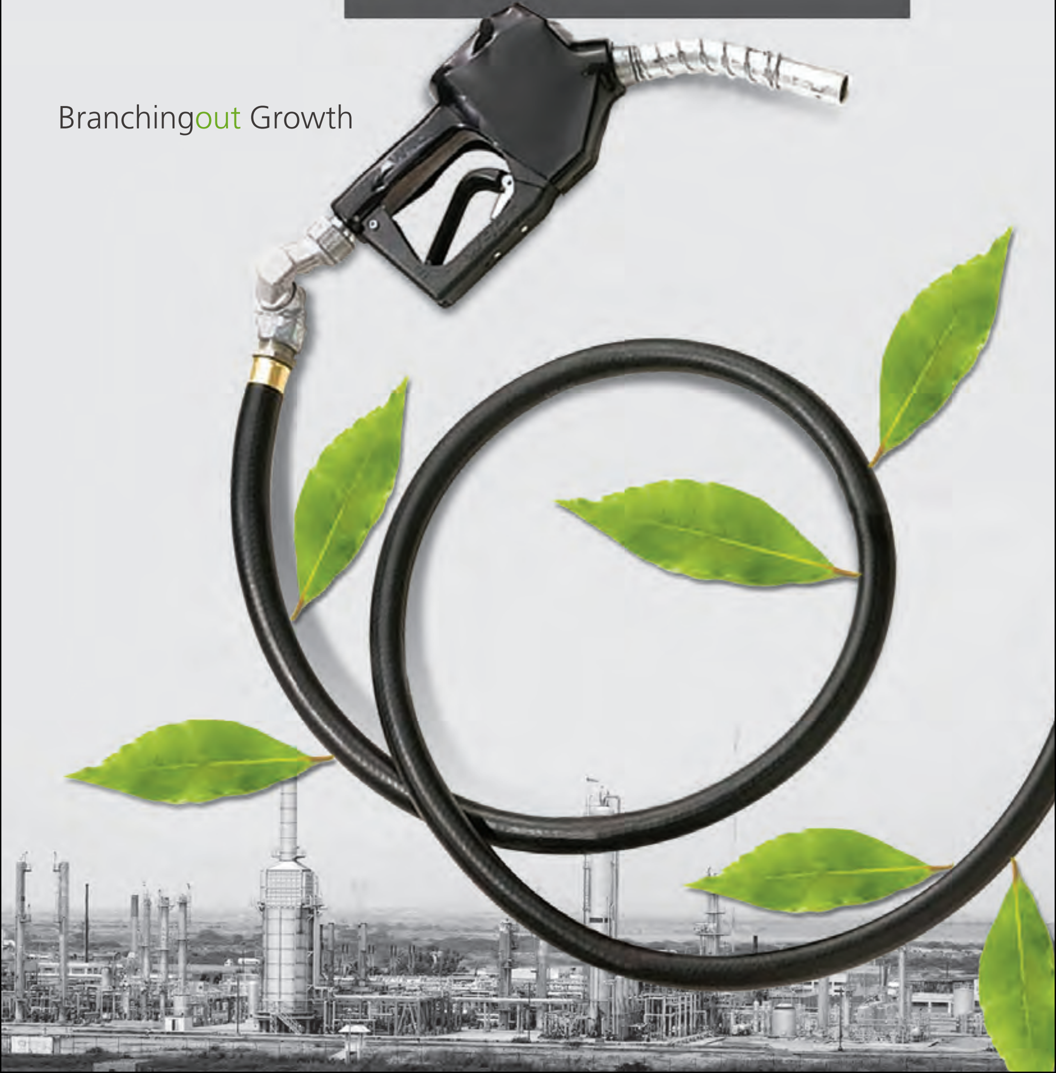
Second Fiscal

**Quarter Report**

December 31, 2010

byco

Branchingout Growth



## Branchingout Growth

Growth is in our nature, and we are branchingout into new directions. Stepped into retail business recently and emerging as a challenging new and fastest growing player.

Our aim is to set new standards in production, quality and service.
With our focus set, our aims defined and our constant checks in all aspects of our business, we are moving ahead and branchingout growth.

