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First Fiscal  
**Quarter Report**  
September 30, 2012



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# Company Information

## Board of Directors

Hamid Imtiaz Hanfi  
Chairman

Muhammad Raza Hasnani  
Vice Chairman

Aziz Moolji  
Director

Hala Hobeiche  
Director

Diana Brush  
Director

Marc Angst  
Director

Maria do Rosario  
Correia Pereira Avelino  
Director

Philip Harris  
Director

Richard Legrand  
Director

Mujtaba Jafarey  
Chief Executive Officer

## Compliance Committee of the Board

Philip Harris  
Chairman

Muhammad Raza Hasnani  
Member

Diana Brush  
Member

Jawed Ahmad  
Secretary

## Strategy and Risk Management Committee of the Board

Muhammad Raza Hasnani  
Chairman

Hamid Imtiaz Hanfi  
Member

Diana Brush  
Member

Iqbal Haris  
Secretary

## Services and Stakeholders Committee of the Board

Muhammad Raza Hasnani  
Chairman

Hamid Imtiaz Hanfi  
Member

Diana Brush  
Member

Shahana Ahmed Ali  
Secretary

## Head Finance and Chief Financial Officer

Asad Azhar Siddiqui

## Head Legal, Services and Company Secretary

Shahana Ahmed Ali

## Auditors

KPMG Taseer Hadi & Co.  
Chartered Accountants

## Bankers

Allied Bank Limited  
Askari Bank Limited  
Bank Alfalah Limited  
BankIslami 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  
Silkbank Limited  
Standard Chartered Bank (Pakistan) Limited  
Soneri Bank Limited  
Summit Bank Limited  
The Bank of Khyber  
United Bank Limited

## Shares' 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

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

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

## Website

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

## DIRECTORS' REPORT

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

The Board of Directors of the Company presents their report together with the condensed interim unaudited financial statements for the first quarter ended September 30, 2012.

During the period, net sales of the company increased significantly by 108% to Rs.11,147 million as compared to Rs.5,348 million during the same period last year (SPLY). The Company earned profit before depreciation, interest and tax of Rs.607 million as compared to loss before depreciation, interest and tax of Rs.199 million for SPLY and a gross profit of Rs.227 million as compared to the gross loss of Rs.360 million during SPLY. Although, manufacturing, administrative and selling expenses remained significantly lower than SPLY but still your company suffered a net loss after tax of Rs.318 million which is mainly on account of financial charges amounting to Rs.651 million. Although the throughput was much better than the corresponding period, the Company continued to face working capital constraints which impeded its ability to generate further revenues. During the quarter, although the average refinery throughput was higher by approximately 189% as compared to the SPLY but still remained 59% below the designed capacity. Insufficient working capital lines remained a key impediment to ensuring continuous refining operations. During the quarter, your refinery operated for 62 stream days as compared to 27 stream days for the SPLY. Your company has processed approximately 1.3 million barrels of crude oil as compared to 0.45 million barrels for the SPLY.

Your Company was successful in negotiating new working capital facilities with a financial institution for import of crude oil, however these could not be fully availed from the financial institutions due to non-availability of necessary approval from State Bank of Pakistan. Subsequent to the quarter end the necessary approval has been issued by the State Bank of Pakistan. This will help to run the refinery at its optimum capacity and thus yield better returns to the Company.

Concurrently your Company is in advanced stages of negotiation with the lending banks syndicate for restructuring its existing short term financing facilities into a long term debt. This will not only provide the required sustainability for operating our existing businesses, but also the ability and ease to settle our liabilities as per the proposed debt restructuring plan. The negotiations for the above stated are currently in advanced stages and are expected to be completed before December 2012.

The Company is now in the stage of commissioning its Isomerization Plant, the first such unit installed in the Country. This Isomerization Plant will feed Naptha from our Refinery as well as Byco Oil Pakistan Limited's new 120,000 bpsd refinery. This plant will enable the Company to process light Naptha into low Benzene environmental friendly Motor Gasoline and will yield better returns to the Company due to the significant differential between Naptha and Motor Gasoline prices.

The Single Point Mooring (SPM) project is expected to be commissioned within this calendar year. This first of its kind floating facility in Pakistan is a very promising initiative as it will result in significant cost savings for BPPL, and will ensure a more efficient and speedy transportation of crude oil to your refinery at Hub, Baluchistan.

Your Company has witnessed significantly challenging times in the last few years primarily due to the 2008 financial crisis. However, with the completion of the Group's related mega projects this year, there will be significant value addition for the Company and the results for this quarter depict a turnaround. The management will ensure that this momentum is maintained whilst at the same time focusing on operational excellence, cost management and bottom-line growth.

