8,873	15,370
Long term investment - At cost	6	2,087,115	2,087,115
Long term loan and receivable	7	2,346,332	2,349,273
Long term deposits		20,742	58,809
CURRENT ASSETS			
Stores and spares		199,697	144,076
Stock in trade	8	4,113,023	4,927,938
Trade debts - Considered good	9	6,658,446	6,861,842
Loans and advances - Considered good	10	534,149	265,521
Trade deposits, prepayments and other receivables	11	388,088	321,474
Markup accrued		434,264	39,002
Cash and bank balances	12	270,559	1,036,549
		12,598,226	13,596,402
		35,739,120	32,148,522
LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
1,200,000,000 (2010: 500,000,000) Ordinary shares of Rs.10/- each		12,000,000	5,000,000
Issued, subscribed and paid-up capital	13	9,778,587	3,921,044
Accumulated loss		(13,770,872)	(11,989,993)
		(3,992,285)	(8,068,949)
Surplus on revaluation of property, plant and equipment	14	5,930,161	3,860,878
NON-CURRENT LIABILITIES			
Loan from sponsor and associates - Unsecured	15	--	5,000,944
Long term loans - Secured	16	1,506,738	3,290,451
Liabilities against assets subject to finance lease	17	124,435	218,944
Long term deposits		33,046	16,946
Deferred liabilities	18	3,207,751	1,511,792
CURRENT LIABILITIES			
Trade and other payables	19	26,457,206	22,166,719
Accrued markup		298,700	1,415,236
Short term borrowings - Secured	20	--	508,809
Current portions of non current liabilities	21	1,933,211	1,977,379
Provision for taxation		240,157	249,373
		28,929,274	26,317,516
CONTINGENCIES AND COMMITMENTS	22	--	--
		35,739,120	32,148,522

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


Chief Executive


Director

Profit and Loss Account

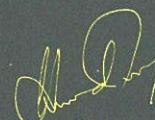
For The Year Ended June 30, 2011

	Note	2011 (Rs '000)	2010 (Rs '000)	
Gross sales		43,927,007	48,505,745	
Less: Government levies		(4,982,737)	(7,408,038)	
Net sales	23	38,944,270	41,097,707	
Cost of sales	24	38,272,598	40,430,407	
Gross profit		671,672	667,300	
Operating expenses				
Administrative expenses	25	814,485	594,539	
Selling and distribution expenses	26	982,753	637,710	
		1,797,238	1,232,249	
Operating loss		(1,125,566)	(564,949)	
Other income	27	1,371,849	2,103,542	
		246,283	1,538,593	
Financial and other charges				
Financial charges	28	2,096,290	2,335,660	
Other charges		--	690,460	
		2,096,290	3,026,120	
Loss before taxation		(1,850,007)	(1,487,527)	
Taxation				
Current year		240,157	249,373	
Prior year		7,761	--	
Deferred		(110,966)	(120,549)	
	29	136,952	128,824	
Loss after taxation		(1,986,959)	(1,616,351)	
Loss per share - Basic	(Rupees)	30.1	(4.91)	(4.12)
Loss per share - Diluted	(Rupees)	30.2	(4.91)	(3.57)

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



Chief Executive



Director

Statement of Comprehensive Income

For The Year Ended June 30, 2011

	2011 (Rs '000)	2010 (Rs '000)
Loss after taxation for the year	(1,986,959)	(1,616,351)
Other comprehensive income:		
Revaluation of property, plant and equipment	3,500,558	--
Related deferred tax	(1,225,195)	--
	2,275,363	--
Transfer from surplus on revaluation of Property, plant and equipment	317,046	344,424
Related deferred tax	(110,966)	(120,549)
	206,080	223,875
Total comprehensive loss for the year	494,484	(1,392,476)
Component of comprehensive income not reflected in equity - Net of tax	(2,275,363)	--
Total comprehensive loss for the year transferred to equity	(1,780,879)	(1,392,476)

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



Chief Executive



Director

Cash Flow Statement

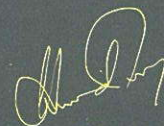
For the Year Ended June 30, 2011

	2011 (Rs '000)	2010 (Rs '000)
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(1,850,007)	(1,487,527)
Adjustments for non cash and other items:		
Depreciation	684,173	627,983
Amortization of intangible asset	6,497	6,497
Impairment of asset	16,534	--
Financial and other charges	2,096,290	3,026,120
Gain on disposal of fixed assets	(2,395)	(1,355,319)
Provision for gratuity	14,354	10,700
Cash flow before working capital changes	965,446	828,454
Movement in working capital		
(Increase) / decrease in current assets		
Stores and spares	(55,621)	8,266
Stock in trade	814,915	(440,137)
Trade debts	203,396	2,228,132
Loans and advances	(265,687)	(311,017)
Trade deposits, prepayments and other receivables	(72,736)	(58,353)
Markup accrued	(395,262)	3,430
Increase / (decrease) in current liabilities		
Trade and other payables	4,243,464	1,764,052
Cash generated from operations	5,437,915	4,022,827
Financial charges paid	(2,898,377)	(1,986,691)
Taxes paid	(203,941)	(172,890)
Deferred income	567,375	--
Net cash flow from operating activities	2,902,972	1,863,246
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(1,759,392)	(2,653,591)
Addition in intangible assets	--	(14,788)
Sale proceeds of fixed assets	4,873	6,059
Long term deposits	(9,004)	(1,449)
Long term investment	--	(87,115)
Net cash (used in) investing activities	(1,763,523)	(2,750,884)
CASH FLOW FROM FINANCING ACTIVITIES		
Loan from sponsors and associates - net	509,910	977,843
Repayment of term finance certificates	--	(107,094)
Repayment of long term loan	(1,868,383)	(1,238,505)
Liabilities against assets subject to finance lease - Net	(97,066)	(90,262)
Long term deposits	16,100	12,500
Short term borrowings - Net	(466,000)	291,260
Net cash (used in) financing activities	(1,905,439)	(154,258)
Net (decrease) in cash and cash equivalents	(765,990)	(1,041,896)
Cash and cash equivalents at the beginning of year	1,036,549	2,078,445
Cash and cash equivalents at the end of year	270,559	1,036,549

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



Chief Executive



Director

Statement of Changes In Equity

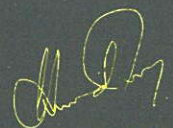
For The Year Ended June 30, 2011

	Issued, subscribed and paid-up capital	Accumulated Loss	Total
		(Rs '000)	
Balance as on July 01, 2009	3,921,044	(10,597,517)	(6,676,473)
Total comprehensive loss for the year	--	(1,392,476)	(1,392,476)
Balance as on June 30, 2010	3,921,044	(11,989,993)	(8,068,949)
Shares issued during the year	5,857,543	--	5,857,543
Total comprehensive loss for the year	--	(1,780,879)	(1,780,879)
Balance as on June 30, 2011	9,778,587	(13,770,872)	(3,992,285)

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



Chief Executive



Director

Note To The Financial Statements

For The Year Ended June 30, 2011

1 THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan as a public limited company on January 09, 1995 and was granted a certificate of commencement of business on March 13, 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. The Company is engaged in the production and sale of petroleum products.

Byco Industries Incorporated (BII) was holding 67.52% shareholding in the Company. During the year ended June 30, 2011, BII transferred its entire shareholding in the Company to Byco Oil Pakistan Limited ("BOPL", an associate of the Company and a wholly owned subsidiary of BII). Consequently, BOPL has become an immediate parent company and BII has become an ultimate parent of the Company. Further, 585,754,341 shares have also been issued to BOPL during the year as more fully explained in note 15.1. As a result of the above, BOPL now holds 850,510,099 shares representing 86.98% shareholding in the Company.

2 GOING CONCERN ASSUMPTION

During the year ended June 30, 2011, the Company incurred a net loss after tax of Rs.1.987 billion (2010: Rs.1.616 billion) and as of that date its accumulated losses of Rs.13.771 billion (2010: Rs.11.990 billion) have resulted in net capital deficiency of Rs.3.992 billion (2010: Rs.8.069 billion) and excess of current liabilities over current assets by Rs.16.331 billion (2010: Rs.12.721 billion). The refinery operations of the Company have substantially declined during the year which continued to further decline subsequent to the balance sheet date on account of working capital constraints being faced by the Company and as a result thereof, it has been unable to ensure timely payments to its creditors. Consequently certain creditors have claimed markup on delayed payments which the company does not acknowledge due to the reasons mentioned in note 22.1 to these financial statements. 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 financial statements have been prepared using the going concern assumption as the management is confident that all these conditions are temporary, not permanent and would reverse in foreseeable future.

During the year, sponsors' foreign currency loans of US\$ 27.012 million equivalent to Rs. 2,328.298 million and Pak Rupee loans of Rs. 3,529.24 million aggregating to Rs. 5,857.543 million have been converted into equity; thereby reducing financial cost, foreign exchange devaluation risk and hence improving the equity at the same time. Subsequent to the balance sheet date, the Company has successfully negotiated with its bankers' reduction in markup rates by around 200 basis points. The conversion of markup bearing loans into equity and reduction in markup rates are expected to result in financial cost saving and consequently improve the profit & loss and equity position of the Company.

The Petroleum Marketing Business has tapped a high margin aviation fuel export market and the Company started importing jet fuel cargoes. For managing this business, separate working capital line was arranged and is continually available to the company. This additional business is estimated to contribute towards the profitability of the Company.

Further, the Ministry of Petroleum and Natural Resources (MP&NR) has approved recovery of crude transportation cost through IFEM Pool. Currently IFEM is only applicable to specific POL products. This will result in substantial cost savings to the Company, as at present, all this transportation cost is borne by the Company itself without any reimbursements from the pool or from the Government.

The Company has realized its receivables during the year as well as subsequent to the year-end which resulted in reduction of funded amount of working capital lines thereby reducing the financial costs to the Company.

Further the Isomerization (ISOM) Plant is now mechanically completed and will be commissioned with the Parent Company's refinery subsequent to year end which will enable the Company to process light naphtha into low

Notes To The Financial Statements

For The Year Ended June 30, 2011

benzene environmental friendly motor gasoline and is expected to yield better returns thus supporting the profitability of the Company.

The Company is also in process of reviewing its costs, operating expenditures as well as capital expenditures, with a view to optimize the associated benefits and/or reduce/eliminate such costs, as appropriate. Based on the foregoing, the Company has also evaluated an installment plan in respect of payments to certain creditors.

In order to improve the working capital and to have continuous and sustained operations, the Company has been reinforcing its views to its lenders for additional working capital lines and various meetings have been held during the year with the lenders. The Company is of the view that it has been able to register its views to the lenders who have also been forthcoming. Accordingly, subsequent to the balance sheet date, the company has approached the lenders for conversion of existing syndicated short term financing facilities and has requested for additional working capital lines. The Company's request is under consideration of the lenders and the Company expects a positive outcome of the same.

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

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

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

3.1.1 Standard and interpretations that become effective during the year.

During the year certain amendments to Standards and new interpretations became effective however they did not have any material effect on the financial statements of the Company.

3.1.2 Standards and interpretations issued but not yet effective for the current financial year.

The following standards, amendments and interpretations of approved accounting standards are only effective for annual periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements, other than increased disclosures in certain cases:

	Effective for period beginning on or after
IAS 1 - Presentation of Items of Other Comprehensive Income	July 01, 2012
IAS 19 - Employee Benefits (amended 2011)	January 01, 2013
IAS 24 - Related Party Disclosures (revised 2009)	January 01, 2011
IFRS 7 - Disclosures - Transfers of Financial Assets (Amendments)	July 01, 2011
IFRS 7 - Financial Instruments: Disclosures	January 01, 2011
IFRIC 14 - Prepayments of a Minimum Funding Requirements (Amendments)	January 01, 2011

3.2 Basis of preparation

These financial statements have been prepared under the historical cost convention, except for borrowing costs as referred in note 3.16 which have been included in the cost of the relevant assets, financial assets and liabilities which are stated at fair value and certain fixed assets mentioned in note 14 which are carried at revalued amounts.

Notes To The Financial Statements

For The Year Ended June 30, 2011

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are as follows:

- i) Provision for taxes.
- ii) Estimation of residual values and useful lives of property, plant and equipment.
- iii) Staff retirement benefits.

3.3 Staff retirements benefits

Defined contribution plan

The Company operates an approved contributory provident fund for all the employees eligible under the scheme. Equal monthly contributions are made to the provident fund both by the company and by the employees at the rate of 10% per annum of the basic salary.

Defined benefit plan

The Company operates an un-funded gratuity scheme covering all employees eligible to the benefit. Provisions are made on the basis of actuarial recommendations. The actuarial valuations are carried out with using the Projected Unit Credit Method, as required by International Accounting Standards (IAS-19). The unrecognized actuarial gains or losses at each valuation date are amortized over the average remaining working lives of the employees in excess of 10% of the present value of the defined benefit obligation.

3.4 Property, plant and equipment and depreciation.

Owned

These are stated at cost less accumulated depreciation and impairment, if any, except for the land which is stated at cost and certain fixed assets mentioned in note 14 to the financial statements which are carried at revalued amounts. All expenditures connected with specific assets incurred during installation and construction period are carried under capital work in progress at cost. These are transferred to specific assets as and when these assets are available for use.

Depreciation is charged using the straight line method. Depreciation is charged from the month the asset is acquired or capitalized and no depreciation is charged in the month of disposal.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any are retired.

Gains and losses on disposal of property, plant and equipment are taken to the income currently.

An amount equal to the incremental depreciation due to revaluation of property, plant and equipment (net of tax) is transferred from the surplus on revaluation of fixed assets to accumulated loss.

Leased

The company accounts for assets acquired under finance lease by recording the assets and related liability. Assets are recorded at lower of present value of minimum lease payments under the lease agreements and fair value of the assets. The aggregate amount of obligation relating to these assets are accounted for at net present value of liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on outstanding liabilities.

Notes To The Financial Statements

For The Year Ended June 30, 2011

Depreciation, repair and maintenance and gain/loss on disposal of assets subject to finance lease is recognized in the same manner as for owned assets.

3.5 Intangible assets

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and that the cost of such asset can also be measured reliably.

These are stated at cost less accumulated amortization and impairment, if any.

Intangible asset is amortized from the month such asset is put into use on straight line basis over its useful life.

3.6 Investment in subsidiary

These are valued at cost, less impairment, if any.

3.7 Stores and spares

These are valued at lower of cost and net realizable value, less provision for obsolescence, if any. Cost is determined using moving average method except for the items in transit where cost comprises invoice value plus other charges incurred thereon.

3.8 Stock in trade

Stock of raw material is valued at lower of cost, determined on first in first out (FIFO) basis, and net realizable value. Raw material in transit is valued at cost comprising invoice value plus other charges incurred thereon accumulated to the balance sheet date.

Stock of finished products are valued at lower of cost and net realizable value. Cost in relation to finished products represents cost of raw material and an appropriate allocation of manufacturing overheads. Net realizable value 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.

3.9 Trade debts and other receivables

Trade debts and other receivables are carried at invoice value less provision for impairment, if any. A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

3.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprises cash in hand, balance with banks in current, saving and deposits accounts and short term running finances under mark up arrangements.

3.11 Taxation

Current

Company provides charge for current taxation based on applicable provisions of the Income Tax Ordinance, 2001.

Deferred

Deferred tax is recognized on all temporary differences between the carrying amounts for financial reporting purposes and the amount used for taxation purposes.

Deferred tax asset is recognized for the carry forward tax losses and available tax credits to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized.

3.12 Trade and other payables

Trade and other payables are carried at cost which is the fair value of consideration to be paid for goods and services.

Notes To The Financial Statements

For The Year Ended June 30, 2011

3.13 Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the company and the revenue can be measured reliably. Revenue is recognized on the following basis:

- Local sales are recognized on dispatch of finished products. Export sales are recorded on the basis of products delivered to the tankers or shipped to customers as appropriate.
- Interest/mark up income and land lease rentals are recognized on accrual basis.

3.14 Foreign currency translation

Transactions in foreign currencies are translated to rupees at the exchange rates prevailing at transaction date. Monetary assets and liabilities in foreign currency are translated to rupees at the exchange rates prevailing on the balance sheet date. Exchange differences are taken to the profit and loss account.

3.15 Transactions with related parties

The company enters into transactions with related parties for finance, goods, services and shared expenses. These are priced at an arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods sold or services rendered in an economically comparable market to a buyer unrelated to the seller.

3.16 Borrowing costs

Borrowings costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as expense in the period in which these are incurred.