# Contents

# Company Information

## Board of Directors

**Waqar Hassan Siddique**
Chairman
**Hamid Imtiaz Hanfi**
Vice Chairman
**Amir Abbassciy**
Director
**Matteo Stefanel**
Director
**Muhammad Raza Hasnani**
Director
**Aziz Moolji**
Director
**M. Abdullah Yusuf**
Director
**Tariq Kirmani**
Director
**Kashif Shah**
Director
**Samia Roomi**
Director

## Compliance Committee of the Board

**M. Abdullah Yusuf**
Chairman
**Hamid Imtiaz Hanfi**
Member
**Muhammad Raza Hasnani**
Member
**Jawed Ahmad**
Secretary

## Strategy & Risk Management Committee of the Board

**Tariq Kirmani**
Chairman
**Amir Abbassciy**
Member
**Matteo Stefanel**
Member
**Syed Masood Raza**
Secretary

## Services and Stakeholders Committee of the Board

**Matteo Stefanel**
Chairman
**Hamid Imtiaz Hanfi**
Member
**Samia Roomi**
Member
**Shahana Ahmed Ali**
Secretary

## Supervisory Secretariat

**Hamid Imtiaz Hanfi**
Head Supervisory Secretariat
**Jawed Ahmad**
Head Corporate Compliance
**Shahana Ahmed Ali**
Head Corporate Services
& Company Secretary
**Syed Masood Raza**
Head Corporate Strategy

## Management

**Amir Abbassciy**
Chief Executive Officer
**Mohammad Wasi Khan**
President Chemical
Manufacturing Business
**Muhammad Qaiser Jamal**
President Oil Refining Business
**Kalim A. Siddiqui**
President Petroleum
Marketing Business
**Imran Farookhi**
Head Administration &
Human Resource
**Wajahat Athar Jafri**
Head Commercial
**Mansoor Rashid**
Head Technical
**Roshan Mehri**
Head Treasury &
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 Limited
NIB Bank Limited
Silk Bank Limited
Standard Chartered Bank (Pakistan) Limited
Soneri Bank Limited
The Bank of Khyber
United Bank Limited

## Share's Registrar

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

# Directors' Report

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

The Board of Directors of Byco Petroleum Pakistan Limited present their report together with the condensed interim financial statements of the Company for the six months ended December 31, 2010 and the review report of the external auditors thereon.

It is with great pride that we would like to inform you that your Refinery has achieved the HSEQ Integrated Management Certification – Quality Management System (QMS) conforming to ISO 9001, Environmental Management System conforming to ISO 14001 and Occupational Health & Safety System conforming to OHSAS 18001. Your Refinery, Alhamdulillah, continues to show impeccable safety record by successfully reaching a significant milestone of 3.0 million man-hours without Lost Time Injury (LTI).

During the period July thru December 2010, your Refinery managed with a relatively lower average throughput of 14,124 barrels per day as against average of 17,557 barrels per day during the corresponding period in July thru December 2009. Total crude oil consumed during this period was 1.82 million barrels as against 3.16 million barrels, a decline of 42 percent in comparison to the corresponding period last year. During this period, your Refinery operated for 134 streaming days. The refinery was non-operative for 50 calendar days during these six month primarily due to the annual Turn-Around of 50 days. During this period, your Refinery exported Naphtha totaling 185,297 barrels which contributed an amount totaling $14.88 million that contributed towards improving the Country's balance of payments.

The International crude oil prices (WTI benchmark) have continued to move upwards starting from USD 71.68 per barrel during July 2010 and closing at USD 91.44 per barrel on December 31, 2010 which was the highest crude price registered during this period. On average crude price rose by over 20% during this period. The increase in Crude oil prices were driven mainly by increasing demand in developed nations including USA and China along with an increase in demand for heating fuels due to the harsh winter experienced in Europe and the United States of America. The Middle Eastern crude also took advantage of the bullish market sentiment as well, as the relentless demand from Asian buyers continued. As a result of the higher prices, within Pakistan the POL sales declined about two percent during July thru December 2010 as compared to the corresponding period last year.

Your Refinery is proud to announce that during the period under review it has performed well despite the very tight refining margins as well as further deterioration in the pricing formula for the refineries. The refineries collectively have long been pursuing the authorities to provide justifiable margins and level playing field in the pricing mechanism for help in sustainability and diversification. Your Refinery's positive performance is largely a contribution to a better selection of imported crude oil which have yielded considerably higher percentage of middle distillates. The other supporting factor was the product to crude differential that remained positive for the period under review.