In conclusion, the Board of Directors would like to express their gratitude for the cooperation extended to the Company by our valued customers, financial institutions, shareholders and employees for their continued support, confidence and trust in your Company.

For and on behalf of the Board of Directors



Chief Executive Officer

# Unconsolidated Condensed Interim Balance Sheet

As at September 30, 2012

	Note	Amount in Rs. 000	
		Unaudited Sep 30, 2012	Audited Jun 30, 2012
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	6	18,182,436	18,372,849
Intangible asset		5,176	5,915
Long term Investment		5,729,258	5,729,258
Long term deposits		19,331	19,387
<b>CURRENT ASSETS</b>			
Stores and spares		155,776	159,280
Stock in trade		7,970,699	2,956,264
Trade debts - Considered good		9,241,260	9,931,045
Loans and advances - Considered good		462,117	394,080
Trade deposits, prepayments and other receivables		858,064	821,454
Markup accrued		18,923	18,923
Cash and bank balances		226,341	202,228
		18,933,180	14,483,274
		<u>42,869,381</u>	<u>38,610,683</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital 1,200,000,000(June 2012:1,200,000,000) Ordinary shares of Rs.10/- each		12,000,000	12,000,000
Issued, subscribed and paid up capital		9,778,587	9,778,587
Accumulated losses		(16,726,873)	(16,501,819)
		(6,948,286)	(6,723,232)
Surplus on revaluation of Property, plant and equipment		5,490,248	5,583,119
<b>NON CURRENT LIABILITIES</b>			
Liabilities against assets subject to finance leases		56,013	74,736
Long term deposits		40,913	38,913
Deferred liabilities		2,409,936	2,460,110
<b>CURRENT LIABILITIES</b>			
Trade and other payables		29,953,208	25,903,618
Accrued markup		1,697,798	1,138,196
Short term borrowings - secured		7,650,000	7,650,000
Current portion of non current liabilities		2,416,686	2,441,686
Provision for taxation		102,865	43,537
		41,820,557	37,177,037
<b>COMMITMENTS</b>	7	-	-
		<u>42,869,381</u>	<u>38,610,683</u>

The annexed notes form an integral part of the condensed unconsolidated interim financial information.

  
Chief Executive

  
Director

## Unconsolidated Condensed Interim Profit and Loss Account

For the period ended September 30, 2012 (Unaudited)

	Amount in Rs. '000	
	Jul-Sep 2012	Jul-Sep 2011
Net sales	11,146,607	5,347,874
Cost of Sales	10,919,339	5,707,695
Gross profit / (loss)	227,268	(359,821)
Operating expenses		
Administrative expenses	146,901	242,533
Selling and distribution expenses	54,732	172,360
	201,633	414,893
Operating profit /(loss)	25,635	(774,714)
Other income	316,831	313,208
	342,466	(461,506)
Financial and other charges		
Financial charges	641,428	590,365
Exchange differences - net	9,643	95,323
	651,071	685,688
(Loss) before taxation	(308,605)	(1,147,194)
Taxation		
Current	59,328	20,552
Deferred	(50,008)	(49,080)
	9,320	(28,528)
(Loss) after taxation	(317,925)	(1,118,666)
(Loss) per share - basic & dilutive (Rupees)	(0.33)	(1.14)

The annexed notes form an integral part of the condensed unconsolidated interim financial information.

  
Chief Executive

  
Director

**Unconsolidated Condensed Interim Statement of Other Comprehensive Income**  
For the period ended September 30, 2012 (Unaudited)

	Amount in Rs. '000	
	Jul-Sep 2012	Jul-Sep 2011
Net (loss) after taxation	(317,925)	(1,118,666)
Other Comprehensive Income	--	--
Total comprehensive (loss) for the period transferred to equity	<u>(317,925)</u>	<u>(1,118,666)</u>

The annexed notes form an integral part of the condensed unconsolidated interim financial information.