3.17 Provisions

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.18 Financial instruments

All financial assets and liabilities are recognized when the company becomes a party to the contractual provisions of the instrument. Financial assets include long term and short term deposits, trade debts, loans, accrued markup, other receivables, cash and bank balances. Financial liabilities include subordinated loan, term finance certificates, long term loans, finance lease, short term borrowings, deposits, trade and other payables and accrued markup. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

3.19 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is objective evidence that it is impaired. Any impairment loss arising is recognized as an expense in the profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event accruing after impairment loss was initially recognized.

3.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting.

3.21 Off setting of financial assets and liabilities

A financial asset and a financial liability are offset and the net amount is reported in the balance sheet if the company has a legally enforceable right to off set the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Notes To The Financial Statements

For The Year Ended June 30, 2011

3.22 Dividends and appropriation to general reserve

Dividends and appropriation to general reserves are recognised in the financial statements in the period in which these are approved.

4 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets - At cost less accumulated depreciation 4.1
Capital work in progress - At cost 4.5

2011 (Rs '000)	2010 (Rs '000)
14,962,881	9,830,513
3,714,951	4,211,040
18,677,832	14,041,553

4.1 Operating fixed assets - At cost less accumulated depreciation

Particulars	2011										
	As at July 01, 2010	Additions	Cost / Revaluation			Useful life in years	Depreciation				Book value As at June 30, 2011
			Revaluation Surplus/ (deficit)	(Deletions)	As at June 30, 2011		As at July 01, 2010	For the year	On deletions	As at June 30, 2011	
			(Rs '000)			(Rs '000)					
Owned											
Freehold land	631,360	24,470	--	--	655,830	--	--	--	--	--	655,830
Leasehold land	700,000	--	--	--	700,000	--	--	--	--	--	700,000
Plant and machinery	9,360,631	1,731,876	3,569,307	--	14,661,814	20	1,806,514	531,349	--	2,337,863	12,323,951
Generators	238,920	31,917	(66,303)	--	204,534	15	51,926	19,934	--	71,860	132,674
Building, on freehold land,											
roads and civil works	218,433	88,625	--	--	307,058	25	43,414	10,301	--	53,715	253,343
Furniture and fixtures	32,210	17,358	--	--	49,568	10	16,254	3,364	--	19,618	29,950
Filling stations (4.1.1)	82,022	345,264	--	--	427,286	10	2,673	21,842	--	24,515	402,771
Computer and allied	48,126	19,819	--	--	67,945	3	29,167	11,598	--	40,765	27,180
Safety and lab equipments	81,710	22,807	(18,980)	--	85,537	5	31,594	13,745	--	45,339	40,198
Vehicles	66,725	9,800	--	(13,549)	62,976	5	46,251	8,818	(11,699)	43,370	19,606
Portable cabins	9,199	--	--	--	9,199	10	6,660	696	--	7,356	1,843
Sub - Total	11,469,336	2,291,936	3,484,024	(13,549)	17,231,747		2,034,453	621,647	(11,699)	2,644,401	14,587,346
Leased											
Plant and machinery	271,051	--	--	--	271,051	20	36,487	15,325	--	51,812	219,239
Vehicles	219,681	43,059	--	(1,589)	261,151	5	58,615	47,201	(961)	104,855	156,296
Sub - Total	490,732	43,059	--	(1,589)	532,202		95,102	62,526	(961)	156,667	375,535
Total	11,960,068	2,334,995	3,484,024	(15,138)	17,763,949		2,129,555	684,173	(12,660)	2,801,068	14,962,881

Notes To The Financial Statements

For The Year Ended June 30, 2011

Particulars	2010											Book value As at June 30, 2010
	As at July 01, 2009	Additions	Cost / Revaluation			Useful life in years	Depreciation			As at June 30, 2010		
			Transfer	(Deletions)	As at June 30, 2010		As at July 01, 2009	Transfer	For the year		On deletions	
(Rs '000)												
Owned												
Freehold land	631,360	--	--	--	631,360	--	--	--	--	--	--	631,360
Leasehold land	700,000	--	--	--	700,000	--	--	--	--	--	--	700,000
Plant and machinery	9,648,975	5,353	16,500	(310,197)	9,360,631	20	1,390,412	5,363	508,336	(97,597)	1,806,514	7,554,117
Generators	222,032	16,888	--	--	238,920	15	33,715	--	18,211	--	51,926	186,994
Building, on freehold land, roads and civil works	217,053	1,380	--	--	218,433	25	34,478	--	8,936	--	43,414	175,019
Furniture and fixtures	28,641	3,569	--	--	32,210	10	13,470	--	2,784	--	16,254	15,956
Filling stations (4.1.1)	16,128	65,894	--	--	82,022	10	461	--	2,212	--	2,673	79,349
Computer and allied	30,771	17,355	--	--	48,126	3	22,128	--	7,039	--	29,167	18,959
Safety and lab equipments	44,055	37,655	--	--	81,710	5	21,519	--	10,075	--	31,594	50,116
Vehicles	69,510	--	8,982	(11,767)	66,725	5	36,100	8,422	10,938	(9,209)	46,251	20,474
Portable cabins	9,199	--	--	--	9,199	10	5,964	--	696	--	6,660	2,539
Sub - Total	11,617,724	148,094	25,482	(321,964)	11,469,336		1,558,247	13,785	569,227	(106,806)	2,034,453	9,434,883
Leased												
Plant and machinery	287,551	--	(16,500)	--	271,051	20	23,170	(5,363)	18,680	--	36,487	234,564
Vehicles	186,340	(47,793)	(8,982)	(5,470)	219,681	5	29,589	(8,422)	40,075	(2,627)	58,615	161,066
Sub - Total	473,891	(47,793)	(25,482)	(5,470)	490,732		52,759	(13,785)	58,755	(2,627)	95,102	395,630
Total	12,091,615	195,887	--	(327,434)	11,960,068		1,611,006	--	627,982	(109,433)	2,129,555	9,830,513

4.1.1 The Company's assets located at filling stations are not in possession of the Company.

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

Administrative Expenses
Cost of sales

2011 (Rs '000)	2010 (Rs '000)
70,981	60,628
613,192	567,355
684,173	627,983

4.3 Detail of assets disposed off during the year:

Particulars	Cost	Accumulated Depreciation	Book Value	Sale Proceeds/ Disposal Value	Gain	Mode of Disposal	Particulars of Buyer	
							Name	Status
(Rs '000)								
Vehicles:								
Audi	3,153	3,153	--	788	788	Company policy	Mohammad Wasi Khan	Employee
Honda Civic	1,288	922	366	429	63	Company policy	Amir Waheed	Employee
Honda Civic	1,238	1,072	166	227	61	Company policy	Syed Mohammad Waseem	Employee
Lancer	999	666	333	383	50	Company policy	Aqeel Ahmed Khan	Employee
Lancer	999	999	--	42	42	Company policy	Faraz Sheikh	Employee
Toyota Corolla	879	601	278	322	44	Company policy	Muhammad Ahmed	Employee
Toyota Corolla	879	733	146	190	44	Company policy	Wasi Alvi	Employee
Toyota Corolla	879	674	205	850	645	Insurance claim	EFU Insurance	Insurance Company
Toyota Corolla	879	703	176	220	44	Company policy	Amir Ali Nazeer	Employee
Suzuki Cultus	590	295	295	325	30	Company policy	Waseem Ahmed Khan	Employee
Suzuki Cultus	560	439	121	149	28	Company policy	Rizwan Ahmed	Employee
Suzuki Cultus	560	504	56	84	28	Company policy	Haroon Rasheed	Employee
Suzuki Cultus	560	448	112	140	28	Company policy	Suhail Safi	Employee
Suzuki Cultus	560	448	112	140	28	Company policy	Mudassar Qadeer	Employee
Suzuki Cultus	560	448	112	140	28	Company policy	Mohammad Jamil Khan	Employee
Suzuki Cultus	555	555	--	444	444	Insurance claim	EFU Insurance	Insurance Company
2011	15,138	12,660	2,478	4,873	2,395			
2010	2,920	109	2,811	4,166	1,355			

Notes To The Financial Statements

For The Year Ended June 30, 2011

	Note	2011 (Rs '000)	2010 (Rs '000)
4.4 Had there been no revaluation the carrying amount of revalued assets would have been as follows :			
Freehold land		46,730	22,260
Leasehold land		213,200	213,200
Plant and machinery		4,958,827	3,529,754
Generators		86,515	53,565
Building on freehold land, roads and civil works		227,304	167,924
Safety and lab equipment		40,198	45,051
		<u>5,572,774</u>	<u>4,031,754</u>
4.5 Capital work in progress - At cost			
Opening balance		4,211,040	4,297,952
Add : Additions	4.5.1	1,249,753	2,533,054
		<u>5,460,793</u>	<u>6,831,006</u>
Less : Plant & machinery sold to Universal Terminal Ltd.		--	(2,592,409)
Less : Capitalized during the year.		(1,745,842)	(27,557)
		<u>3,714,951</u>	<u>4,211,040</u>
Closing balance		3,714,951	4,211,040
Plant and machinery		3,636,875	4,133,057
Civil and mechanical works		78,076	77,983
		<u>3,714,951</u>	<u>4,211,040</u>

4.5.1 Additions to capital work in progress includes borrowing cost of Rs. Nil (2010: Rs.387.040 million) relating to borrowings specific to the projects and Rs. 36.455 million (2010: 176.776 million) relating to general borrowings capitalized using average borrowing rate of 16.02% (2010: 15.50%) per annum.

	2011 (Rs '000)	2010 (Rs '000)
5 INTANGIBLE ASSET		
Computer software:		
Cost		
At the beginning	32,484	17,696
Additions	--	14,788
At the closing	<u>32,484</u>	<u>32,484</u>
Amortization		
At the beginning	(17,114)	(10,617)
For the year	(6,497)	(6,497)
At the closing	<u>(23,611)</u>	<u>(17,114)</u>
	<u>8,873</u>	<u>15,370</u>

5.1 The computer software is being amortized on a straight line basis over the useful life of five years.

Notes To The Financial Statements

For The Year Ended June 30, 2011

	Note	2011 (Rs '000)	2010 (Rs '000)
6 LONG TERM INVESTMENT - At cost			
Investment in subsidiary			
Universal Terminal Limited (wholly owned subsidiary)			
4,503,000 shares of Rs.10/- each @ Rs.19.35 per share		87,115	87,115
Deposit for issuance of shares	6.1	2,000,000	2,000,000
		<u>2,087,115</u>	<u>2,087,115</u>

6.1 Represents consideration receivable from the Subsidiary as 200 million shares of Rs.10 each against sale of assets.

		2011 (Rs '000)	2010 (Rs '000)
7 LONG TERM LOAN AND RECEIVABLE			
Considered good:			
Loan to an executive - interest free			
Opening balance		31,320	32,400
Received during the year		(6,480)	(1,080)
Closing balance	7.1	<u>24,840</u>	<u>31,320</u>
Subsidiary			
Receivable against sale of assets	7.2	2,159,670	2,159,670
Long term loan to subsidiary	7.3	364,636	164,763
		<u>2,549,146</u>	<u>2,355,753</u>
Less: Current portion of long term loan and receivable			
Loan to an executive		(6,480)	(6,480)
Receivable against sale of assets		(196,334)	--
		<u>(202,814)</u>	<u>(6,480)</u>
		<u>2,346,332</u>	<u>2,349,273</u>

7.1 Represents interest free loan to an executive of the Company under the terms of his employment. The loan is for purchase of house and is repayable in six years with one year grace period. Maximum amount due at the end of any month was Rs. 30.780 million (2010: 32.400 million). The loan will be secured against lien on title deed of the property purchased, the property will remain in the name of the executive.

7.2 Represents receivable from Universal Terminal Limited (wholly owned subsidiary) against sale of assets. Amount is unsecured and is receivable in eleven (11) equal semi annual installments commencing from June 2012 and carries markup at the rate 3% over 6 Months KIBOR. The receivable alongwith markup is convertible into shares at the option of the Company. The receivable is inferior to the rights of present secured financial institutions that are lenders to the Subsidiary and such financial institutions that may be lenders to the Subsidiary in the future.

7.3 Represents unsecured long term loan to subsidiary against the total limit of Rs. 377.885 million, which carries markup at the rate 4% over 6 Months KIBOR. The loan is receivable in lump sum after five years. The receivable is inferior to the rights of present secured financial institutions that are lenders to the Subsidiary and such financial institutions that may be lenders to the Subsidiary in the future.

Notes To The Financial Statements

For The Year Ended June 30, 2011

	Note	2011 (Rs '000)	2010 (Rs '000)
8 STOCK IN TRADE			
Raw material		1,874,658	1,488,779
Finished goods		2,238,365	3,439,159
		<u>4,113,023</u>	<u>4,927,938</u>

8.1 Finished stock has been written down by Rs. 0.401 million (2010: Rs.11.917 million) to net realizable value.

8.2 Stocks of the company amounting to Rs. 2,506.266 million (2010: Rs.3,280.787 million) are held by third parties including stocks amounting to Rs. 46.972 million on which the company has no control due to dispute with those parties. The company expects that the dispute will be settled amicably and stocks will be released, hence no provision has been made in these financial statements.

9 TRADE DEBTS - Considered good

This includes:

i) A sum of Rs. 3.497 billion (2010: Rs. 5.147 billion) due from Pakistan State Oil Company Limited (PSOCL) against supplies of products and Rs.1.953 billion (2010: Rs.1.167 billion) on account of markup on delayed payments. Markup on delayed payment is charged in accordance with the contractual agreement therewith.

ii) A sum of Rs. 1.137 billion (2010: Nil) due from Karachi Electric Supply Company Limited (KESC) against supplies of product(s) and Rs. 7.211 million (2010: Nil) on account of markup on delayed payments. Markup on delayed payment is charged in accordance with the contractual agreement therewith.

iii) Price differential claim of Rs. 22.000 million (2010: Rs. 22.000 million) from Ministry of Petroleum & Natural Resources, Government of Pakistan.

		2011 (Rs '000)	2010 (Rs '000)
10 LOANS AND ADVANCES - Considered good			
Employees	10.1	8,280	7,228
Suppliers and contractors		329,535	258,293
Current portion of long term loan and receivable		196,334	--
		<u>534,149</u>	<u>265,521</u>

10.1 This includes a sum of Rs.8.056 million (2010: Rs. 6.602 million) due from executives of the company.

11 TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2011 (Rs '000)	2010 (Rs '000)
Deposits	47,071	6,373
Margin against letter of credits	39,755	--
Pre-payments	41,746	37,819
Current account balances with statutory authority:		
Advance income tax	181,141	234,334
Inland freight equalization margin	--	13,260
Receivable from associated undertakings against land lease rent	78,375	29,688
	<u>388,088</u>	<u>321,474</u>

Notes To The Financial Statements

For The Year Ended June 30, 2011

	Note	2011 (Rs '000)	2010 (Rs '000)
12 CASH AND BANK BALANCES			
Cash in hand		50	60
Cash at banks	12.1		
-Current account		265,095	772,070
-Saving / Deposit accounts	12.2	5,414	264,419
		<u>270,559</u>	<u>1,036,549</u>

12.1 Cash at bank include Rs.148.858 million (2010: Rs.729.261 million) kept under lien against the letter of credit facilities obtained from banks.

12.2 Saving / deposit accounts carry markup at the rates ranging between 6% and 10% (2010: 6% and 10%) per annum.

13 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

977,858,737 (2010: 392,104,396) Ordinary shares of Rs.10/- each fully paid in cash

13.1 Reconciliation of shares
At the beginning of the year
Shares issued during the year

At the end of the year

	2011 (Rs '000)	2010 (Rs '000)
	<u>9,778,587</u>	<u>3,921,044</u>
	<u>392,104,396</u>	<u>392,104,396</u>
	<u>585,754,341</u>	<u>--</u>
	<u>977,858,737</u>	<u>392,104,396</u>

13.2 Byco Oil Pakistan Limited (immediate parent) hold 850,510,099 shares (86.98%) (2010: Nil) in the Company. In previous year, Byco Industries Inc. (BII, now the ultimate parent) held 264,755,758 shares (67.52%).

14 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Surplus on revaluation of Property, plant and equipment - Opening
Surplus arising due to revaluation of Property, plant and equipment
Related deferred tax liability

Transfer to accumulated loss in respect of

- disposal of fixed assets - Net of tax
- incremental depreciation charged during the year - Net of tax

Surplus on revaluation of Property, plant and equipment - Closing

	2011 (Rs '000)	2010 (Rs '000)
	<u>3,860,878</u>	<u>4,084,753</u>
	<u>3,500,558</u>	<u>--</u>
	<u>(1,225,195)</u>	<u>--</u>
	<u>--</u>	<u>(29,156)</u>
	<u>(206,080)</u>	<u>(194,719)</u>
	<u>5,930,161</u>	<u>3,860,878</u>

Plant & machinery, Generators and Safety & lab equipment owned by the company have been revalued on June 28, 2011 by an independent valuer, M/s Yunus Mirza & Co. - Incorporated Architects, Engineers, Town planners and Bank's approved surveyors, using prevailing market value being the basis of revaluation. The surplus arising from revaluation is Rs. 3,500.558 million. The entire closing balance of surplus on revaluation of Property, plant and equipment is not available for distribution to shareholders.