During the quarter ended December 31, 2010, your Refinery has achieved on a consolidated basis a Gross Profit of Rs. 271 million. However, due to the Circular Debt issues, the financial charges in this quarter continue to be high and were over Rs. 632m resulting in a loss after taxation of Rs. 338 million. The cumulative loss after tax for the half year ended December 31, 2010 amounted to Rs. 1,137 million as against a loss of Rs. 1,956 million for the same period last year. On a stand- alone basis your refinery had a cumulative loss of Rs. 915 million during the six-month ended December 31, 2010.

As you are aware, our Petroleum Marketing Business (PMB) of Byco Petroleum Pakistan Limited (BPPL) has already established considerable market presence and is geared for further expansion to capture market share. We have ended the second quarter with establishment of 171 retail sites (till date 175 outlets). In a hyper competitive scenario and volatile market dynamics, marred by external factors at the geo-political and economic frontiers, we have maintained our no.6th position amongst the 12 Oil Marketing Companies presently operative in Pakistan. Our market share in liquid fuels up to the end of second quarter is 2.6% (also touching our highest ever market share in a month of 3.6% during October 2010 when we also achieved 5th rank among all OMCs).

The current quarter has also been important in terms of lubricants business. PMB has successfully launched its range of branded automotive lubricants Intelo and Cnergy for diesel and petrol engines, which is going to go a long way in establishing the brand name as well as bringing clarity of options to customers according to our vision and strategy.

After entering into Fuel Supply Agreement (FSA) with KESC , PMB is also in advance stages to conclude agreements with other power producers and major industrial consumers in the near future. The International Sales segment is also growing after we commenced supply of Jet fuel and at the start of the winter season we have also been exporting our specialized products of Ultra winterized and Winterized Diesel. Our customer portfolio has expanded further to include commercial and non-commercial customers adding flexibility and growth in the segment.

Further initiatives are under way to streamline and automate our systems, processes and activities with state-of-the art technology including the Electronic Approval system. We are expanding on our network to optimize our supply chain mechanism by adding on more storages, upgrading our fleet so that Byco brand is considered as a preferred choice of customers. Cognisant with the importance of Environment, Health and Safety (EHS) and quality assurance, of our fast expanding network of retail outlets, we are also in the process of launching company branded Mobile Quality Testing Units (MQTUs) in Karachi, Lahore and Islamabad.

In respect of your Company's wholly owned subsidiary "Universal Terminal Limited", we have successfully completed the construction of a state of the art Jet Fuel Storage Facility. The transfer of the SPM assets to our subsidiary has been completed and the contract for the construction of the SPM has also been awarded.

Auditor's observation:

The Auditors of the Company without qualifying their review report have as a matter of emphasis drawn the attention of the members to note 4 of the interim condensed financial information. They have expressed their doubts about the use of the going concern assumption in preparation of the financial statements. The auditor's observation is based on negative indicators like loss after taxation, net current liability position and negative equity. The Management is of the view that these conditions are temporary and not permanent and would reverse in the foreseeable future. The mitigating factors are also discussed in note 4 to the condensed interim financial information which justifies the use of going concern assumption in preparation of condensed interim financial information.

In conclusion the Board prays to the Almighty Allah for his blessings and extends its gratitude to our Shareholders and Financial Institutions for their continued support, confidence and trust in your company and its employees efforts.

For and on behalf of the Board of Directors

**Chief Executive Officer**

# Review Report To The Members

## Introduction

We have reviewed the accompanying interim condensed balance sheet of Byco Petroleum Pakistan Limited as at December 31, 2010, and the related interim condensed profit and loss account, interim condensed statement of comprehensive income, interim condensed cash flow statement and interim condensed statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "interim condensed financial information") for the six months' period then ended. Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim condensed financial information based on our review. The figures for the quarters ended December 31, 2010 and 2009 in the interim condensed profit and loss account and interim condensed statement of comprehensive income have not been reviewed and we do not express a conclusion thereon.

## Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

## Matter of emphasis

Without qualifying our conclusion, we draw attention to note no. 4 to the interim condensed financial information which indicates that the company has incurred net loss after taxation amounting to Rs.916 million during the period ended December 31, 2010 and as of that date its accumulated losses of Rs.12.810 billion have resulted in net capital deficiency of Rs.8.889 billion and its current liabilities exceeded its current assets by Rs.14.264 billion. These conditions, along with other matters as set forth in note 4, indicate the existence of material uncertainty which may cast significant doubt about company's ability to continue as going concern.