  
Chief Executive

  
Director

# Unconsolidated Condensed Interim Cash Flow Statement

For the period ended September 30, 2012 (Unaudited)

	Amount in Rs. '000	
	Jul-Sep 2012	Jul-Sep 2011
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(308,605)	(1,147,194)
Adjustments for non cash and other items:		
Depreciation	263,705	261,896
Amortization	739	739
Financial and other charges	651,071	685,689
Gain on disposal of assets	(4,357)	--
Net cash flow before working capital changes	<u>602,553</u>	<u>(198,870)</u>
<b>Movement in working capital</b>		
<b>(Increase) / decrease in current assets</b>		
Stores and spares	3,504	13,871
Stock in trade	(5,014,435)	(519,908)
Trade debts	689,784	(1,253,145)
Loans and advances	(68,038)	(436,076)
Trade deposits, prepayments and other receivables	(35,005)	42,838
Mark up accrued	--	(107,925)
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	4,049,590	(1,850,208)
Cash generated from operations	227,953	(4,110,552)
Payments for:		
Financial charges	(91,468)	(459,449)
Income Taxes	(1,605)	(38,159)
Gratuity Paid	(166)	--
Deferred Income	--	50,260
Cash generated from operations	<u>134,714</u>	<u>(4,756,771)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(77,563)	(182,839)
Proceeds from disposal of vehicles	8,629	--
Long term deposits - net	2,056	140
Net cash used in investing activities	<u>(66,878)</u>	<u>(182,699)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of long term loan	(25,000)	(410,929)
Liabilities against assets subject to finance lease - net	(18,723)	(44,874)
Net cash used in financing activities	<u>(43,723)</u>	<u>(455,803)</u>
Net increase / (decrease) in cash and cash equivalents	<u>24,113</u>	<u>(5,395,273)</u>
Cash and cash equivalents as at 1st July	202,228	270,559
Cash and cash equivalents as at 30th September	<u><u>226,341</u></u>	<u><u>(5,124,714)</u></u>

The annexed notes form an integral part of the condensed unconsolidated interim financial information.

  
Chief Executive

  
Director



## Unconsolidated Condensed Interim Statement of Changes In Equity

For the period ended September 30, 2012 (Unaudited)

	Amount in Rs. 000		
	Issued, subscribed and paid up capital	Accumulated Loss	Total
Balance as at July 01, 2011	9,778,587	(13,770,872)	(3,992,285)
Total comprehensive loss for the period			
Loss for the three months period ended 30 September 2011		(1,118,666)	(1,118,666)
Incremental depreciation relating to surplus on revaluation of Property, plant and equipment - net deferred tax		91,149	91,149
Balance as at September 30, 2011	<u>9,778,587</u>	<u>(14,798,389)</u>	<u>(5,019,802)</u>
Balance as at July 01, 2012	9,778,587	(16,501,819)	(6,723,232)
Total comprehensive loss for the period			
Loss for the three months period ended 30 September 2012		(317,925)	(317,925)
Incremental depreciation relating to surplus on revaluation of Property, plant and equipment - net deferred tax		92,871	92,871
Balance as at September 30, 2012	<u>9,778,587</u>	<u>(16,726,873)</u>	<u>(6,948,286)</u>

The annexed notes form an integral part of the condensed unconsolidated interim financial information.

  
Chief Executive

  
Director

## Notes to the the Unconsolidated Condensed Interim Financial Information

For the period ended September 30, 2012 (Unaudited)

### 1. LEGAL STATUS AND NATURE OF BUSINESS

Byco Petroleum Pakistan Limited (the Company) was incorporated in Pakistan as a public limited company on 09 January 1995 under the Companies Ordinance, 1984 and was granted a certificate of commencement of business on 13 March 1995. The shares of the company are listed on Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Company is situated at The Harbour Front, 9th Floor, Dolmen City, HC-3, Block 4, Marine Drive, Clifton, Karachi – 75600, Pakistan. Byco Oil Pakistan Limited (Holding Company) holds 86.94% shares in the Company. The Holding Company is a wholly owned subsidiary of Byco Industries Incorporated (BII), Mauritius (Ultimate Parent Company) The Company is principally engaged in the production, marketing and sale of petroleum products.

The Company currently operates two business segments namely Oil Refinery Business and Petroleum Marketing Business. The Company commenced its crude Oil Refining Business in 2004. The refinery has a rated capacity of 35,000 bpd (barrels per day). Petroleum Marketing Business was formally launched in 2007 and now growing aggressively with 219 retail outlets across the country.