Notes To The Financial Statements

For The Year Ended June 30, 2011

PARTICULARS	Book value of assets before revaluation	Revalued Amount	Revaluation Surplus / (deficit)	Impairment charged to Profit and loss
	(Rs in '000)			
Plant and machinery	8,758,147	12,327,453	3,569,306	--
Generators	166,750	100,447	(66,303)	--
Safety and lab equipments	42,406	23,426	(2,445)	(16,534)
	8,967,303	12,451,326	3,500,558	(16,534)

		2011 (Rs '000)	2010 (Rs '000)
15	LOAN FROM SPONSORS AND ASSOCIATES - Unsecured		
	From Sponsors	--	1,758,265
	From associated undertakings	--	3,242,679
		--	5,000,944

15.1 During the year, the Company novated its loans from Sponsors' and associated undertaking along with accrued markup aggregating to Rs. 4.024 billion to an associated company 'BOPL'. Consequently, the outstanding amount due to BOPL aggregating to Rs. 5.857 billion was converted into equity of the Company by issuance of 585,754,341 Ordinary Shares to BOPL at par value of Rs. 10/- each by way of issuance of shares otherwise than rights. As a result, BOPL is now the immediate parent of the Company as mentioned in note 1 to these financial statements.

		2011 (Rs '000)	2010 (Rs '000)
16	LONG TERM LOANS - Secured		
	From banks		
	Term finance - I	16.1	59,670
	Term finance - II	16.1	25,000
	Syndicated Loan	16.2	279,999
	Syndicated Term Finance	16.3	4,794,166
		3,290,452	5,158,835
	Less: Current maturity	1,783,714	1,868,384
		1,506,738	3,290,451

16.1 These have been fully repaid during the year.

16.2 The loan has been obtained from syndicate of banks and financial institutions with Allied Bank Limited as a Trustee. The facility is secured against first hypothecation charge, ranking pari passu over present and future fixed assets. The tenor of financing is five years and is repayable in ten semi-annual installments starting from the 7th month of first disbursement. The facility carries markup at the rate of 3% over 6 month average KIBOR and is payable alongwith the principle amount.

16.3 The loan has been obtained from syndicate of banks and financial institutions with Habib Bank Limited as a Trustee. The facility is secured against first hypothecation charge, ranking pari passu over present and future fixed assets of the company as well as charge to the extent of Rs.2.628 billion on fixed assets of its wholly owned subsidiary. The tenor of financing is four years and is repayable in 42 monthly installments of Rs.136.976 million with a Grace period of 6 months starting from the 7th month of first disbursement. The facility carries markup at the rate of 3% over 1 month KIBOR payable in installments alongwith the principle amount.

Notes To The Financial Statements

For The Year Ended June 30, 2011

17 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2011		2010	
	Lease Payments		Lease Payments	
	Minimum	Present Value	Minimum	Present Value
	(Rs '000)		(Rs '000)	
Less than one year	175,662	149,497	142,020	108,995
One to five years	143,843	118,444	300,436	204,979
	319,505	267,941	442,456	313,974
Add: Advance against lease finance	5,991	5,991	13,965	13,965
Total minimum lease payments	325,496	273,932	456,421	327,939
Less: Financial charges allocated to the future period	51,564	--	128,482	--
Present value of minimum lease payments	273,932	273,932	327,939	327,939
Less: Current portion under current liabilities	149,497	149,497	108,995	108,995
	124,435	124,435	218,944	218,944

The Company entered into lease agreements with various leasing companies to acquire plant and machinery and vehicles. The rentals under these lease agreements are payable monthly / quarterly up to June 2016. Financing rates ranging between 14.37% and 18.00% per annum (2010: between 14.37% and 17.10% per annum) have been used as discounting factors. The cost of operating and maintaining the leased assets is borne by the company. The Company intends to exercise its option to purchase the leased assets at the residual values of assets upon the completion of the respective lease periods.

	Note	2011 (Rs '000)	2010 (Rs '000)
18 DEFERRED LIABILITIES			
Deferred taxation	18.1	2,603,063	1,488,833
Employees retirements benefits	18.2	37,313	22,959
Deferred income	18.3	567,375	--
		3,207,751	1,511,792
18.1 Deferred taxation			
Deferred tax liability arising due to accelerated tax depreciation		1,285,839	916,718
Deferred tax liability arising due to finance lease transactions		35,561	28,580
Deferred tax assets arising out of staff gratuity, available tax losses and credits		(5,615,629)	(4,948,054)
		(4,294,229)	(4,002,756)
Deferred tax asset not recognised		4,294,229	4,002,756
		--	--
Deferred tax liability relating to surplus on revaluation of property, plant and equipment		2,603,063	1,488,833
		2,603,063	1,488,833

Notes To The Financial Statements

For The Year Ended June 30, 2011

	Note	2011 (Rs '000)	2010 (Rs '000)
18.2 Employees retirements benefits			
Staff gratuity:			
Movement in balance			
Opening balance		22,959	12,259
Charge for the year	18.2.1	14,354	10,700
		37,313	22,959
18.2.1 Charge for the year			
Current service cost		10,851	8,938
Interest cost		3,282	1,762
Past service liability		221	--
		14,354	10,700
18.2.2 Balance sheet reconciliation			
Present value of defined benefit obligations		39,079	23,225
Unrecognised actuarial (losses)		(1,766)	(266)
		37,313	22,959
18.2.3 Principal actuarial assumption			
Expected rate of increase in salaries		12 % per annum	12 % per annum
Discount factor used		14 % per annum	14 % per annum
Normal retirement age of employees		60 years	60 years

18.3 This represents fee in respect of demarcated plots of land for setting up of Liquefied Petroleum Gas storage and filling facilities.

19 TRADE AND OTHER PAYABLES		2011 (Rs '000)	2010 (Rs '000)
Foreign bills payable		4,908,423	2,212,812
Forced payments against documents (FPAD)	19.1	6,450,968	8,951,107
Creditors for supplies		8,264,438	5,256,777
Creditors for services		1,404,326	603,573
Accrued expenses		26,713	11,219
Advances from customers		796,404	327,995
Sales tax, petroleum levy and federal excise duty payable		4,547,279	4,748,204
Withholding tax deductions payable		10,820	11,411
Workers profit participation fund		46,689	42,475
Dividend payable	19.2	1,146	1,146
		26,457,206	22,166,719

19.1 These represent overdue letters of credit in respect of import of crude oil. Markup at the rate between 15.10% and 16.80% (2010: 15.13% and 15.79%) per annum has been accrued thereon. Further, subsequent to the year end, the FPAD's have been regularized as running finance upto a maximum limit of Rs. 7.650 billion.

Notes To The Financial Statements

For The Year Ended June 30, 2011

	Note	2011 (Rs '000)	2010 (Rs '000)
19.2 Workers profit participation fund			
Opening balance		42,475	37,273
Markup on workers profit participation fund		4,214	5,202
		46,689	42,475
20 SHORT TERM BORROWINGS - Secured			
From banks			
Short term loan		--	466,000
Temporary book overdraft		--	42,809
		--	508,809
21 CURRENT PORTION OF NON-CURRENT LIABILITIES			
Long term loans	16	1,783,714	1,868,384
Liabilities against assets subject to finance lease	17	149,497	108,995
		1,933,211	1,977,379

22 CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

Claims against the Company not acknowledged as debts amounting to Rs. 1,520.273 million mainly comprise of late payment charges on account of delayed payments against crude oil supplies. The Company is of the view that there are no specific contractual arrangements with these suppliers which allow them to claim / recover these charges and hence no provision in respect of the same has been made in these financial statements.

22.2 Commitment

Commitments in respect of capital expenditure amount to Rs.57.680 million (2010:Rs. 72.236 million)

	2011 (Rs '000)	2010 (Rs '000)
23 SALES		
Gross Sales		
Local	35,827,537	39,728,946
Export	8,099,470	8,776,799
	43,927,007	48,505,745
Less: Government levies		
Sales tax	(4,661,123)	(4,895,482)
Sales discount	(115,741)	(91,537)
Excise duty and petroleum levy	(205,873)	(2,421,019)
	(4,982,737)	(7,408,038)
	38,944,270	41,097,707

Notes To The Financial Statements

For The Year Ended June 30, 2011

	Note	2011 (Rs '000)	2010 (Rs '000)
24 COST OF SALES			
Opening stock		3,439,159	1,153,856
Add: Cost of goods manufactured	24.1	37,071,804	42,715,710
		40,510,963	43,869,566
Less: Closing stock		(2,238,365)	(3,439,159)
Cost of Sales		38,272,598	40,430,407
24.1 Cost of goods manufactured			
Raw material consumed	24.1.1	35,536,071	41,400,669
Salaries, wages and other benefits	24.1.2	261,809	218,655
Staff transportation and catering		81,783	49,345
Stores and spares consumed		43,593	69,384
Crude oil inspection and cleaning charges		8,067	12,972
Insurance		100,092	43,836
Industrial gases and chemicals		8,279	4,254
Fuel, power and water		310,947	263,592
Repairs and maintenance		64,538	71,277
Communications		1,996	1,834
Traveling and conveyance		--	168
Rent, rates and taxes		1,237	351
Security expenses		10,317	5,121
Vehicle running		9,474	6,897
Impairment of asset		16,534	--
Depreciation	4.2	613,192	567,355
Others		3,875	--
Cost of goods manufactured		37,071,804	42,715,710
24.1.1 Raw material consumed			
Opening stock of raw material		1,488,779	3,333,945
Add : Purchases		35,921,950	39,555,503
Available for use		37,410,729	42,889,448
Closing stock of raw material		(1,874,658)	(1,488,779)
Raw material consumed		35,536,071	41,400,669

24.1.2 Included herein is a sum of Rs. 13.228 million (2010: Rs.14.104 million) in respect of staff retirement benefits.

Notes To The Financial Statements

For The Year Ended June 30, 2011

	Note	2011 (Rs '000)	2010 (Rs '000)
25 ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits	25.1	425,572	321,045
Vehicle running		26,065	21,418
Repairs and maintenance		18,464	14,816
Insurance		21,802	10,427
Fee and subscriptions		31,147	12,893
Utilities		7,314	4,816
Legal and professional		34,984	32,372
Traveling and conveyance		20,035	19,659
Advertisements and subscriptions		12,510	10,057
Rent, rates and taxes		31,825	16,402
Sales tax penalties due to late payments		66,986	24,585
Printing and stationary		11,817	7,123
Donations and charity	25.2	1,374	374
Auditor's remuneration	25.3	2,600	1,985
SAP maintenance costs		18,729	19,664
Depreciation	4.2	70,981	60,628
Amortization of intangible asset	5	6,497	6,497
Security expenses		3,934	7,311
Others		1,849	2,467
		814,485	594,539

25.1 Included herein is a sum of Rs.28.255 million (2010: Rs.17.178 million) in respect of staff retirement benefits.

25.2 Recipients of donation do not include any donee in whom a director or his spouse had any interest.

	2011 (Rs '000)	2010 (Rs '000)
25.3 Auditor's remuneration		
Statutory audit	1,200	1,000
Half yearly review	375	375
Taxation, advisory and certifications	645	315
Audit of consolidated financial statements	300	250
Out of pocket expense	80	45
	2,600	1,985

26 SELLING AND DISTRIBUTION EXPENSES

Transportation	146,340	197,312
Products handling charges	16,700	32,789
Wharfage and other export expenses	18,171	6,697
Transportation on export sales	511,813	58,808
Commission on export sales	167,740	291,869
Export development surcharge	21,993	22,985
Rent, rates and taxes	35,401	11,387
Retailing and branding	63,644	15,497
Others	951	366
	982,753	637,710

Notes To The Financial Statements

For The Year Ended June 30, 2011

	2011 (Rs '000)	2010 (Rs '000)
27 OTHER INCOME		
Income from financial assets		
Interest income	853,354	632,635
Mark up on long term loan to subsidiary	395,262	5,990
Income from non financial assets		
Gain on disposal of fixed assets	2,395	1,355,319
Joining income	30,346	35,650
Insurance claim	16,035	4,334
Others	5,049	12,983
Scrap sales	20,721	12,881
Land lease rent	48,687	43,750
	1,371,849	2,103,542
28 FINANCIAL CHARGES		
Markup on:		
- Finance leases	41,014	41,567
- Term finance certificates	5,686	3,493
- Long term loans	661,192	1,113,381
- Short term borrowings and FPADs	893,378	520,397
- Crude purchases	76,155	12,461
- Sponsor's loan	286,880	5,922
Markup on WPPF	4,214	5,202
Bank charges	25,976	6,372
Export charges	3,744	1,655
Exchange difference - Net	70,868	608,472
Loan arrangement and commitment fee	27,183	16,738
	2,096,290	2,335,660
29 TAXATION - Current		

Income tax assessments of the Company are deemed to have been finalized upto and including the tax year 2010. However tax year 2009 has been selected for audit under section 177 of the Income Tax Ordinance, 2001 which is in progress. Keeping in view the available tax losses and credits, no additional tax liability is expected to arise.

29.1 Relationship between accounting loss and tax expense for the year

The current year provision is based on tax payable by the company under final tax regime as well as minimum tax under section 113 of the Income Tax Ordinance, 2001. Therefore there is no relationship between accounting loss and tax expense for the period.

Notes To The Financial Statements

For The Year Ended June 30, 2011

		2011 (Rs '000)	2010 (Rs '000)
30	LOSS PER SHARE - Basic and diluted		
30.1	Loss per share - Basic		
	Net loss after taxation	(1,986,959)	(1,616,351)
	Weighted average number of ordinary shares	(Numbers) 404,942,850	392,104,400
	Loss per share - Basic	(Rupees) (4.91)	(4.12)
30.2	Loss per share - Diluted		
	Net loss after taxation	(1,986,959)	(1,616,351)
	Dilutive effect - net of tax	--	3,849
		(1,986,959)	(1,612,502)
	Weighted average number of ordinary shares	404,942,850	392,104,400
	Dilutive effect	--	59,118,466
		(Numbers) 404,942,850	451,222,866
	Loss per share - Diluted	(Rupees) (4.91)	(3.57)

31 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties comprise of parent companies, subsidiary, holding company, associated undertakings, directors, key management personnel and staff provident fund. Remuneration and benefits to chief executive, directors and key management personnel under terms of their employment are disclosed in note 32 to the financial statements. Transaction with related parties, other than those which have been specifically disclosed elsewhere in these financial statements, are as follows: -

31.1 Transactions with related parties

	2011 (Rs '000)	- 2010 (Rs '000)
Parent companies:		
Receipt of loan	685,283	1,485,881
Markup on loan	142,131	262,424
Land lease rentals	45,937	43,750
Share issued against loan conversion	5,857,543	--
Advances against purchase of assets - net	135,139	--
Shared expenses	15,374	30,136
Repayment of markup	61,000	--
Late payment income	--	7,935

Notes To The Financial Statements

For The Year Ended June 30, 2011

	Note	2011 (Rs '000)	2010 (Rs '000)
Subsidiary company:			
Investment		--	87,115
Short term advance		199,873	164,763
Mark up income		395,262	5,990
Disposal of assets		--	4,159,670
Land lease rentals		2,750	--
Services received		57,910	--
Associated companies:			
Purchase of operating fixed assets		11,898	4,216
Services received		169,418	293,495
Sales		4,058,969	--
Repayment of loan		178,774	533,320
Repayment of markup		381,047	--
Payment against services (freight for crude oil)		285,515	379,444
Markup on borrowings		144,959	336,393
Staff provident fund:			
Payment of employees and company's contribution		60,401	44,217
31.2 Balances with related parties			
Parent companies:			
Long term loans	15	--	3,258,265
Markup payable		13,233	278,801
Markup receivable		33,012	33,012
Security deposits		3,646	3,646
Advances against purchase of assets - Net		135,741	--
Receivable against land lease rent	11	75,625	29,688
Subsidiary company:			
Long term receivable as deferred payment	7.2	2,159,670	2,159,670
Deposit for shares	6.1	2,000,000	2,000,000
Long term loan	7.3	364,636	164,763
Markup receivable		401,252	5,990
Receivable against land lease rent	11	2,750	--
Creditors for services		28,593	--
Associated companies:			
Long term loans	15	--	1,742,679
Markup payable		88,328	324,416
Creditors for services		26,946	--
Trade debts	9	1,144,449	--

31.3 Transactions and balances with BOPL were being classified under associated companies. Since the status of BOPL has been changed to 'parent company' therefore transactions and balances of current and previous year have been rearranged and disclosed as such.

Notes To The Financial Statements

For The Year Ended June 30, 2011

32 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company was as follows:

	Chief Executive		Directors		Executives		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	(Rs '000)							
Managerial remuneration	10,107	19,222	15,550	12,400	218,494	144,862	244,151	176,484
Provident fund	--	--	1,414	1,240	18,613	12,273	20,027	13,513
Housing and utilities	5,307	10,092	5,654	6,200	78,751	67,970	89,712	84,262
Leave fare assistance	--	823	--	1,153	3,533	9,404	3,533	11,380
Bonus	--	--	--	--	21,754	--	21,754	--
	15,414	30,137	22,618	20,993	341,145	234,509	379,177	285,639
Number of persons	1	1	1	1	133	88	135	90

The Chief Executive, Directors and certain executives are provided with company maintained vehicles.

33 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has the overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

33.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company's credit risk is primarily attributable to its receivables and balances with banks.

The carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

	2011 (Rs '000)	2010 (Rs '000)
Trade debts	6,658,446	6,861,842
Deposits, accrued markup, loans and other receivables	580,452	147,132
Bank balances	270,509	1,036,489
	7,509,407	8,045,463

The company manages credit risk of receivables through the monitoring of credit exposures and continuous assessment of credit worthiness of its customers. The Company believes that it is not exposed to any major concentration of credit risk as it operates in an essential products industry, its customers are credit worthy and dealing banks possess good credit ratings.

Notes To The Financial Statements

For The Year Ended June 30, 2011

The aging of trade debts at the reporting dates was:

Not past due

Past due 0-30 days

Past due 31-150 days

Past due 151 days

2011 (Rs '000)	2010 (Rs '000)
68,860	664,052
303,872	421,851
1,591,212	2,090,789
4,694,502	3,685,150
6,658,446	6,861,842

Based on past experience the management believes that no impairment allowance is necessary in respect of trade debts past due as management believes that the same will be recovered in short course of time. Company's trade debts comprise a major balance receivable from PSOCL and KESC and recoveries have been made during the year as well as subsequent to the year end. The credit quality of the Company's receivable can be assessed with their past performance. The credit quality of the Company's banks can be assessed by their external credit ratings.

Name of Bank	Rating Agency	Rating	
		Short term	Long term
Allied Bank Limited	PACRA	A1+	AA
Askari Bank Limited	PACRA	A1+	AA
Bank Alfalah Limited	PACRA	A1+	AA
Barclays Bank PLC	S&P	A-1+	AA-
Habib Bank Limited	JCR-VIS	A-1+	AA+
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
National Bank of Pakistan	JCR-VIS	A-1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A-1+	AA+

33.2 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. Although the Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements however it is facing liquidity problems due to inadequate working capital lines on account of elevated crude oil prices and dollar rate parity and also due to delays in recoveries from PSOCL and KESC which is resulting in delayed payments by the Company. Subsequent to the balance sheet date, the Company has evaluated an installment plan in respect of amounts due to certain suppliers. The following are the contractual maturities of the financial liabilities, including markups:

Notes To The Financial Statements

For The Year Ended June 30, 2011

	Carrying Amounts	Contractual Cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
----- (Rs' 000) -----						
2011						
Financial liabilities						
Loans	3,290,452	3,746,860	1,104,653	1,038,691	1,603,516	--
Lease liabilities	273,932	325,496	114,199	61,811	75,058	74,428
Long term deposits	33,046	33,046	--	--	--	33,046
Trade and other payables	21,102,703	21,651,035	21,651,035	--	--	--
Accrued markup	298,700	298,700	298,700	--	--	--
	24,998,833	26,055,137	23,168,587	1,100,502	1,678,574	107,474
----- (Rs' 000) -----						
2010						
Financial liabilities						
Loans	10,159,779	13,218,411	1,578,624	1,483,348	2,709,541	7,446,898
Lease liabilities	327,939	456,421	69,773	69,132	101,183	216,333
Long term deposits	16,946	16,946	--	--	--	16,946
Trade and other payables	17,079,109	17,839,953	17,839,953	--	--	--
Short term borrowings	508,809	541,251	541,251	--	--	--
Accrued markup	1,415,236	1,415,236	1,415,236	--	--	--
	29,507,818	33,488,218	21,444,836	1,552,480	2,810,724	7,680,177

All the financial liabilities of the company are non derivative financial liabilities.

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effect as at June 30.

33.3 Market Risk

Market risk is a risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of financial instruments. The company is exposed to currency risk and interest rate risk only.

33.3.1 Currency risk

Foreign currency risk arises mainly where receivables and payables exists due to transactions in foreign currencies. The financial instruments of the company exposed to currency risk were as follows:

Assets / (liabilities)	2011 (Rs'000)	2010 (Rs'000)
Loans	--	(1,758,265)
Markup on loans	(13,242)	(7,207)
Foreign creditors	(4,908,423)	(2,212,812)
	(4,921,665)	(3,978,284)
The following significant exchange rate has been applied:		
USD to PKR (Reporting date rate in Rupees)	86.08	85.60
USD to PKR (Average rate in Rupees)	85.65	84.17

Notes To The Financial Statements

For The Year Ended June,30, 2011

Sensitivity analysis

At reporting date, if PKR had strengthened by 5% against the US Dollar with all other variables held constant loss for the year would have been lower / higher by the amounts shown below, mainly as a result of foreign exchange gain on translation of foreign currency liabilities.

Effect on loss

2011 (Rs '000)	2010 (Rs '000)
246,083	198,914

The 5% weakening of the PKR against US Dollar would have had an equal but opposite impact on the loss for the year on the basis that all other variables remain constant.

33.3.2 Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates. The company's exposure to the risk of changes in interest rates relates primarily to the following:

Fixed rate instruments at carrying amounts:

Financial Assets

Balance with banks

Financial liabilities

Variable rate instruments at carrying amounts:

Financial liabilities

Loans

Lease liabilities

Short term borrowings

Trade and other payables

2011 (Rs '000)	2010 (Rs '000)
5,414	264,419
--	--
3,290,452	10,159,779
273,932	327,939
--	508,809
6,497,657	8,993,582
10,062,041	19,990,109

Fair value sensitivity analysis for fixed rate instruments:

The company does not account for any fixed rate financial assets at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates at the reporting date would have increased / decreased loss for the year by the amounts shown below:

Effect on loss / profit due to change of 100 basis points

Increase

Decrease

2011 (Rs'000)	2010 (Rs'000)
98,069	18,792
98,069	18,792

Notes To The Financial Statements

For The Year Ended June 30, 2011

The effective interest / mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

33.4 Fair value of financial instruments

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

33.5 Capital risk management

The company's prime objective when managing capital is to safe guard the company's ability to continue as a going concern in order to provide returns for shareholders, benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

34 INFORMATION ABOUT BUSINESS SEGMENTS

34.1 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:

	2011			
	Oil Refining Business	Petroleum Marketing Business	Eliminations	Total
	(Rs '000)			
Revenue				
Net sales to external customers	7,538,094	31,406,176	--	38,944,270
Inter-segment sales	20,000,594	--	(20,000,594)	--
Total revenue	27,538,688	31,406,176	(20,000,594)	38,944,270
Result				
Segment results - (loss)	(849,931)	(263,219)	--	(1,113,150)
Un-allocated expenses				(16,954)
				(1,130,104)
Interest expense				(1,968,519)
Interest income				1,248,616
Taxation				(136,952)
Loss for the year				(1,986,959)
Other Information				
Depreciation and amortization	647,066	43,604	--	

Notes To The Financial Statements

For The Year Ended June 30, 2011

	Oil Refining Business	Petroleum Marketing Business	2010 Eliminations	Total
	(Rs '000)			
Revenue				
Net sales to external customers	16,859,948	24,237,759	--	41,097,707
Inter-segment sales	16,824,154	--	(16,824,154)	--
Total revenue	33,684,102	24,237,759	(16,824,154)	41,097,707
Result				
Segment results - (loss)/ Profit	(1,348,285)	943,738	--	(404,547)
Un-allocated expenses				(19,182)
				(423,729)
Interest expense				(1,702,423)
Interest income				638,625
Taxation				(128,824)
Loss for the year				(1,616,351)
Other Information				
Depreciation and amortization	623,650	10,830	--	

34.2 Geographical information

Revenue from external customers

	2011 (Rs '000)	2010 (Rs '000)
Pakistan	30,844,800	32,320,908
United Arab Emirates	1,646,535	1,658,465
Taiwan	--	455,205
Oman	--	289,769
India	220,412	161,254
Afghanistan	5,644,811	6,212,106
China	240,798	--
South Korea	346,914	--
	38,944,270	41,097,707

The revenue information above is based on the location of customers.

All non-current assets of the Company at 30 June 2011 are located in Pakistan. The detail of segment assets have not been disclosed in these financial statements as these are not reported to the chief operating decision maker on a regular basis.

Notes To The Financial Statements

For The Year Ended June 30, 2011

34.3 Revenues of Rs.4.059 billion and Rs.3.161 billion are derived from two customers.

34.4 Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions between third parties.

35 CAPACITY AND ANNUAL PRODUCTION

Against the designed annual refining capacity (based on 330 days) of 11.550 million barrels (2010: 9.900 million barrels), the actual throughput during the year was 3.479 million barrels (2010: 5.383 million barrels) mainly due to working capital constraints faced by the Company during the year.

36 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on January 27, 2012 in accordance with the resolution of the Board of Directors of the company.

37 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in rupees, which is the Company's functional currency. All financial information presented in rupees been rounded to nearest thousand.



Chief Executive



Director

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of BYCO PETROLEUM PAKISTAN LIMITED ("the parent company") and its subsidiary (hereinafter collectively referred as 'the group') as at June 30, 2011 and the related consolidated profit and loss account, consolidated statement of other comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes to and forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the parent company and its subsidiary company.

The consolidated financial statements are the responsibility of the parent company's management. Our responsibility is to express an opinion on these financial 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) We refer to note 8 (i) to the consolidated financial statements wherein a sum of Rs.1.953 billion (2010: Rs.1.167 billion) has been disclosed as receivable from Pakistan State Oil Company Limited ('PSOCL') on account of markup on delayed payments against which no amount has been recovered so far. Furthermore, as per the balance confirmation received from PSOCL, no amount of markup payable has been confirmed therein. Since the markup receivable by the Company has not been confirmed by PSOCL and no amount has been recovered by the parent company against markup so far, therefore the markup receivable is doubtful of recovery and hence, provision for doubtful debt should be made in these consolidated financial statements. Had the provision been made the loss for the year would have been higher by Rs.1.953 billion.

Except for the effect of the matter stated in paragraph (a) above, in our opinion the consolidated financial statements present fairly the financial position of the group as at June 30, 2011 and the results of its operations, its comprehensive income, its cash flow and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Without further qualifying our opinion we draw attention to note 2 to the consolidated financial statements which indicates that the parent company incurred a net loss after tax of Rs.1.987 billion during the year ended June 30, 2011 and as of that date it has accumulated loss of Rs.13.771 billion which resulted in net capital deficiency of Rs.3.992 billion and the parent company's current liabilities exceeded its current assets by Rs.16.331 billion. These conditions, along with other matters as set forth in note 2, indicate the existence of material uncertainty which may cast significant doubt about the parent company's ability to continue as going concern. The going concern assumption used in preparation of parent company's financial statements is largely dependent upon the acceptance of restructuring proposal offered to the lenders in respect of existing liabilities and fresh working capital lines in respect of purchase of crude oil.

Dated: January 27, 2012
Place: Karachi
Engagement Partner: Fasih uz Zaman



Chartered Accountants

Consolidated Balance Sheet

As at June 30, 2011

	Note	2011 (Rs '000)	2010 (Rs '000) Restated
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	4	21,986,328	17,069,290
Intangible asset	5	32,619	39,116
Long term loan	6	18,360	24,840
Long term deposits		23,315	59,740
CURRENT ASSETS			
Stores and spares		199,697	144,076
Stock in trade	7	4,113,023	4,927,938
Trade debts - Considered good	8	6,658,446	6,861,842
Loans and advances - Considered good	9	354,853	286,321
Trade deposits, prepayments and other receivables	10	408,510	329,616
Markup accrued		33,012	33,012
Cash and bank balances	11	271,254	1,046,352
		12,038,795	13,629,157
		34,099,417	30,822,143
LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
1,200,000,000 (2010: 500,000,000) Ordinary shares of Rs.10/- each		12,000,000	5,000,000
Issued, subscribed and paid-up capital	12	9,778,587	3,921,044
Accumulated loss		(15,665,947)	(13,559,848)
		(5,887,360)	(9,638,804)
Surplus on revaluation of property, plant and equipment	13	5,930,161	3,860,878
NON-CURRENT LIABILITIES			
Loan from sponsor and associates - Unsecured	14	--	5,000,944
Long term loans - Secured	15	1,506,738	3,290,451
Liabilities against assets subject to finance lease	16	130,580	218,944
Long term deposits		33,046	16,946
Deferred liabilities	17	3,365,708	1,739,553
CURRENT LIABILITIES			
Trade and other payables	18	26,546,558	22,182,434
Accrued markup		298,700	1,415,236
Short term borrowings - Secured	19	--	508,809
Current portions of non - current liabilities	20	1,934,527	1,977,379
Provision for taxation		240,759	249,373
		29,020,544	26,333,231
CONTINGENCIES AND COMMITMENTS	21	--	--
		34,099,417	30,822,143

The annexed notes from an integral part of these financial statements.



Chief Executive



Director

Consolidated Profit and Loss Account

For The Year Ended June 30, 2011

	Note	2011 (Rs '000)	2010 (Rs '000) Restated
Gross sales		43,927,007	48,505,745
Less: Government levies		(4,982,737)	(7,408,038)
Net sales	22	38,944,270	41,097,707
Cost of sales	23	38,237,612	40,433,035
Gross profit		706,658	664,672
Operating expenses			
Administrative expenses	24	847,745	596,233
Selling and distribution expenses	25	982,753	637,710
		1,830,498	1,233,943
Operating loss		(1,123,840)	(569,271)
Other income	26	976,192	742,966
		(147,648)	173,695
Financial and other charges			
Financial charges	27	2,096,783	2,335,672
Other charges		--	690,460
		2,096,783	3,026,132
Loss before taxation		(2,244,431)	(2,852,437)
Taxation			
Current year		240,758	249,373
Prior year		7,761	--
Deferred	28	(180,771)	84,396
		67,748	333,769
Loss after taxation		(2,312,179)	(3,186,206)
Loss per share - Basic (Rupees)	29.1	(5.71)	(8.13)
Loss per share - Diluted (Rupees)	29.2	(5.71)	(7.05)

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



Chief Executive



Director

Consolidated Statement of Comprehensive Income

For The Year Ended June 30, 2011

	2011 (Rs '000)	2010 (Rs '000) Restated
Loss after taxation for the year	(2,312,179)	(3,186,206)
Other comprehensive income:		
Revaluation of property, plant and equipment	3,500,558	--
Related deferred tax	(1,225,195)	--
	2,275,363	--
Transfer from surplus on revaluation of		
Property, plant and equipment	317,046	344,424
Related deferred tax	(110,966)	(120,549)
	206,080	223,875
Total comprehensive income/ (loss) for the year	169,264	(2,962,331)
Component of comprehensive income not reflected in equity - Net of tax	(2,275,363)	--
Total comprehensive loss for the year transferred to equity	(2,106,099)	(2,962,331)