### 2. GOING CONCERN ASSUMPTION

During the period ended 30 September 2012, the Company incurred a net loss after tax of Rs. 318 million (30 September 2011: Rs. 1,119 million) and as of that date its accumulated losses amounted to Rs. 16,727 million (June 30, 2012: Rs. 16,502 million). As at 30 September 2012 total liabilities exceeded total assets by Rs.1,458 million and current liabilities of the Company exceeded its current assets by Rs. 22,887 million (June 30, 2012: Rs. 22,694 million). The refinery operations of the Company were substantially declined and the refinery could not operate during most part of the last year 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 mark-up on delayed payments which the company does not acknowledge in these unconsolidated financial statements. 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 is required in this respect. The conditions indicate existence of material uncertainty which may cast significant doubt about the Company's ability to continue as going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. The unconsolidated condensed interim financial statements have been prepared using the going concern assumption as the management is confident that all these conditions are temporary, and would reverse in foreseeable future due to the reasons given below:

- During the last year, the Company has successfully re-negotiated with their lenders and converted the Forced Payment Against Documents (FPAD) facility amounting to Rs. 7,650 million into running finance facility. The said conversion would bring reduction in mark-up rates by around 200 basis points and Letter of Credit related charges. The Company is also in advance stages of rearrangements with syndicate banks for restructuring of its short term current liabilities and expect the restructuring to fetch substantial reduction in mark-up cost in future and deferment in payment terms which will ensure smooth operations of the refinery.
- One of the major local banks has supported and enhanced the working capital lines for import of crude oil and petroleum products at more relaxed terms in order to support the working capital requirements of the Company. This arrangement would result in financial cost saving and accommodate the Company to deal with volatility of international crude oil prices and foreign exchange rates and to sustain the future growth momentum of its business.
- The State Bank of Pakistan has relaxed the requirement of Prudential Regulation "Corporate and Commercial Banking" for the Company. Such relaxation would allow the Company to obtain more

borrowing facilities from financial institutions. Consequentially the Company has requested different commercial financial institutions to augment fresh working capital facility which is under consideration of the State Bank of Pakistan.

- The Company is in final stages of completing the Isomerization Plant. The Plant will be commissioned with 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.
- During the last year, the Company's Petroleum Marketing Business (PMB) has successfully entered into various fuel supply arrangements with different marketable sectors such as shipping, Power & Energy and mining sectors. High margin aviation fuel export market has also been tapped through these arrangements and for managing this business, a separate working capital line is available to the Company. Further, during the last year, PMB segment has increased their retail business by entering into different dealer financed, semi-financed and company financed agreements for opening of various retail outlets across the country. These factors of PMB segment has been and is expected to yield significant contribution towards the profitability of the Company.
- The Ministry of Petroleum and Natural Resources (MP & NR) last year has approved the recovery of crude oil transportation cost through Inland Freight Equalisation Margin Pool (IFEM). Previously, all this transportation cost was borne by the Company itself without any reimbursements from the pool or the Government. This will result in future cost savings of the Company.
- Further, the Company is continuously reviewing its administrative costs, operating expenditures as well as capital expenditures, with a view to optimize the associated benefits through reduction / elimination of such costs as they find appropriate.

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

### 3 BASIS OF PREPARATION

This unconsolidated condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the unconsolidated condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended 30 June 2012.

This unconsolidated condensed interim financial information is presented in Pakistan Rupees which is also the Company's functional currency and all financial information presented has been rounded off to the nearest thousand.

This unconsolidated condensed interim financial information is unaudited and is being submitted to the shareholders as required by listing regulations of Karachi, Lahore and Islamabad Stock Exchanges and section 245 of the Companies Ordinance, 1984.

### 4 ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this unconsolidated condensed interim financial information are the same as those applied in preparation of the financial statements of the Company for the year ended 30 June 2012.

Amendments to certain existing standards and new interpretations on approved accounting standards effective during the period either were not relevant to the Company's operations or did not have any significant impact on the accounting policies of the Company.

## 5 ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of this unconsolidated condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision. In preparing this unconsolidated condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the financial statements as at and for the year ended 30 June 2012. The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2012.

		Amount in RS. '000	
		Sep 30, 2012	June 30, 2012
6	PROPERTY, PLANT AND EQUIPMENT		
	Operating fixed assets - At cost less accumulated depreciation	13,698,237	13,966,136
	Capital work in progress - At cost	4,484,199	4,406,713
		<u>18,182,436</u>	<u>18,372,849</u>

## 7 COMMITMENTS

### Contingencies

Claims against the Company not acknowledged as debts amounting to Rs. 2,365 million (June 30,2012: 2,365 million) comprise of late payment charges on account of delayed payments against crude oil suppliers. 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. Commitments in respect of crude oil, petroleum products and capital expenditures amounting to Rs. 2,818 million (June 30, 2012: Rs 7,048 million).