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



Chief Executive



Director

Consolidated Cash Flow Statement

For The Year Ended June 30, 2011

	2011 (Rs '000)	2010 (Rs '000) Restated
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(2,244,431)	(2,852,437)
Adjustments for non cash and other items:		
Depreciation	701,459	630,610
Amortization of intangible asset	6,497	6,497
Impairment of asset	16,534	--
Financial and other charges	2,096,783	3,026,132
Gain on disposal of fixed assets	(2,395)	(658)
Provision for gratuity	14,354	10,700
Cash flow before working capital changes	588,801	820,844
Movement in working capital		
(Increase) / decrease in current assets		
Stores and spares	(55,621)	8,266
Stock in trade	814,915	(440,137)
Trade debts	203,396	2,228,132
Loans and advances	(62,052)	(167,293)
Trade deposits, prepayments and other receivables	(82,242)	(64,794)
Markup accrued	--	9,420
Increase / (decrease) in current liabilities		
Trade and other payables	4,317,101	1,779,462
Cash generated from operations	5,724,298	4,173,900
Financial charges paid	(2,898,870)	(1,986,703)
Taxes paid	(206,714)	(173,719)
Deferred income	567,375	--
Net cash flow from operating activities	3,186,089	2,013,478
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(2,051,246)	(2,716,145)
Addition in intangible assets	--	(14,788)
Sale proceeds of fixed assets	4,873	6,059
Long term deposit	(10,646)	(1,449)
Cost of business combination - net of cash acquired	--	(87,105)
Net cash (used in) investing activities	(2,057,019)	(2,813,428)
CASH FLOW FROM FINANCING ACTIVITIES		
Loan from sponsors and associates - net	509,910	899,958
Lease money shared by employee	1,760	--
Repayment of term finance certificates	--	(107,094)
Repayment of long term loan	(1,868,383)	(1,238,505)
Liabilities against assets subject to finance lease - Net	(97,555)	(90,262)
Long term deposits	16,100	12,500
Short term borrowings - Net	(466,000)	291,260
Net cash (used in) financing activities	(1,904,168)	(232,143)
Net (decrease) in cash and cash equivalents	(775,098)	(1,032,093)
Cash and cash equivalents at the beginning of year	1,046,352	2,078,445
Cash and cash equivalents at the end of year	271,254	1,046,352

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



Chief Executive



Director

Consolidated Statement of Changes In Equity

For The Year Ended June 30, 2011

	Issued, subscribed and paid-up capital	Accumulated Loss	Total
	-----	(Rs '000)	-----
Balance as on July 01, 2009-As reported	3,921,044	(10,597,517)	(6,676,473)
Total comprehensive loss for the year-As restated	--	(2,962,331)	(2,962,331)
Balance as on June 30, 2010-As restated	3,921,044	(13,559,848)	(9,638,804)
Shares issued during the year	5,857,543	--	5,857,543
Total comprehensive loss for the year	--	(2,106,099)	(2,106,099)
Balance as on June 30, 2011	9,778,587	(15,665,947)	(5,887,360)

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



Chief Executive



Director

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2011

1 REPORTING ENTITY

The Group comprises the following companies

Byco Petroleum Pakistan Limited ('BPPL') - Parent Company

BPPL was incorporated in Pakistan as a public limited company on January 09, 1995 and was granted a certificate of commencement of business on March 13, 1995. The shares of BPPL are listed on Karachi, Lahore and Islamabad Stock Exchanges. The registered office of BPPL is situated at The Harbour Front, 9th floor, Dolmen City, HC-3, Block 4, Marine Drive, Clifton, Karachi – 75600, Pakistan. BPPL is engaged in the production and sale of petroleum products.

Byco Industries Incorporated (BII) was holding 67.52% shareholding in BPPL. During the year ended June 30, 2011, BII transferred its entire shareholding in BPPL to Byco Oil Pakistan Limited ("BOPL", an associate of the Company and a wholly owned subsidiary of BII). Consequently, BOPL has become an immediate parent company and BII has become an ultimate parent of BPPL. Further, 585,754,341 shares have also been issued to BOPL during the year as more fully explained in note 14.1. As a result of the above, BOPL now holds 850,510,099 shares representing 86.98% shareholding in BPPL.

Universal Terminal Limited ('UTL') - Subsidiary

UTL was incorporated in Pakistan on June 14, 2002 as a private limited company under the Companies Ordinance, 1984 and converted into Public Limited Company on May 24, 2010. BPPL acquired 100% shares of UTL by virtue of share purchase agreement dated February 17, 2010 (acquisition date). The registered office of UTL is situated at 9th Floor, The Harbour Front, Dolmen City, HC-3, Block 4, Marine Drive, Clifton, Karachi - 75600, Pakistan. UTL is principally engaged in the provision of bulk storage services of petroleum products.

2 GOING CONCERN ASSUMPTION

The management of the Parent company has reported the following in their audited financial statements to mitigate the foregoing:

During the year ended June 30, 2011, the Parent company incurred a net loss after tax of Rs.1.987 billion (2010: Rs.1.616 billion) and as of that date its accumulated losses of Rs.13.771 billion (2010: Rs.11.990 billion) have resulted in net capital deficiency of Rs.3.992 billion (2010: Rs.8.069 billion) and excess of current liabilities over current assets by Rs.16.331 billion (2010: Rs.12.721 billion). The refinery operations of the Parent company have substantially declined during the year which continued to further decline subsequent to the balance sheet date on account of working capital constraints being faced by the Parent company and as a result thereof, it has been unable to ensure timely payments to its creditors. Consequently certain creditors have claimed markup on delayed payments which the Parent company does not acknowledge due to the reasons mentioned in note 21.1 to these consolidated financial statements. The conditions indicate existence of material uncertainty which may cast significant doubt about the Parent 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 Parent company's financial statements have been prepared using the going concern assumption as the management is confident that all these conditions are temporary, not permanent and would reverse in foreseeable future.

During the year, sponsors' foreign currency loans of US\$ 27.012 million equivalent to Rs. 2,328.298 million and Pak Rupee loans of Rs. 3,529.24 million aggregating to Rs. 5,857.543 million have been converted into equity; thereby reducing financial cost, foreign exchange devaluation risk and hence improving the equity at the same time. Subsequent to the balance sheet date, the Parent company has successfully negotiated with its bankers' reduction in markup rates by around 200 basis points. The conversion of mark-up bearing loans into equity and reduction in markup rates are expected to result in financial cost saving and consequently improve the profit & loss and equity position of the Parent company.

The Petroleum Marketing Business has tapped a high margin aviation fuel export market and the Parent company started importing jet fuel cargoes. For managing this business, separate working capital line was arranged and is continually available to the Parent company. This additional business is estimated to contribute towards the profitability of the Parent company.

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2011

Further, the Ministry of Petroleum and Natural Resources (MP&NR) has approved recovery of crude transportation cost through IFEM Pool. Currently IFEM is only applicable to specific POL products. This will result in substantial cost savings to the Parent company, as at present, all this transportation cost is borne by the Parent company itself without any reimbursements from the pool or from the Government.

The Parent company has realized its receivables during the year as well as subsequent to the year-end which resulted in reduction of funded amount of working capital lines thereby reducing the financial costs to the Parent company.

Further the Isomerization (ISOM) Plant is now mechanically completed and will be commissioned with the Parent company's refinery subsequent to year end which will enable the Parent company to process light naphtha into low benzene environmental friendly motor gasoline and is expected to yield better returns thus supporting the profitability of the Parent company.

The Parent company is also in process of reviewing its costs, operating expenditures as well as capital expenditures, with a view to optimize the associated benefits and/or reduce/eliminate such costs, as appropriate. Based on the foregoing, the Parent company has also evaluated an installment plan in respect of payments to certain creditors.

In order to improve the working capital and to have continuous and sustained operations, the Parent company has been reinforcing its views to its lenders for additional working capital lines and various meetings have been held during the year with the lenders. The Parent company is of the view that it has been able to register its views to the lenders who have also been forthcoming. Accordingly, subsequent to the balance sheet date, the Parent company has approached the lenders for conversion of existing syndicated short term financing facilities and has requested for additional working capital lines. The Parent company's request is under consideration of the lenders and the Parent company expects a positive outcome of the same.

The result of the above efforts, activities and actions is expected to contribute significantly towards the profitability, cost reduction, cash flows and equity position of the Parent company and contribute towards favorable conditions and mitigate the risks involved and therefore, the preparation of financial statements on going concern assumption is justified.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

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

3.1.1 Standard and interpretations that become effective during the year

During the year certain amendments to Standards and new interpretations became effective however they did not have any material effect on the financial statements of the Group.

3.1.2 Standards and interpretations issued but not yet effective for the current financial year

The following standards, amendments and interpretations of approved accounting standards are only effective for annual periods beginning from the dates specified below. These standards are either not relevant to the Group's operations or are not expected to have significant impact on the Group's financial statements, other than increased disclosures in certain cases:

	Effective for period beginning on or after
IAS 1 - Presentation of Items of Other Comprehensive Income	July 01, 2012
IAS 19 - Employee Benefits (amended 2011)	January 01, 2013
IAS 24 - Related Party Disclosures (revised 2009)	January 01, 2011

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2011

IFRS 7 - Disclosures - Transfer of Financial Assets (Amendments)	July 01, 2011
IFRS 7 - Financial Instruments: Disclosures	January 01, 2011
IFRIC 14 - Prepayments of a Minimum Funding Requirements (Amendments)	January 01, 2011

3.2 Basis of preparation

These financial statements have been prepared under the historical cost convention, except for borrowing costs as referred in note 3.17 which have been included in the cost of the relevant assets, financial assets and liabilities which are stated at fair value and certain fixed assets mentioned in note 13 which are carried at revalued amounts.

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are as follows:

- i) Provision for taxes.
- ii) Estimation of residual values and useful lives of property, plant and equipment.
- iii) Staff retirement benefits.

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 and pre-acquisition reserves. All intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements.

3.4 Staff retirements benefits

Defined contribution plan:

The Group operates an approved contributory provident fund for all the employees eligible under the scheme. Equal monthly contributions are made to the provident fund both by the Group and by the employees at the rate of 10% per annum of the basic salary.

Defined benefit plan:

The Group operates an un-funded gratuity scheme covering all employees eligible to the benefit. Provisions are made on the basis of actuarial recommendations. The actuarial valuations are carried out with using the Projected Unit Credit Method, as required by International Accounting Standards (IAS-19). The unrecognized actuarial gains or losses at each valuation date are amortized over the average remaining working lives of the employees in excess of 10% of the present value of the defined benefit obligation.

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2011

3.5 Property, plant and equipment and depreciation

Owned

These are stated at cost less accumulated depreciation and impairment, if any, except for the land which is stated at cost and certain fixed assets mentioned in note 13 to the financial statements which are carried at revalued amounts. All expenditures connected with specific assets incurred during installation and construction period are carried under capital work in progress at cost. These are transferred to specific assets as and when these assets are available for use.

Depreciation is charged using the straight line method. Depreciation is charged from the month the asset is acquired or capitalized and no depreciation is charged in the month of disposal. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any are retired.

Gains and losses on disposal of property, plant and equipment are taken to the income currently.

An amount equal to the incremental depreciation due to revaluation of property, plant and equipment (net of tax) is transferred from the surplus on revaluation of fixed assets to accumulated loss.

Leased

The Group accounts for assets acquired under finance lease by recording the assets and related liability. Assets are recorded at lower of present value of minimum lease payments under the lease agreements and fair value of the assets. The aggregate amount of obligation relating to these assets are accounted for at net present value of liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on outstanding liabilities.

Depreciation, repair and maintenance and gain/loss on disposal of assets subject to finance lease is recognized in the same manner as for owned assets.

3.6 Intangible assets

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 acquirer. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses, if any.

Other intangible assets

An intangible asset, other than goodwill, is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and that the cost of such asset can also be measured reliably.

These, other than goodwill, are stated at cost less accumulated amortization and impairment, if any.

Intangible asset, other than goodwill, is amortized from the month such asset is put into use on straight line basis over its useful life.

3.7 Stores and spares

These are valued at lower of cost and net realizable value, less provision for obsolescence, if any. Cost is determined using moving average method except for the items in transit where cost comprises invoice value plus other charges incurred thereon.

3.8 Stock in trade

Stock of raw material is valued at lower of cost, determined on first in first out (FIFO) basis, and net realizable value. Raw material in transit is valued at cost comprising invoice value plus other charges incurred thereon accumulated to the balance sheet date.

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2011

Stock of finished products are valued at lower of cost and net realizable value. Cost in relation to finished products represents cost of raw material and an appropriate allocation of manufacturing overheads. Net realizable value 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.

3.9 Trade debts and other receivables

Trade debts and other receivables are carried at invoice value less provision for impairment, if any. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

3.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprises cash in hand, balance with banks in current, saving and deposits accounts and short term running finances under mark up arrangements.

3.11 Taxation

Current

Group provides charge for current taxation based on applicable provisions of the Income Tax Ordinance, 2001.

Deferred

Deferred tax is recognized on all temporary differences between the carrying amounts for financial reporting purposes and the amount used for taxation purposes.

Deferred tax asset is recognized for the carry forward tax losses and available tax credits to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized.

3.12 Trade and other payables

Trade and other payables are carried at cost which is the fair value of consideration to be paid for goods and services.

3.13 Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably. Revenue is recognized on the following basis:

- Local sales are recognized on dispatch of finished products. Export sales are recorded on the basis of products delivered to the tankers or shipped to customers as appropriate.
- Interest/mark up income, storage income and land lease rentals are recognized on accrual basis.

3.14 Foreign currency translation

Transactions in foreign currencies are translated to rupees at the exchange rates prevailing at transaction date. Monetary assets and liabilities in foreign currency are translated to rupees at the exchange rates prevailing on the balance sheet date. Exchange differences are taken to the profit and loss account.

3.15 Transactions with related parties

The Group enters into transactions with related parties for finance, goods, services and shared expenses. These are priced at an arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods sold or services rendered in an economically comparable market to a buyer unrelated to the seller.

3.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2011

asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as expense in the period in which these are incurred.

3.17 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.18 Financial instruments

All financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets include long term and short term deposits, trade debts, loans, accrued markup, other receivables, cash and bank balances. Financial liabilities include subordinated loan, term finance certificates, long term loans, finance lease, short term borrowings, deposits, trade and other payables and accrued markup. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

3.19 Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is objective evidence that it is impaired. Any impairment loss arising is recognized as an expense in the profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event accruing after impairment loss was initially recognized.

3.20 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting.

3.21 Off setting of financial assets and liabilities

A financial asset and a financial liability are offset and the net amount is reported in the balance sheet if the Group has a legally enforceable right to off set the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.22 Dividends and appropriation to general reserve

Dividends and appropriation to general reserves are recognised in the financial statements in the period in which these are approved.

	Note	2011 (Rs'000)	2010 (Rs'000) Restated
4 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets - At cost less accumulated depreciation	4.1	15,526,412	10,203,285
Capital work in progress - At cost	4.5	6,459,916	6,866,005
		21,986,328	17,069,290

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2011

4.1 Operating fixed assets - At cost less accumulated depreciation

Particulars	----- 2011 -----										
	As at July 01, 2010	Additions	Cost / Revaluation			Useful life in years	Depreciation				Book value As at June 30, 2011
			Revaluation Surplus/ (deficit)	(Deletions)	As at June 30, 2011		As at July 01, 2010	For the year	On deletions	As at June 30, 2011	
			(Rs '000)			(Rs '000)					
Owned											
Freehold land	631,360	24,470	--	--	655,830	--	--	--	--	--	655,830
Leasehold land	755,700	--	--	--	755,700	--	--	--	--	--	755,700
Plant and machinery	9,674,828	1,821,207	3,569,307	--	15,065,342	20	1,902,564	512,632	--	2,415,196	12,650,146
Generators	238,920	40,469	(66,303)	--	213,086	15	51,926	19,981	--	71,907	141,179
Building, on freehold land, roads and civil works	218,433	88,625	--	--	307,058	25	43,414	10,301	--	53,715	253,343
Building on leasehold land	13,000	--	--	--	13,000	25	173	520	--	693	12,307
Tanks	59,700	22,709	--	--	82,409	20	3,495	33,016	--	36,511	45,898
Pipelines	30,400	77,896	--	--	108,296	20	507	1,845	--	2,352	105,944
Furniture and fixtures	32,210	17,358	--	--	49,568	10	16,254	3,364	--	19,618	29,950
Filling stations (4.1.1)	82,022	345,264	--	--	427,286	10	2,673	21,842	--	24,515	402,771
Computer and allied	48,126	21,196	--	--	69,322	3	29,167	11,640	--	40,807	28,515
Safety and lab equipments	81,710	22,807	(18,980)	--	85,537	5	31,594	13,745	--	45,339	40,198
Vehicles	66,725	9,800	--	(13,549)	62,976	5	46,251	8,818	(11,699)	43,370	19,606
Portable cabins	9,199	1,990	--	--	11,189	10	6,660	713	--	7,373	3,816
Sub - Total	11,942,333	2,493,791	3,484,024	(13,549)	17,906,599		2,134,678	638,417	(11,699)	2,761,396	15,145,203
Leased											
Plant and machinery	271,051	--	--	--	271,051	20	36,487	15,325	--	51,812	219,239
Vehicles	219,681	49,249	--	(1,589)	267,341	5	58,615	47,717	(961)	105,371	161,970
	490,732	49,249	--	(1,589)	538,392		95,102	63,042	(961)	157,183	381,209
2011	12,433,065	2,543,040	3,484,024	(15,138)	18,444,991		2,229,780	701,459	(12,660)	2,918,579	15,526,412

Particulars	----- 2010 (Restated) -----										
	As at July 01, 2009	Additions	Cost / Revaluation			Useful life in years	Depreciation				Book value As at June 30, 2010
			Acquired in Business Combination	Transfers	(Deletions)		As at June 30, 2010	As at July 01, 2009	Transfers	For the year	
			(Rs '000)			(Rs '000)					
Owned											
Freehold land	631,360	--	--	--	631,360	--	--	--	--	--	631,360
Leasehold land	700,000	--	55,700	--	755,700	--	--	--	--	--	755,700
Plant and machinery	9,648,975	5,353	4,000	16,500	9,674,828	20	1,390,412	5,363	506,789	--	1,902,564
Generators	222,032	16,888	--	--	238,920	15	33,715	--	18,211	--	186,994
Building, on freehold land, roads and civil works	217,053	1,380	--	--	218,433	25	34,478	--	8,936	--	175,019
Building on leasehold land	--	--	13,000	--	13,000	25	--	--	173	--	12,827
Tanks	--	--	59,700	--	59,700	20	--	--	3,495	--	56,205
Pipelines	--	--	30,400	--	30,400	20	--	--	507	--	29,893
Furniture and fixtures	28,641	3,569	--	--	32,210	10	13,470	--	2,784	--	15,956
Filling stations (4.1.1)	16,128	65,894	--	--	82,022	10	461	--	2,212	--	79,349
Computer and allied	30,771	17,355	--	--	48,126	3	22,128	--	7,039	--	18,959
Safety and lab equipments	44,055	37,655	--	--	81,710	5	21,519	--	10,075	--	50,116
Vehicles	69,510	--	--	8,982	(11,767)	5	36,100	8,422	10,938	(9,209)	20,474
Portable cabins	9,199	--	--	--	9,199	10	5,964	--	696	--	2,539
Sub - Total	11,617,724	148,094	162,800	25,482	(11,767)		1,558,247	13,785	571,855	(9,209)	9,807,655
Leased											
Plant and machinery	287,551	--	--	(16,500)	271,051	20	23,170	(5,363)	18,680	--	234,564
Vehicles	186,340	47,793	--	(8,982)	(5,470)	5	29,589	(8,422)	40,075	(2,627)	161,066
	473,891	47,793	--	(25,482)	(5,470)		52,759	(13,785)	58,755	(2,627)	395,630
2010	12,091,615	195,887	162,800	--	(17,237)		1,611,006	--	630,610	(11,836)	10,203,285

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2011

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

Administrative Expenses
Cost of sales

2011 (Rs '000)	2010 (Rs '000) Restated
71,539	60,628
629,920	569,983
701,459	630,611

4.3 Detail of assets disposed off during the year:

Particulars	Cost	Accumulated Depreciation	Book Value	Sale Proceeds/ Disposal Value	Gain	Mode of Disposal	Particulars of Buyer	
							Name	Status
(Rs '000)								
Vehicles:								
Audi	3,153	3,153	--	788	788	Company policy	Mohammad Wasi Khan	Employee
Honda Civic	1,288	922	366	429	63	Company policy	Amir Waheed	Employee
Honda Civic	1,238	1,072	166	227	61	Company policy	Syed Mohammad Waseem	Employee
Lancer	999	999	--	42	42	Company policy	Faraz Sheikh	Employee
Lancer	999	666	333	383	50	Company policy	Aqeel Ahmed Khan	Employee
Toyota Corolla	879	601	278	322	44	Company policy	Muhammad Ahmed	Employee
Toyota Corolla	879	733	146	190	44	Company policy	Wasi Alvi	Employee
Toyota Corolla	879	674	205	850	645	Insurance claim	EFU Insurance	Insurance Company
Toyota Corolla	879	703	176	220	44	Company policy	Amir Ali Nazeer	Employee
Suzuki Cultus	590	295	295	325	30	Company policy	Waseem Ahmed Khan	Employee
Suzuki Cultus	560	439	121	149	28	Company policy	Rizwan Ahmed	Employee
Suzuki Cultus	560	504	56	84	28	Company policy	Haroon Rasheed	Employee
Suzuki Cultus	560	448	112	140	28	Company policy	Suhail Safi	Employee
Suzuki Cultus	560	448	112	140	28	Company policy	Mudassar Qadeer	Employee
Suzuki Cultus	560	448	112	140	28	Company policy	Mohammad Jamil Khan	Employee
Suzuki Cultus	555	555	--	444	444	Insurance claim	EFU Insurance	Insurance Company
2011	15,138	12,660	2,478	4,873	2,395			
2010	17,237	11,836	5,401	6,059	658			

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2011

	Note	2011 (Rs '000)	2010 (Rs '000) Restated
4.4			
Had there been no revaluation the carrying amount of revalued assets would have been as follows :			
Freehold land		46,730	22,260
Leasehold land		213,200	213,200
Plant and machinery		4,958,827	3,529,754
Generators		86,515	53,565
Building on freehold land, roads and civil works		227,304	167,924
Safety and lab equipments		40,198	45,051
		<u>5,572,774</u>	<u>4,031,754</u>
4.5			
Capital work in progress - At cost			
Opening balance		6,866,005	4,297,952
Add : Additions	4.5.1	1,529,689	2,595,610
		<u>8,395,694</u>	<u>6,893,562</u>
Less : Capitalized during the year		(1,935,778)	(27,557)
		<u>6,459,916</u>	<u>6,866,005</u>
Closing balance		6,459,916	6,866,005
Plant and machinery		6,330,240	6,769,796
Civil and mechanical works		129,676	96,209
		<u>6,459,916</u>	<u>6,866,005</u>

4.5.1 Additions to capital work in progress includes borrowing cost of Rs. 18.00 million (2010: Rs.387.040 million) relating to borrowings specific to the projects and Rs. 36.455 million (2010: Rs. 176.776 million) relating to general borrowings capitalized using average borrowing rate of 16.02% (2010: 15.50%) per annum.

		2011 (Rs '000)	2010 (Rs '000)
5			
INTANGIBLE ASSETS			
Computer software	5.1	8,873	15,370
Goodwill acquired on business combination	5.2	23,746	23,746
		<u>32,619</u>	<u>39,116</u>
5.1			
Computer software :			
Cost			
at the beginning		32,484	17,696
Additions		--	14,788
at the closing		<u>32,484</u>	<u>32,484</u>
Amortization			
at the beginning		(17,114)	(10,617)
for the year		(6,497)	(6,497)
at the closing		<u>(23,611)</u>	<u>(17,114)</u>
		<u>8,873</u>	<u>15,370</u>

5.1.1 The computer software is being amortized on straight line basis over the useful life of five years

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2011

	Note	2011 (Rs '000)	2010 (Rs '000) Restated
5.2	Goodwill acquired on business combination	23,746	23,746

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

Goodwill was recognised as a result of the acquisition as follows:

	2011 (Rs '000)	2010 (Rs '000)
Cost of acquisition	--	87,115
Fair value of identifiable net assets	--	63,369
Goodwill arising on acquisition	--	23,746
Cost of acquisition net of cash acquired	--	87,105

6 LONG TERM LOAN

Considered good:

	2011 (Rs '000)	2010 (Rs '000)
Loan to an executive - interest free		
Opening balance	31,320	32,400
Received during the year	(6,480)	(1,080)
Closing balance	24,840	31,320
Less: Current portion of long term loan	(6,480)	(6,480)
Loan to an executive	18,360	24,840

6.1 Represents interest free loan to an executive under the terms of his employment. The loan is for purchase of house and is repayable in six years with one year grace period. Maximum amount due at the end of any month was Rs.30.78 (2010: Rs.32.4) million. The loan will be secured against lien on title deed of the property purchased, the property will remain in the name of the executive.

	2011 (Rs '000)	2010 (Rs '000)
7 STOCK IN TRADE		
Raw material	1,874,658	1,488,779
Finished goods	2,238,365	3,439,159
	4,113,023	4,927,938

7.1 Finished stock has been written down by Rs. 0.401 million (2010: Rs.11.917 million) to net realizable value.

7.2 Stocks of BPPL amounting to Rs. 2,506.266 million (2010: Rs.3,280.787 million) are held by third parties including stocks amounting to Rs. 46.972 million on which BPPL has no control due to dispute with those parties. BPPL expects that the dispute will be settled amicably and stocks will be released, hence no provision has been made in these financial statements.

8 TRADE DEBTS - Considered good

This includes:

i) a sum of Rs. 3.497 billion (2010: Rs. 5.147 billion) due from Pakistan State Oil Company Limited (PSOCL) against supplies of products and Rs.1.953 billion (2010: Rs.1.167 billion) on account of markup on delayed payments. Markup on delayed payment is charged in accordance with the contractual agreement therewith.

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2011

ii) a sum of Rs. 1.137 billion (2010: Nil) due from Karachi Electric Supply Company Limited (KESC) against supplies of product(s) and Rs. 7.211 million (2010: Nil) on account of markup on delayed payments. Markup on delayed payment is charged in accordance with the contractual agreement therewith.

iii) Price differential claim of Rs. 22.000 million (2010: Rs. 22.000 million) from Ministry of Petroleum & Natural Resources, Government of Pakistan.

	Note	2011 (Rs '000)	2010 (Rs '000)
9 LOANS AND ADVANCES - Considered good			
Employees	9.1	8,280	7,280
Suppliers and contractors		346,573	279,041
		<u>354,853</u>	<u>286,321</u>

9.1 This includes a sum of Rs.8.056 million (2010: Rs.6.602 million) due from executives of BPPL.

10 TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	2011 (Rs '000)	2010 (Rs '000)
Deposits	47,071	6,613
Margin against letter of credits	39,755	--
Pre-payments	60,682	44,259
Current account balances with statutory authority:		
Advance income tax	185,076	235,796
Excise duty	301	--
Inland freight equalization margin	--	13,260
Receivable from associated undertakings against land lease rent	75,625	29,688
	<u>408,510</u>	<u>329,616</u>

11 CASH AND BANK BALANCES

		2011 (Rs '000)	2010 (Rs '000)
Cash in hand		72	99
Cash at banks	11.1		
-Current account		265,768	781,834
-Saving/ Deposit account	11.2	5,414	264,419
		<u>271,254</u>	<u>1,046,352</u>

11.1 Cash at bank include Rs.148.858 million (2010: Rs.772.070 million) kept under lien against the letter of credit facilities obtained from banks.

11.2 Saving/ Deposit accounts carry markup at the rates ranging between 6% & 10% (2010: 6% & 10%) per annum.

12 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL	2011 (Rs '000)	2010 (Rs '000)
977,858,737 (2010: 392,104,396) Ordinary shares of Rs.10/- each fully paid in cash	<u>9,778,587</u>	<u>3,921,044</u>

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2011

12.1 Reconciliation of shares

At the beginning of the year

Shares issued during the year

At the end of the year

2011 (Numbers)	2010 (Numbers)
392,104,396	392,104,396
585,754,341	--
977,858,737	392,104,396

12.2 Byco Oil Pakistan Limited (immediate parent) hold 850,510,099 shares (86.98%) (2010: Nil) in BPPL. In previous year, Byco Industries Inc. (BII, now the ultimate parent) held 264,755,758 shares (67.52%).

13 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Surplus on revaluation of Property, plant and equipment - Opening
Surplus arising due to revaluation of Property, plant and equipment

Related deferred tax liability

Transfer to accumulated loss in respect of

- disposal of fixed assets - Net of tax

- incremental depreciation charged during the year - Net of tax

Surplus on revaluation of Property, plant and equipment - Closing

2011 (Rs '000)	2010 (Rs '000)
3,860,878	4,084,753
3,500,558	--
(1,225,195)	--
--	(29,156)
(206,080)	(194,719)
5,930,161	3,860,878

Plant & machinery, Generators and Safety & lab equipment owned by BPPL have been revalued on June 28, 2011 by an independent valuer, M/s Yunus Mirza & Co. - Incorporated Architects, Engineers, Town planners and Bank's approved surveyors, using prevailing market value being the basis of revaluation. The surplus arising from revaluation is Rs. 3,500.558 million. The entire closing balance of surplus on revaluation of Property, plant and equipment is not available for distribution to shareholders.

PARTICULARS	Book value of assets before revaluation	Revalued Amount	Revaluation Surplus / (deficit)	Impairment charged to Profit and loss
	(Rs '000)			
Plant and machinery	8,758,147	12,327,453	3,569,306	--
Generators	166,750	100,447	(66,303)	--
Safety and lab equipments	42,406	23,426	(2,445)	(16,534)
	8,967,303	12,451,326	3,500,558	(16,534)

14 LOAN FROM SPONSORS AND ASSOCIATES - Unsecured

From Sponsors

From associated undertakings

2011 (Rs '000)	2010 (Rs '000)
--	1,758,265
--	3,242,679
--	5,000,944

14.1 During the year, BPPL novated its loans from Sponsors' and associated undertaking along with accrued markup aggregating to Rs. 4.024 billion to an associated company 'BOPL'. Consequently, the outstanding

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2011

amount due to BOPL aggregating to Rs. 5.857 billion was converted into equity by issuance of 585,754,341 Ordinary Shares to BOPL at par value of Rs. 10/- each by way of issuance of shares otherwise than rights. As a result, BOPL is now the immediate parent of BPPL as mentioned in note 1 to these financial statements.

	Note	2011 (Rs '000)	2010 (Rs '000)
15 LONG TERM LOANS - Secured			
From banks			
Term finance - I	15.1	--	59,670
Term finance - II	15.1	--	25,000
Syndicated Loan	15.2	140,000	279,999
Syndicated Term Finance	15.3	3,150,452	4,794,166
		3,290,452	5,158,835
Less: Current maturity		1,783,714	1,868,384
		1,506,738	3,290,451

15.1 These have been fully repaid during the year.

15.2 The loan has been obtained from syndicate of banks and financial institutions with Allied Bank Limited as a Trustee. The facility is secured against first hypothecation charge, ranking pari passu over present and future fixed assets. The tenor of financing is five years and is repayable in ten semi-annual installments starting from the 7th month of first disbursement. The facility carries markup at the rate of 3% over 6 month average KIBOR and is payable alongwith the principle amount.

15.3 The loan has been obtained from syndicate of banks and financial institutions with Habib Bank Limited as a Trustee. The facility is secured against first hypothecation charge, ranking pari passu over present and future fixed assets of BPPL as well as charge to the extent of Rs.2.628 billion on fixed assets of UTL. The tenor of financing is four years and is repayable in 42 monthly installments of Rs.136.976 million with a Grace period of 6 months starting from the 7th month of first disbursement. The facility carries markup at the rate of 3% over 1 month KIBOR payable in installments alongwith the principle amount.

16 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2011		2010	
	Minimum	Present Value	Minimum	Present Value
	(Rs '000)		(Rs '000)	
Less than one year	177,830	150,813	142,020	108,995
One to five years	151,033	124,589	300,436	204,979
	328,863	275,402	442,456	313,974
Add: Advance against lease finance	5,991	5,991	13,965	13,965
Total minimum lease payments	334,854	281,393	456,421	327,939
Less: Financial charges allocated to the future period	53,461	--	128,482	--
Present value of minimum lease payments	281,393	281,393	327,939	327,939
Less: Current portion under current liabilities	150,813	150,813	108,995	108,995
	130,580	130,580	218,944	218,944

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2011

The Group entered into lease agreements with various leasing companies to acquire plant and machinery and vehicles. The rentals under these lease agreements are payable monthly / quarterly up to June 2016. Financing rates ranging between 14.37% and 18.00% per annum (2010: between 14.37% and 17.10% per annum) have been used as discounting factors. The cost of operating and maintaining the leased assets is borne by the Group. The Group intends to exercise its option to purchase the leased assets at the residual values of assets upon the completion of the respective lease periods.

	Note	2011 (Rs '000)	2010 (Rs '000) Restated
17 DEFERRED LIABILITIES			
Deferred taxation	17.1	2,761,020	1,716,594
Employees retirements benefits	17.2	37,313	22,959
Deferred income	17.3	567,375	--
		3,365,708	1,739,553
17.1 Deferred taxation			
Deferred tax liability arising due to accelerated tax depreciation		1,533,884	1,171,773
Deferred tax liability arising due to finance lease transactions		34,936	28,580
Deferred tax assets arising out of staff gratuity, available tax losses and credits		(5,705,027)	(4,975,348)
		(4,136,207)	(3,774,995)
Deferred tax asset not recognised		4,294,164	4,002,756
		157,957	227,761
Deferred tax liability relating to surplus on revaluation of property, plant and equipment		2,603,063	1,488,833
		2,761,020	1,716,594
17.2 Employees retirements benefits			
Staff gratuity:			
Movement in balance			
Opening balance		22,959	12,259
Charge for the year	17.2.1	14,354	10,700
		37,313	22,959
17.2.1 Charge for the year			
Current service cost		10,851	8,938
Interest cost		3,282	1,762
Past service liability		221	--
		14,354	10,700
17.2.2 Balance sheet reconciliation			
Present value of defined benefit obligations		39,079	23,225
Unrecognised actuarial (losses)		(1,766)	(266)
		37,313	22,959
17.2.3 Principal actuarial assumption			
Expected rate of increase in salaries		12 % per annum	12 % per annum
Discount factor used		14 % per annum	14 % per annum
Normal retirement age of employees		60 years	60 years
17.3 This represents fee in respects of demarcated plots of land for setting up of liquefied petroleum Gas storage and filling facilities.			