		9 months ended	
		July-Sep 2012	July-Sep 2011
8	TRANSACTION WITH RELATED PARTIES		
	Parent companies:		
	Land lease rentals	12,031	12,031
	Shared expenses	7,284	5,460
	Subsidiary Company		
	Purchase of services	15,000	57,868
	Land lease rentals	688	688
	Markup income	15,043	107,925
	Associated companies:		
	Purchase of equipments and services	931	19,291
	Cargo freight services	139,214	43,526
	Markup on loan	--	43,927
	Markup on Debtors	12,393	--
	Sales of petroleum products	1,081,671	34,570
	Staff provident fund		
	Payment of employees and Company's contribution	6,891	17,887

## 9 INFORMATION ABOUT BUSINESS SEGMENTS

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

	Oil Refining		Petroleum Marketing		Total	
	July to Sep		July to Sep		July to Sep	
	2012	2011	2012	2011	2012	2011
	----- (Rupees in '000) -----					
Net Sales to external customers	6,393,044	1,978,027	4,753,564	3,369,847	11,146,607	5,347,874
Inter-segment sales	4,266,368	1,854,470			4,266,368	1,854,470
Eliminations	(4,266,368)	(1,854,470)			(4,266,368)	(1,854,470)
<b>Total revenue</b>	<b>6,393,044</b>	<b>1,978,027</b>	<b>4,753,564</b>	<b>3,369,847</b>	<b>11,146,607</b>	<b>5,347,874</b>
<b>Result</b>						
Segment results - (loss) / profit	12,620	(821,924)	171,247	(146,022)	183,867	(967,946)
Un-allocated expenses						--
					183,867	(967,946)
Interest expense					(640,748)	(475,930)
Interest income					148,276	296,681
Taxation					(9,320)	28,529
<b>Loss for the year</b>					<b>(317,925)</b>	<b>(1,118,666)</b>
<b>Other Information</b>						
Depreciation and amortization	243,403	242,478	21,040	20,158		

## 10 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorised for issue on November 28, 2012 in accordance with the resolution of the Board of Directors of the Company.

## 11 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.

## 12 RECLASSIFICATION

Comparative figures have been reclassified wherever necessary to facilitate comparison and appropriate presentation.

  
Chief Executive

  
Director

**Consolidated Condensed  
Interim Financial  
Statement**

# Consolidated Condensed Interim Balance Sheet

As at September 30, 2012

	Note	Amount in Rs. 000	
		Unaudited Sep 30, 2012	Audited June 30, 2012
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	7	24,013,298	24,086,360
Intangible asset		28,922	29,661
Long term deposits		42,455	42,511
<b>CURRENT ASSETS</b>			
Stores and spares		155,776	159,280
Stock in trade		7,970,698	2,956,264
Trade debts - Considered good		8,833,762	9,538,590
Loans and advances - Considered good		265,683	278,890
Trade deposits, prepayments and other receivables		958,116	913,816
Markup accrued		18,923	18,923
Cash and bank balances		227,768	201,523
		18,430,726	14,067,286
		<u>42,515,401</u>	<u>38,225,818</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital			
1,200,000,000 (June 2012:1,200,000,000) Ordinary shares of Rs.10/- each		<u>12,000,000</u>	<u>12,000,000</u>
Issued, subscribed and paid up capital		9,778,587	9,778,587
Accumulated losses		<u>(19,211,647)</u>	<u>(18,959,448)</u>
		(9,433,060)	(9,180,861)
Surplus on revaluation of Property, plant and equipment		5,490,248	5,583,119
<b>NON CURRENT LIABILITIES</b>			
Liabilities against assets subject to finance leases		59,725	79,305
Long term deposits		40,913	38,913
Deferred liabilities		2,429,095	2,478,835
<b>CURRENT LIABILITIES</b>			
Trade and other payables		30,197,941	26,181,273
Accrued markup		1,815,845	1,187,278
Short term borrowings - secured		9,390,829	9,368,914
Current portion of non current liabilities		2,418,787	2,443,367
Provision for taxation		105,078	45,675
		43,928,480	39,226,507
<b>COMMITMENTS</b>	8	-	-
		<u>42,515,401</u>	<u>38,225,818</u>

The annexed notes form an integral part of the condensed consolidated interim financial information.

  
Chief Executive

  
Director

## Consolidated Condensed Interim Profit and Loss Account

For the period ended September 30, 2012 (Unaudited)

	Amount in Rs. '000	
	Jul-Sep 2012	Jul-Sep 2011
Revenue	11,146,607	5,347,874
Cost of Sales	10,922,655	5,671,573
Gross profit / (loss)	<u>223,952</u>	<u>(323,699)</u>
Operating expenses		
Administrative expenses	154,388	260,613
Selling and distribution expenses	54,732	172,360
	<u>209,120</u>	<u>432,973</u>
Operating profit/(loss)	<u>14,832</u>	<u>(756,672)</u>
Other income	301,100	204,595
	<u>315,932</u>	<u>(552,077)</u>
Financial and other charges		
Financial charges	641,532	605,321
Exchange differences	9,642	95,323
	<u>651,174</u>	<u>700,644</u>
(Loss) before taxation	<u>(335,242)</u>	<u>(1,252,721)</u>
Taxation		
Current	59,403	21,390
Prior Year	-	-
Deferred	(49,575)	(49,355)
	<u>9,828</u>	<u>(27,965)</u>
(loss) after taxation	<u>(345,070)</u>	<u>(1,224,756)</u>
(Loss) per share - basic & dilutive (Rupees)	<u>(0.35)</u>	<u>(1.25)</u>

The annexed notes form an integral part of the condensed consolidated interim financial information.

  
Chief Executive

  
Director



# Consolidated Condensed Interim Statement Of Other Comprehensive Income

For the period ended September 30, 2012 (Unaudited)

	Amount in Rs. '000	
	Jul-Sep 2012	Jul-Sep 2011
Net (loss) after taxation	(345,070)	(1,224,756)
Other Comprehensive Income	--	--
Total comprehensive (loss) for the period transferred to equity	<u>(345,070)</u>	<u>(1,224,756)</u>

The annexed notes form an integral part of the condensed consolidated interim financial information.

  
Chief Executive

  
Director

# Consolidated Condensed Interim Cash Flow Statement

For the period ended September 30, 2012 (Unaudited)

Amount in Rs. 000

	Jul - Sep 2012	Jul - Sep 2011
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(335,242)	(1,252,721)
Adjustments for non cash and other items:		
Depreciation	276,676	273,718
Amortization	739	739
Financial and other charges	651,175	700,645
Gain on disposal of assets	(4,357)	--
Net cash flow before working capital changes	588,991	(277,619)
<b>Movement in working capital</b>		
(Increase) / decrease in current assets		
Stores and spares	3,504	13,871
Stock in trade	(5,014,435)	(519,908)
Trade debts	704,828	(1,276,751)
Loans and advances	13,207	(436,076)
Trade deposits, prepayments and other receivables	(42,671)	38,853
Increase / (decrease) in current liabilities		
Trade and other payables	4,016,668	(1,830,814)
Cash generated from operations	270,092	(4,288,444)
Payments for:		
Financial charges	(91,505)	(474,405)
Income Taxes	(1,628)	(38,168)
Deferred income	--	50,260
Gratuity paid	(167)	--
Net cash generated from operating activities	176,792	(4,750,757)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(138,989)	(187,844)
Sale proceeds of fixed assets	8,629	--
Long term deposit	2,056	141
Net cash used in investing activities	(128,304)	(187,703)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of long term loan	(25,000)	(410,929)
Liabilities against assets subject to finance lease - Net	(19,158)	(45,183)
Short term borrowings - Net	21,915	--
Net cash used in financing activities	(22,243)	(456,112)
Net increase / (decrease) in cash and cash equivalents	26,245	(5,394,572)
Cash and cash equivalents as at 1st July	201,523	270,554
Cash and cash equivalents as at 30th September	227,768	(5,124,018)

The annexed notes form an integral part of the condensed consolidated interim financial information.

  
Chief Executive

  
Director

## Consolidated Condensed Interim Statement Of Changes In Equity

For the period ended September 30, 2012 (Unaudited)

Amount in Rs. 000

	Issued, subscribed and paid-up capital	Accumulated Loss	Total
Balance as at July 01, 2011	9,778,587	(15,665,947)	(5,887,360)
Total comprehensive loss for the period			
Loss for the three months period ended 30 September 2011		(1,224,756)	(1,224,756)
Incremental depreciation relating to surplus on revaluation of Property, plant and equipment - net deferred tax		91,149	91,149
Balance as at September 30, 2011	<u>9,778,587</u>	<u>(16,799,554)</u>	<u>(7,020,967)</u>
Balance as at July 01, 2012	9,778,587	(18,959,448)	(9,180,861)
Total comprehensive loss for the period			
Loss for the three months period ended 30 September 2012		(345,070)	(345,070)
Incremental depreciation relating to surplus on revaluation of Property, plant and equipment - net deferred tax		92,871	92,871
Balance as at September 30, 2012	<u>9,778,587</u>	<u>(19,211,647)</u>	<u>(9,433,060)</u>

The annexed notes form an integral part of the condensed consolidated interim financial information.