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2011

	Note	2011 (Rs '000)	2010 (Rs '000)
18 TRADE AND OTHER PAYABLE			
Foreign bills payable		4,908,423	2,212,812
Forced payments against documents (FPAD)	18.1	6,450,968	8,951,107
Creditors for supplies		8,362,753	5,269,473
Creditors for services		1,380,597	606,442
Accrued expenses		35,772	11,369
Advances from customers		797,658	327,995
Sales tax, petroleum development levy and federal excise duty payable		4,547,354	4,748,204
Withholding tax deductions payable		14,783	11,411
Workers profit participation fund	18.2	46,689	42,475
Payable to staff provident fund		415	--
Dividend payable		1,146	1,146
		26,546,558	22,182,434

18.1 These represent overdue letters of credit in respect of import of crude oil. Markup at the rate between 15.10% and 16.80% (2010: 15.13% and 15.79%) per annum has been accrued thereon. Further, subsequent to the year end, the FPAD's have been regularized as running finance upto a maximum limit of Rs. 7.650 billion.

18.2 Workers profit participation fund

	2011 (Rs '000)	2010 (Rs '000)
Opening balance	42,475	37,273
Markup on workers profit participation fund	4,214	5,202
	46,689	42,475

19 SHORT TERM BORROWINGS - Secured

From banks

Short term loan	--	466,000
Temporary book overdraft	--	42,809
	--	508,809

20 CURRENT PORTION OF NON-CURRENT LIABILITIES

Long term loans	15	1,783,714	1,868,384
Liabilities against assets subject to finance lease	16	150,813	108,995
		1,934,527	1,977,379

21 CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

Claims against BPPL not acknowledged as debts amounting to Rs. 1,520.273 million mainly comprise of late payment charges on account of delayed payments against crude oil supplies. BPPL is of the view that there are no specific contractual arrangements with these suppliers which allow them to claim / recover these charges and hence no provision in respect of the same has been made in these financial statements.

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2011

A supplier of generators has filed a suit against UTL for a sum of Rs.2.115 million on account of increased cost of materials, financial losses etc. resulting due to delayed delivery, which in the view of plaintiff were caused due to acts of UTL. However, the delay was on part of supplier which compelled UTL to hire the generators during delayed period on which UTL 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 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 Honorable court.

21.2 Commitments

Commitments in respect of capital expenditures amount to Rs.57.680 million (2010: Rs.72.236 million).

	Note	2011 (Rs '000)	2010 (Rs '000)
22 SALES			
Gross Sales			
Local		35,827,537	39,728,946
Export		8,099,470	8,776,799
		<u>43,927,007</u>	<u>48,505,745</u>
Less: Government levies			
Sales Tax		(4,661,123)	(4,895,482)
Sales Discount		(115,741)	(91,537)
Excise duty and petroleum levy		(205,873)	(2,421,019)
		<u>(4,982,737)</u>	<u>(7,408,038)</u>
		<u>38,944,270</u>	<u>41,097,707</u>
23 COST OF SALES			
Opening Stock		3,439,159	1,153,856
Add: Cost of goods manufactured	23.1	37,036,818	42,718,338
		<u>40,475,977</u>	<u>43,872,194</u>
Less: Closing Stock		(2,238,365)	(3,439,159)
Cost of Sales		<u>38,237,612</u>	<u>40,433,035</u>

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2011

	Note	2011 (Rs '000)	2010 (Rs '000)
23.1 Cost of goods manufactured			
Raw material consumed	23.1.1	35,478,237	41,400,669
Salaries, wages and other benefits	23.1.2	263,635	218,655
Staff transportation and catering		81,783	49,345
Stores and spares		44,036	69,384
Crude oil inspection and cleaning charges		8,067	12,972
Insurance		100,092	43,836
Industrial gases and chemicals		8,279	4,254
Fuel, power and water		311,182	263,592
Repairs and maintenance		66,850	71,277
Communications		1,996	1,834
Traveling and conveyance		240	168
Rent, rates and taxes		2,123	351
Security		10,317	5,121
Vehicle running		9,633	6,897
Technical fee		19	--
Impairment of asset		16,534	--
Depreciation	4.2	629,920	569,983
Others		3,875	--
Cost of goods manufactured		37,036,818	42,718,338
23.1.1 Raw material consumed			
Opening stock of raw material		1,488,779	3,333,945
Add : Purchases		35,864,116	39,555,503
Available for use		37,352,895	42,889,448
Closing stock of raw material		(1,874,658)	(1,488,779)
Raw material consumed		35,478,237	41,400,669
23.1.2 Included herein is a sum of Rs. 13.228 million (2010: Rs.14.104 million) in respect of staff retirement benefits.			
24 ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits	24.1	428,335	321,045
Vehicle running		26,065	21,418
Repairs and maintenance		18,633	14,816
Insurance		21,802	10,427
Fee and subscriptions		31,294	12,893
Utilities		8,171	5,069
Legal and professional		54,348	32,721
Traveling and conveyance		20,868	19,659
Advertisements and subscriptions		12,510	10,182
Rent, rates and taxes		39,126	17,282
Sales tax penalties due to late payments		66,986	24,585
Printing and stationary		11,857	7,124
Donations and charity	24.2	1,374	374
Auditor's remuneration	24.3	2,850	2,060
SAP maintenance costs		18,729	19,664
Depreciation	4.2	71,539	60,628
Amortization of intangible asset	5	6,497	6,497
Security expenses		4,453	7,311
Others		2,308	2,478
Administrative Expenses		847,745	596,233

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2011

24.1 Included herein is a sum of Rs.28,255 million (2010: Rs.17,178 million) in respect of staff retirement benefits.

24.2 Recipients of donation do not include any donee in whom a director or his spouse had any interest.

	2011 (Rs '000)	2010 (Rs '000)
24.3 Auditor's remuneration		
Statutory audit	1,450	1,075
Half yearly review	375	375
Taxation, advisory and certifications	645	315
Audit of consolidated financial statements	300	250
Out of pocket expense	80	45
	2,850	2,060
25 SELLING AND DISTRIBUTION EXPENSES		
Transportation	146,340	197,312
Products handling charges	16,700	32,789
Wharfage and other export expenses	18,171	6,697
Transportation on export sales	511,813	58,808
Commission on export sales	167,740	291,869
Export development surcharge	21,993	22,985
Rent, rates and taxes	35,401	11,387
Retailing and branding	63,644	15,497
Others	951	366
	982,753	637,710
26 OTHER INCOME		
Income from financial assets		
Interest income	853,354	632,635
Income from non financial assets		
Gain on disposal of fixed assets	2,395	658
Joining income	30,346	35,650
Insurance claim	16,035	4,334
Others	5,057	12,983
Scrap sales	23,068	12,956
Land lease rent	45,937	43,750
	976,192	742,966
27 FINANCIAL CHARGES		
Markup on:		
- Finance leases	41,428	41,567
- Term finance certificates	5,686	3,493
- Long term loans	661,192	1,113,176
- Short term borrowings and FPADs	893,378	520,397
- Crude purchases	76,155	12,461
- Sponsor's loan	286,880	6,127
Markup on WPPF	4,214	5,202
Bank charges	26,055	6,384
Export charges	3,744	1,655
Exchange difference - Net	70,868	608,472
Loan arrangement and commitment fee	27,183	16,738
	2,096,783	2,335,672

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2011

28 TAXATION - Current

Income tax assessments of the Group are deemed to have been finalized upto and including the tax year 2010. However tax year 2009 has been selected for audit under section 177 of the Income Tax Ordinance, 2001 which is in progress. Keeping in view the available tax losses and credits, no additional tax liability is expected to arise.

28.1 Relationship between accounting loss and tax expense for the year

The current year provision is based on tax payable by the Group under final tax regime as well as minimum tax under section 113 of the Income Tax Ordinance, 2001. Therefore there is no relationship between accounting loss and tax expense for the period.

		2011 (Rs '000)	2010 (Rs '000) Restated
29 LOSS PER SHARE - Basic and diluted			
29.1 Loss per share - Basic			
Net loss after taxation		(2,312,179)	(3,186,206)
Weighted average number of ordinary shares	(Numbers)	404,942,850	392,104,400
Loss per share - Basic	(Rupees)	(5.71)	(8.13)
29.2 Loss per share - Diluted			
Net loss after taxation		(2,312,179)	(3,186,206)
Dilutive effect - net of tax		--	3,849
		(2,312,179)	(3,182,357)
Weighted average number of ordinary shares		404,942,850	392,104,400
Dilutive effect		--	59,118,466
	(Numbers)	404,942,850	451,222,866
Loss per share - Diluted	(Rupees)	(5.71)	(7.05)

30 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties comprise of parent companies, subsidiary, holding company, associated undertakings, directors, key management personnel and staff provident fund. Remuneration and benefits to chief executive, directors and key management personnel under terms of their employment are disclosed in note 31 to the financial statements. Transaction with related parties, other than those which have been specifically disclosed elsewhere in these financial statements, are as follows: -

30.1 Transactions with related parties

	2011 (Rs '000)	2010 (Rs '000)
Parent companies:		
Receipt of loan	685,283	1,485,881
Markup on loan	142,131	262,424
Land lease rentals	45,937	43,750
Share issued against loan conversion	5,857,543	--
Advances against purchase of assets - net	135,139	--
Shared expenses	15,374	30,136
Repayment of markup	61,000	--
Late payment income	--	7,935

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2011

		2011 (Rs '000)	2010 (Rs '000)
Associated companies:			
Purchase of operating fixed assets		11,898	4,216
Services received		169,418	293,495
Sales		4,058,969	--
Repayment of loan		178,774	533,320
Repayment of markup		381,047	--
Payment against services (freight for crude oil)		285,515	379,444
Markup on borrowings		144,959	336,393
Expenses paid on behalf of the Group		4,342	--
Staff provident fund			
Payment of employees and group's contribution		60,608	44,217
30.2 Balances with related parties			
Parent companies:			
Long term loans	14	--	1,758,265
Markup payable		13,233	278,801
Markup receivable		33,012	33,012
Security deposits		3,646	3,646
Advances against purchase of assets - net		135,741	--
Receivable against land lease rent	10	75,625	29,688
Associated companies:			
Long term loans	14	--	1,742,679
Markup payable		88,328	324,416
Creditors for services		31,288	--
Trade debts	8	1,144,449	--
Staff provident fund		415	--

30.3 Transactions and balances with BOPL were being classified under associated companies. Since the status of BOPL has been changed to 'parent company' therefore transactions and balances of current and previous year have been rearranged and disclosed as such.

31 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company was as follows:

	Chief Executive		Directors		Executives		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	(Rs '000)							
Managerial remuneration	10,620	19,222	15,550	12,400	220,285	144,862	246,455	176,484
Provident fund	51	--	1,414	1,240	18,756	12,273	20,221	13,513
Housing and utilities	5,512	10,092	5,654	6,200	79,467	67,970	90,633	84,262
Leave fare assistance	--	823	--	1,153	3,533	9,404	3,533	11,380
Medical	51	--	--	--	179	--	230	--
Bonus	--	--	--	--	21,754	--	21,754	--
	16,234	30,137	22,618	20,993	343,974	234,509	382,826	285,639
Number of persons	2	1	1	1	146	88	149	90

The Chief Executive Officer, Directors and certain executives are provided company maintained vehicles.

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2011

32 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has the overall responsibility for the establishment and oversight of Group's risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies.

32.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Group's credit risk is primarily attributable to its receivables and balances with banks.

The carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

	2011 (Rs '000)	2010 (Rs '000)
Trade debts		
Deposits, accrued markup, loans and other receivables	6,658,446	6,861,842
Bank balances	179,023	148,303
	271,182	1,046,253
	<u>7,108,651</u>	<u>8,056,398</u>

The Group manages credit risk of receivables through the monitoring of credit exposures and continuous assessment of credit worthiness of its customers. The Group believes that it is not exposed to any major concentration of credit risk as it operates in an essential products industry, its customers are credit worthy and dealing banks possess good credit ratings.

	2011 (Rs '000)	2010 (Rs '000)
The aging of trade debts at the reporting dates was:		
Not past due	68,860	664,052
Past due 0-30 days	303,872	421,851
Past due 31-150 days	1,591,212	2,090,789
Past due 151 days	4,694,502	3,685,150
	<u>6,658,446</u>	<u>6,861,842</u>

Based on past experience the management believes that no impairment allowance is necessary in respect of trade debts past due as management believes that the same will be recovered in short course of time. Group's trade debts comprise a major balance receivable from M/s Pakistan State Oil Co. Ltd and Karachi Electric Supply Corporation and recoveries have been made during the year as well as subsequent to the year end. The credit quality of the group's receivable can be assessed with their past performance. The credit quality of the Group's banks can be assessed by their external credit ratings.

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2011

Name of Bank	Rating Agency	Rating	
		Short term	Long term
Allied Bank Limited	PACRA	A1+	AA
Askari Bank Limited	PACRA	A1+	AA
Bank Alfalah Limited	PACRA	A1+	AA
Barclays Bank PLC	S&P	A-1+	AA-
Habib Bank Limited	JCR-VIS	A-1+	AA+
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
National Bank of Pakistan	JCR-VIS	A-1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A-1+	AA+

32.2 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. Although the Group follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements however it is facing liquidity problems due to inadequate working capital lines on account of elevated crude oil prices and dollar rate parity and also due to delays in recoveries from PSOCL and KESC which is resulting in delayed payments by the Group. Subsequent to the balance sheet date, the BPPL has evaluated an installment plan in respect of amounts due to certain suppliers. The following are the contractual maturities of the financial liabilities, including markups:

	Carrying Amounts	Contractual Cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
----- (Rs ' 000) -----						
June 30, 2011						
Financial liabilities						
Loans	3,290,452	5,255,828	1,317,985	1,249,704	2,370,557	317,582
Lease liabilities	281,393	334,854	115,283	62,895	77,226	79,450
Long term deposits	33,046	33,046	--	--	--	33,046
Trade and other payables	21,186,763	21,735,095	21,735,095	--	--	--
Accrued markup	298,700	298,700	298,700	--	--	--
	25,090,354	27,657,523	23,467,063	1,312,599	2,447,783	430,078

	Carrying Amounts	Contractual Cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
----- (Rs ' 000) -----						
June 30, 2010 - (Restated)						
Financial liabilities						
Loans	10,159,779	13,218,411	1,578,624	1,483,348	2,709,541	7,446,898
Lease liabilities	327,939	456,421	69,773	69,132	101,183	216,333
Long term deposits	16,946	16,946	--	--	--	16,946
Trade and other payables	17,094,824	17,855,668	17,855,668	--	--	--
Short term borrowings	508,809	541,251	541,251	--	--	--
Accrued markup	1,415,236	1,415,236	1,415,236	--	--	--
	29,523,533	33,503,933	21,460,552	1,552,480	2,810,724	7,680,177

All the financial liabilities of the Group are non derivative financial liabilities. The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effect as at June 30.

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2011

32.3 Market Risk

Market risk is a risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of financial instruments. The Group is exposed to currency risk and interest rate risk only.

32.3.1 Currency risk

Foreign currency risk arises mainly where receivables and payables exists due to transactions in foreign currencies. The financial instruments of the Group exposed to currency risk were as follows:

Assets / (liabilities)	2011 (Rs '000)	2010 (Rs '000)
Loans	--	(1,758,265)
Markup on loans	(13,242)	(7,207)
Foreign creditors	(4,908,423)	(2,212,812)
	<u>(4,921,665)</u>	<u>(3,978,284)</u>
The following significant exchange rate has been applied:		
USD to PKR (Reporting date rate in Rupees)	86.08	85.60
USD to PKR (Average rate in Rupees)	<u>85.65</u>	<u>84.17</u>

Sensitivity analysis

At reporting date, if PKR had strengthened by 5% against the US Dollar with all other variables held constant loss for the year would have been lower / higher by the amounts shown below, mainly as a result of foreign exchange gain on translation of foreign currency liabilities.