  
Chief Executive

  
Director

## Notes to the the consolidated Condensed Interim Financial Information

For the period ended September 30, 2012 (Unaudited)

### 1. LEGAL STATUS AND NATURE OF BUSINESS

The "Group" consists of:

Holding Company

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

The Company was incorporated in Pakistan as a public limited company on 09 January 1995 under the Companies Ordinance, 1984 and was granted a certificate of commencement of business on 13 March 1995. The shares of the company are listed on Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Company is situated at The Harbour Front, 9th Floor, Dolmen City, HC-3, Block 4, Marine Drive, Clifton, Karachi – 75600, Pakistan. Byco Oil Pakistan Limited (Holding Company of the Company) holds 86.94% shares in the Company. The Holding Company is a wholly owned subsidiary of Byco Industries Incorporated (BII), Mauritius (Ultimate Parent Company). The Company is principally engaged in the production, marketing and sale of petroleum products.

The Company currently operates two business segments namely Oil Refinery Business and Petroleum Marketing Business. The Company commenced its crude Oil Refining Business in 2004. The refinery has a rated capacity of 35,000 bpd (barrels per day). Petroleum Marketing Business was formally launched in 2007 and now growing aggressively with 219 retail outlets across the country.

Subsidiary Company

#### ii) Byco Terminal Pakistan Limited (Formerly Universal Terminals Limited) (BTPL)

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

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

### 2. GOING CONCERN ASSUMPTION

The management of the Company has reported the following in their unconsolidated financial statements:

During the period ended 30 September 2012, the Company incurred a net loss after tax of Rs. 318 million (30 September 2011: Rs. 1,119 million) and as of that date its accumulated losses amounted to Rs. 16,727 million (30 June 2012: Rs. 16,502 million). As at 30 September 2012 total liabilities exceeded total assets by Rs.1,458 million and current liabilities of the Company exceeded its current assets by Rs. 22,887 million (30 June 2012: Rs. 22,694 million). The refinery operations of the Company were substantially declined and the refinery could not operate during most part of the last year 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 mark-up on delayed payments which the company does not acknowledge in these unconsolidated financial statements. 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 is required in this respect. The conditions indicate existence of material uncertainty which may cast significant doubt about the Company's ability to continue as going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. The unconsolidated condensed interim financial statements have been prepared using the going concern assumption as the management is confident that all these conditions are temporary, and would reverse in foreseeable future due to the reasons given below:

- During the last year, the Company has successfully re-negotiated with their lenders and converted the Forced Payment Against Documents (FPAD) facility amounting to Rs. 7,650 million into running finance facility. The said conversion would bring reduction in mark-up rates by around 200 basis points and

Letter of Credit related charges. The Company is also in advance stages of rearrangements with syndicate banks for restructuring of its short term current liabilities and expect the restructuring to fetch substantial reduction in mark-up cost in future and deferment in payment terms which will ensure smooth operations of the refinery.

- One of the major local banks has supported and enhanced the working capital lines for import of crude oil and petroleum products at more relaxed terms in order to support the working capital requirements of the Company. This arrangement would result in financial cost saving and accommodate the Company to deal with volatility of international crude oil prices and foreign exchange rates and to sustain the future growth momentum of its business.
- The State Bank of Pakistan has relaxed the requirement of Prudential Regulation “Corporate and Commercial Banking” for the Company. Such relaxation would allow the Company to obtain more borrowing facilities from financial institutions. Consequentially the Company has requested different commercial financial institutions to augment fresh working capital facility which is under consideration of the State Bank of Pakistan.
- The Company is in final stages of completing the Isomerization Plant. The Plant 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.
- During the last year, the Company's Petroleum Marketing Business (PMB) has successfully entered into various fuel supply arrangements with different marketable sectors such as shipping, Power & Energy and mining sectors. High margin aviation fuel export market has also been tapped through these arrangements and for managing this business, a separate working capital line is available to the Company. Further, during the last year, PMB segment has increased their retail business by entering into different dealer financed, semi-financed and company financed agreements for opening of various retail outlets across the country. These factors of PMB segment has been and is expected to yield significant contribution towards the profitability of the Company.
- The Ministry of Petroleum and Natural Resources (MP & NR) last year has approved the recovery of crude oil transportation cost through Inland Freight Equalisation Margin Pool (IFEM). Previously, all this transportation cost was borne by the Company itself without any reimbursements from the pool or the Government. This will result in future cost savings of the Company.
- Further, the Company is continuously reviewing its administrative costs, operating expenditures as well as capital expenditures, with a view to optimize the associated benefits through reduction / elimination of such costs as they find appropriate.

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

### 3. BASIS OF PREPARATION

This consolidated condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the consolidated condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the consolidated financial statements for the year ended 30 June 2012. This consolidated condensed interim financial information is presented in Pakistan Rupees which is also the Group's functional currency and all financial information presented has been rounded off to the nearest thousand.

This consolidated condensed interim financial information is unaudited and is being submitted to the shareholders as required by listing regulations of Karachi, Lahore and Islamabad Stock Exchanges and section 245 of the Companies Ordinance, 1984.

### 4. 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 where 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.

#### 5. ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this consolidated condensed interim financial information are the same as those applied in preparation of the financial statements of the Company for the year ended 30 June 2012. Amendments to certain existing standards and new interpretations on approved accounting standards effective during the period either were not relevant to the Company's operations or did not have any significant impact on the accounting policies of the Company.

#### 6. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of this consolidated condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision. In preparing this consolidated condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the financial statements as at and for the year ended 30 June 2012. The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2012.

	Amount in RS. '000	
	Sep 30, 2012	June 30, 2012
<b>7. PROPERTY, PLANT AND EQUIPMENT</b>		
Operating fixed assets - At cost less accumulated depreciation	14,443,576	14,377,321
Capital work in progress - At cost	9,569,722	9,709,039
	<u>24,013,298</u>	<u>24,086,360</u>

#### 8. COMMITMENTS

##### Contingencies

Claims against the Parent Company not acknowledged as debts amounting to Rs. 2,366 million (June 2012: 2,366 million) comprise of late payment charges on account of delayed payments against crude oil suppliers. 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.

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

China Harbour Engineering Company (CHEC), engaged by the subsidiary company BTPL for the Construction of its SPM on 19 August 2011, demanded a penalty of Rs. 22 million from the BTPL on account of delayed payments in accordance with the terms of the agreement entered into between the BTPL and the CHEC. However, the BTPL has not acknowledged the said demand as it believes that delay was on part of contractor's bank. No demand of notice or any correspondences have been received

from CHEC regarding follow up of this penalty based on which no accrual of amount in question has been made in these financial statements.

#### Commitments

Commitments in respect of crude oil, petroleum products and capital expenditures amounting to Rs. 2,979 million (June 30, 2012: Rs 7,266 million).

	July-Sep 2012	July-Sep 2011
<b>9. TRANSACTION WITH RELATED PARTIES</b>		
Parent companies:		
Land lease rentals	12,031	12,031
Shared expenses	7,284	5,460
Associated companies:		
Purchase of equipments and services	931	19,291
Cargo freight services	139,214	43,526
Markup on loan	--	43,927
Markup on Debtors	12,393	
Sales of petroleum products	1,081,671	34,570
Staff provident fund		
Payment of employees and Company's contribution	6,891	17,887

#### 10. INFORMATION ABOUT BUSINESS SEGMENTS

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

	Oil Refining		Petroleum Marketing		Petroleum Storage		Elimination		Total	
	July to Sep		July to Sep		July to Sep		July to Sep		July to Sep	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
----- (Rupees in '000) -----										
Revenue										
Net Sales to external customers	6,393,044	1,978,027	4,753,564	3,369,847					11,146,607	5,347,874
Inter-segment sales	4,266,368	1,854,470		--	15,000		(4,281,368)	(1,854,470)	--	--
<b>Total revenue</b>	<b>10,659,412</b>	<b>3,832,497</b>	<b>4,753,564</b>	<b>3,369,847</b>	<b>15,000</b>	<b>--</b>	<b>(4,281,368)</b>	<b>(1,854,470)</b>	<b>11,146,607</b>	<b>5,347,874</b>
Result										
Segment results - (loss) / profit	12,620	(821,924)	171,247	(146,023)	(10,803)	17,355	(15,731)	-	157,333	(950,591)
Un-allocated expenses									--	--
									157,333	(950,591)
Interest expense									(640,851)	(490,886)
Interest income									148,276	188,756
Taxation									(9,828)	27,965
<b>Loss for the year</b>									<b>(345,070)</b>	<b>(1,224,756)</b>
Other Information										
Depreciation and amortization	243,403	242,478	21,040	20,158	12,972	11,822				

11. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorised for issue on November 28, 2012 in accordance with the resolution of the Board of Directors of the Company.

12. 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.

13. RECLASSIFICATION

Comparative figures have been reclassified wherever necessary to facilitate comparison and appropriate presentation.



Chief Executive



Director



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