	2011 (Rs '000)	2010 (Rs '000)
Effect on loss	<u>246,083</u>	<u>198,914</u>

The 5% weakening of the PKR against US Dollar would have had an equal but opposite impact on the loss for the year on the basis that all other variables remain constant.

32.3.2 Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in interest rates relates primarily to the following:

	2011 (Rs '000)	2010 (Rs '000)
Fixed rate instruments at carrying amounts:		
Financial Assets		
Balance with banks	5,414	264,419
Financial liabilities	--	--
Variable rate instruments at carrying amounts:		
Financial liabilities		
Loans	3,290,452	10,159,779
Lease liabilities	281,393	327,939
Short term borrowings	--	508,809
Trade and other payables	6,497,657	8,993,582
	<u>10,069,502</u>	<u>19,990,109</u>

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2011

Fair value sensitivity analysis for fixed rate instruments:

The Group does not account for any fixed rate financial assets at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates at the reporting date would have increased / decreased loss for the year by the amounts shown below:

Effect on loss / profit due to change of 100 basis points
Increase
Decrease

	2011 (Rs '000)	2010 (Rs '000)
	98,069	18,792
	98,069	18,792

The effective interest / mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

32.4 Fair value of financial instruments

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

32.5 Capital risk management

The Group's prime objective when managing capital is to safe guard the Group's ability to continue as a going concern in order to provide returns for shareholders, benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

33 INFORMATION ABOUT BUSINESS SEGMENTS

33.1 For management purposes, the Group has determined following reportable operating segments on the basis of business activities i.e. oil refining, 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. UTL is engaged in the provision of bulk storage services of petroleum products. The quantitative data for segments is given below:

	2011				
	Oil Refining Business	Petroleum Marketing Business	Petroleum storage services	Eliminations	Total
	(Rs '000)				
Revenue					
Net sales to external customers	7,538,094	31,406,176	--	--	38,944,270
Inter-segment sales	20,000,594	--	57,834	(20,058,428)	--
Total revenue	27,538,688	31,406,176	57,834	(20,058,428)	38,944,270
Result					
Segment results - (loss)	(849,932)	(263,219)	(15,286)	16,539	(1,111,898)
Un-allocated expenses					(16,954)
					(1,128,852)
Interest expense					(1,968,933)
Interest income					853,354
Taxation					(67,748)
Loss for the year					(2,312,179)
Other Information					
Depreciation and amortization	647,064	43,604	36,575	(19,287)	

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2011

	2010			Eliminations	Total
	Oil Refining Business	Petroleum Marketing Business	Petroleum Storage Services		
	(Rs '000)				
Revenue					
Net sales to external customers	16,859,948	24,237,759	--	--	41,097,707
Inter-segment sales	16,824,154	--	--	(16,824,154)	--
Total revenue	33,684,102	24,237,759	--	(16,824,154)	41,097,707
	2010 (Restated)				
Result					
Segment results - (loss)/ Profit	(1,344,982)	943,738	(5,873)	(1,356,275)	(1,763,392)
Un-allocated expenses					(19,257)
					(1,782,649)
Interest expense					(1,702,423)
Interest income					632,635
Taxation					(333,769)
Loss for the year					(3,186,206)
Other Information					
Depreciation and amortization	623,649	10,830	4,242	(1,614)	

33.2 Geographical information

Revenue from external customers

	2011 (Rs '000)	2010 (Rs '000)
Pakistan	30,844,800	32,320,908
United Arab Emirates	1,646,535	1,658,465
Taiwan	--	455,205
Oman	--	289,769
India	220,412	161,254
Afghanistan	5,644,811	6,212,106
China	240,798	--
South Korea	346,914	--
	38,944,270	41,097,707

The revenue information above is based on the location of customers.

All non-current assets of the Group at 30 June 2011 are located in Pakistan. The detail of segment assets have not been disclosed in these financial statements as these are not reported to the chief operating decision maker on a regular basis.

33.3 Revenues of Rs. 4.059 billion and Rs. 3.161 billion are derived from two customers.

33.4 Transfer prices between operating segments are on an arm's length basis in a manners similar to transactions between third parties.

Notes to the Consolidated Financial Statements

For The Year Ended June 30, 2011

34 CAPACITY AND ANNUAL PRODUCTION

Against the designed annual refining capacity (based on 330 days) of 11.550 million barrels (2010: 9.900 million barrels), the actual throughput during the year was 3.479 million barrels (2010: 5.383 million barrels) mainly due to working capital constraints faced by the Group during the year.

35 CORRESPONDING FIGURES

The corresponding figures have been reclassified, restated and rearranged wherever necessary to facilitate comparison, significant reclassifications were as follows:

The tanks amounting to Rs.1.033 billion were erroneously capitalized during the last year, however these tanks are part of SPM project of the UTL which is under installation. The error has been corrected by restating the comparative figures in accordance with the requirements of IAS - 8 'accounting policies, changes in accounting estimates and errors'. The said correction has resulted in restatement of figures of operating fixed assets which have been decreased by Rs.1.029 billion and capital work in progress has been increased by Rs.1.033 billion. The difference being depreciation amounting to Rs.4.305 million has been reversed.

Impacts on loss after taxation and loss per share for the year ended June 30, 2010 due to aforementioned reclassification / restatement of depreciation expenses are as follows:

Impacts of aforementioned reclassification / restatement are as follows:

Loss after taxation:

Loss after taxation for the year ended June 30, 2010 - As reported
Net impact of restatements - depreciation
Deferred taxation arising due to reduction in depreciation for tax purposes
Loss after taxation for the year ended June 30, 2010 - As restated

Loss per share:

Basic

Loss per share for the year ended June 30, 2010 - As reported

Loss per share for the year ended June 30, 2010 - As restated

Diluted

Loss per share for the year ended June 30, 2010 - As reported

Loss per share for the year ended June 30, 2010 - As restated

2010
(Rs '000)

(2,985,160)

4,305

(205,351)

(3,186,206)

(7.61)

(8.13)

(6.61)

(7.05)

36 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on January 27, 2012 in accordance with the resolution of the Board of Directors of BPPL.

37 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in rupees, which is the Group's functional currency. All financial information presented in rupees been rounded to nearest thousand.



Chief Executive



Director

Pattern of Shareholding

As at June 30th, 2011

Size of Holding		No. of Shareholders	No. of Shares Held
From	To		
1	100	742	44,238
101	500	1,983	811,761
501	1000	2,411	2,267,582
1001	5000	5,165	14,505,333
5001	10000	1,602	12,739,760
10001	15000	552	7,077,622
15001	20000	371	6,730,377
20001	25000	241	5,626,800
25001	30000	136	3,861,063
30001	35000	87	2,841,718
35001	40000	58	2,217,137
40001	45000	41	1,753,473
45001	50000	92	4,542,687
50001	55000	29	1,529,500
55001	60000	24	1,397,480
60001	65000	18	1,136,024
65001	70000	16	1,086,188
70001	75000	18	1,316,680
75001	80000	20	1,564,175
80001	85000	9	745,026
85001	90000	6	525,900
90001	95000	8	741,870
95001	100000	34	3,387,911
100001	105000	9	924,600
105001	110000	7	760,500
110001	115000	6	674,701
115001	120000	5	594,900
120001	125000	6	743,301
125001	130000	5	640,800
135001	140000	4	548,247
140001	145000	1	143,500
145001	150000	6	898,300
150001	155000	3	456,000
155001	160000	6	952,222
160001	165000	3	488,400
165001	170000	3	500,324
170001	175000	5	867,995
175001	180000	2	357,500
180001	185000	1	182,920
185001	190000	3	559,600
195001	200000	7	1,398,409

Pattern of Shareholding

As at June 30th, 2011

Size of Holding		No. of Shareholders	No. of Shares Held
From	To		
200001	205000	2	403,700
205001	210000	1	205,362
215001	220000	2	436,279
220001	225000	1	221,526
225001	230000	1	225,301
230001	235000	3	698,577
235001	240000	2	477,334
245001	250000	3	750,000
250001	255000	4	1,014,040
255001	260000	1	258,500
265001	270000	2	538,000
275001	280000	2	560,000
280001	285000	1	281,200
285001	290000	2	578,500
295001	300000	4	1,187,801
300001	305000	1	303,140
315001	320000	3	952,573
325001	330000	2	656,373
395001	400000	3	1,191,570
410001	415000	1	411,200
420001	425000	1	425,000
425001	430000	1	427,000
430001	435000	1	433,862
435001	440000	2	873,344
450001	455000	1	452,012
465001	470000	1	467,202
500001	505000	1	501,702
545001	550000	1	550,000
570001	575000	1	574,750
685001	690000	1	687,355
720001	725000	1	724,919
730001	735000	1	732,513
995001	1000000	2	2,000,000
1100001	1105000	1	1,100,900
1115001	1120000	1	1,118,528
1340001	1345000	1	1,341,516
1535001	1540000	1	1,537,968
1590001	1595000	1	1,592,500
2015001	2020000	1	2,020,000
2955001	2960000	1	2,957,567
5335001	5340000	1	5,336,500
850510001	850515000	1	850,510,099
TOTAL		13,810	977,858,737

Pattern of Shareholding As at June 30th, 2011

Shareholders Category	No. of shareholders	No. of shares	%
Associated Companies, Undertakings and Related Parties	1	850,510,099	86.98
Directors, CEO and their spouse and minor children	8	278,600	0.03
Executives	6	272,553	0.03
Banks, Development Financial Institutions, Non-Banking Finance Institutions	7	1,639,535	0.17
Modarabas and Mutual Funds	7	1,312,588	0.13
Insurance Companies	3	198,200	0.02
Others	117	15,024,717	1.54
Individuals	13,661	108,622,445	11.10
Total	13,810	977,858,737	100.00

Additional Information

Shareholders Category	No. of shareholders	No. of shares
Associated Companies, Undertakings and Related Parties, Byco Oil Pakistan Limited.	1	850,510,099
Directors, CEO and their spouse and minor children		
Mr. Waqar Hassan Siddique	1	500
Mr. Amir Abbassciy	1	2,500
Mr. Hamid Imtiaz Hanfi	1	268,000
Mr. Matteo Stefanel	1	500
Mr. Muhammad Raza Hasnani	1	500
Mr. Aziz Moolji	1	500
Mr. Muhammad Abdullah Yusuf	1	500
Mrs. Uzma Abbassciy	1	5,600
Executives	6	272,553
Banks, Development Financial Institutions, Non-Banking Finance Institutions	7	1,639,535
Modarabas and Mutual Funds	7	1,312,588
Insurance Companies	3	198,200
Others	117	15,024,717
Individuals	13,661	108,622,445
Total	13,810	977,858,737
Shareholders holding 10% or more voting interest		
Byco Oil Pakistan Limited	1	850,510,099

Notice of 17th Annual General Meeting Byco Petroleum Pakistan Limited

Notice is hereby given that the 17th Annual General Meeting of Byco Petroleum Pakistan Limited will be held on Monday, 27th February 2012 at 9:00 am at Moosa D. Desai Auditorium, The Institute of Chartered Accountants (ICAP), Clifton, Karachi, to transact the following business:

Ordinary Business

1. To confirm the minutes of the 16th Annual General Meeting of the Company held on 31st December 2010;
2. To receive, consider and adopt the audited separate and consolidated financial statements for the financial year ended June 30th 2011 together with the directors' and auditors' reports thereon;
3. To consider and appoint auditors for the year ending 30th June 2012 and fix their remuneration; and
4. To transact any other business with the permission of the Chair.

Special Business

1. To consider and if deemed appropriate approve replacement of Article 86 of the Articles of Association of the Company.

The statement as required by Section 160(1)(b) of the Companies Ordinance, 1984, in respect of the special business to be transacted at the meeting is annexed hereto.

By order of the Board



Shahana Ahmed Ali
Head Legal and Company Secretary

27th January 2012
Karachi

NOTES:

1. The register of members and the share transfer books of the Company shall be closed from Tuesday, 21st February 2012 to Monday, 27th February 2012 (both days inclusive) for the purpose of the Annual General Meeting.
2. Only those persons whose names appear in the register of members of the Company as on Monday, 20th February 2012, are entitled to attend, participate in, and vote at the Annual General Meeting.
3. A member of the Company entitled to attend and vote may appoint another member as his/ her proxy to attend and vote instead of him /her. Proxies must be received at the registered office of the Company not less than 48 hours before the time for holding the meeting.
4. An instrument of proxy by which you can direct your proxy how you wish him / her to vote at the meeting is attached with this notice.

Notice of 17th Annual General Meeting

5. Members are requested to immediately notify any changes in their registered address.
6. CDC account holders are required to comply with the following guidelines of the Securities and Exchange Commission of Pakistan:

A - For attending the meeting

- (i) in case of individuals, the account holder(s) or sub-account holder(s) and their registration details are uploaded as per CDC regulations, shall authenticate their identity by showing their original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting; and
- (ii) in case of corporate entities, the board of directors' resolution / power of attorney with signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B- For appointing proxies

- (i) in case of individuals, the account holder(s) or sub-account holder(s) and their registration details are uploaded as per the CDC regulations, shall submit the proxy form as per the above requirement;
- (ii) the proxy form shall be witnessed by two persons whose names, addresses, and CNIC numbers shall be mentioned in the form;
- (iii) attested copies of CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form;
- (iv) the proxy shall produce his / her original CNIC or original passport at the time of the meeting; and
- (v) in case of corporate entities, the board of directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy to the Company.

Statement under Section 160(1)(b) of the Companies Ordinance, 1984

This statement sets out the material facts concerning the special business listed at agenda item No. 1 to be transacted at the Annual General Meeting of the Company to be held on 27th February 2012.

Agenda Item No. 1

To seek approval of the members to replace Article 86 of the Company's Articles of Association, which reads as:

"86. Directors fee etc. for attending the meeting.

Unless otherwise determined by the Company in general meeting, the remuneration of each director, shall be Rs.500/- for each meeting he attends plus the actual travelling expenses incurred by him. Provided that any change in the fee of a director shall be subject to the prior approval of the Controller of Capital Issue."

with the following proposed article:

"Directors Fee for Attending Board Meetings

86. The directors of the Company may from time to time fix the remuneration to be paid to directors for attending meetings of directors."

The above change in the Articles of Association of the Company is required as a practical matter.

Byco Petroleum Pakistan Limited.

Admission Slip

The Seventeenth Annual General Meeting of Byco Petroleum Pakistan Limited will be held on Monday, 27th February 2012 at 9:00 a.m. at Moosa D. Desai Auditorium, Institute of Chartered Accountants of Pakistan (ICAP), Clifton, Karachi.

Kindly bring this slip duly signed by you for attending the meeting.

Shahana Ahmed Ali
Company Secretary

Name _____

Shareholder No. _____ Signature _____

NOTE:

- (i) The signature of the shareholder must tally with the specimen signature in the Company's record; and
- (ii) Shareholders are requested to hand over completed admission slips at the counter before entering the meeting hall.

CDC account holders / proxies / corporate entities:

- (a) The CDC account holders / proxies shall authenticate their identity by showing their original Computerized National Identity Card (CNIC) or original passport at the time of attendance; and
- (b) In case of corporate entities, the Board of Directors' resolution / power of attorney with specimen signature of the nominee must be produced at the time of the meeting (unless it has been provided earlier).

This admission slip is not transferable.

Form of Proxy

Seventeenth Annual Genral Meeting

I / We _____

of _____

being member(s) of Byco Petroleum Pakistan Limited holding _____

_____ 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 for me / us and on my / our behalf at the Seventeenth Annual General Meeting of the Company to be held on Monday, 27th February 2012, and at any adjournment thereof.

As witness my/our hands/seal this _____ day of _____ 2012.

Signed by the said _____

in the presence of 1. _____

2. _____

_____ Folio / CDC account No.

_____ The signature should tally with the specimen in the Company's record

Important:

1. This proxy form, duly completed and signed, must be received at the registered office of the Company at 9th 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. No person shall act as proxy unless he / she himself / herself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. If a member appoint more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

For CDC account holders/corporate entities:

In addition to the above the following requirements have to be met:

- (i) the proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form;
- (ii) attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form;
- (iii) the proxy shall produce his / her original CNIC or original passport at the time of the meeting; and
- (iv) in case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongiwth proxy form to the Company.

AFFIX
CORRECT
POSTAGE

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

Byco Petroleum Pakistan Limited

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

T: + 92.21.111.222.081

F: +92.21.111.888.081

W: byco.com.pk

Photography : Zahid Ghori +92.300.8224613
Printed by: Union Packages +92.21.32625325-26

Design / Concept :  Connect Communication +92.321.2175555