Faruq Ali & Co.
Chartered Accountants

Place: Karachi
Dated: 2nd February 2011

Engagement Partner: Fasih uz Zaman

# Condensed Interim Balance Sheet

As at December 31, 2010

| | Note | Unaudited December 31, 2010 | Audited June 30, 2010 |
|---|---|---|---|
| | | (Rs. in '000') | |
| **ASSETS** | | | |
| **NON CURRENT ASSETS** | | | |
| Property, plant and equipment | 5 | 14,034,015 | 14,041,553 |
| Intangible assets | | 12,121 | 15,370 |
| Long term deposit | | 67,788 | 58,809 |
| Long term loan and receivable | 6 | 2,493,141 | 2,349,273 |
| Long term investment | 7 | 2,087,115 | 2,087,115 |
| **CURRENT ASSETS** | | | |
| Stores and spares | | 180,021 | 144,076 |
| Stock in trade | | 6,424,668 | 4,927,938 |
| Trade debts - Considered good | | 6,745,149 | 6,861,842 |
| Loan and advances - Considered good | 8 | 276,058 | 265,521 |
| Trade deposits, prepayments and other receivables | | 715,189 | 321,474 |
| Markup accrued | | 224,929 | 39,002 |
| Cash and bank balances | | 913,244 | 1,036,549 |
| | | 15,479,258 | 13,596,402 |
| | | 34,173,438 | 32,148,522 |
| **LIABILITIES** | | | |
| **SHARE CAPITAL AND RESERVES** | | | |
| Authorized share capital | | | |
| 500,000,000 (June 2010: 500,000,000) Ordinary shares of Rs.10/- each | | 5,000,000 | 5,000,000 |
| Issued, subscribed and paid-up capital | | 3,921,044 | 3,921,044 |
| Accumulated loss | | (12,810,188) | (11,989,993) |
| | | (8,889,144) | (8,068,949) |
| **Surplus on revaluation of property, plant and equipment** | | 3,765,149 | 3,860,878 |
| **NON-CURRENT LIABILITIES** | | | |
| Loan from sponsor and associates - Unsecured | 9 | 5,510,854 | 5,000,944 |
| Long term loans - Secured | 10 | 2,398,595 | 3,290,451 |
| Liabilities against assets subject to finance lease | | 159,403 | 204,979 |
| Long term deposits | | 24,896 | 16,946 |
| Deferred liabilities | | 1,460,246 | 1,511,792 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 11 | 25,418,821 | 22,180,684 |
| Accrued markup | | 2,036,566 | 1,415,236 |
| Short term borrowings | | -- | 508,809 |
| Current portion of non current liabilities | 12 | 1,934,090 | 1,977,379 |
| Provision for taxation | | 353,962 | 249,373 |
| | | 29,743,439 | 26,331,481 |
| **CONTINGENCIES AND COMMITMENTS** | 13 | -- | -- |
| | | 34,173,438 | 32,148,522 |

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

Chief Executive

Director

# Condensed Interim Profit And Loss Account - (Unaudited)

For the half year ended December 31, 2010

| | Note | 3 months Oct - Dec 2010 | 3 months Oct - Dec 2009 | 6 months July - Dec 2010 | 6 months July - Dec 2009 |
|---|---|---|---|---|---|
| | | (Rs. in '000') | | (Rs. in '000') | |
| **Gross sales** | | **11,123,775** | 12,881,308 | **20,300,376** | 24,842,344 |
| Sales tax, discount and others | | **(1,400,678)** | (1,899,266) | **(2,678,229)** | (3,844,141) |
| **Net sales** | | **9,723,097** | 10,982,042 | **17,622,147** | 20,998,203 |
| **Cost of sales** | 14 | **9,452,164** | 10,975,981 | **17,338,946** | 21,214,609 |
| **Gross profit / (loss)** | | **270,933** | 6,061 | **283,201** | (216,406) |
| **Operating expenses** | | | | | |
| Administrative expenses | | **236,744** | 157,702 | **402,584** | 269,476 |
| Selling expenses | | **285,382** | 169,028 | **323,350** | 229,178 |
| **Operating loss** | | **(251,193)** | (320,669) | **(442,733)** | (715,060) |
| Other income | | **633,974** | 36,771 | **774,760** | 70,680 |
| | | **382,781** | (283,898) | **332,027** | (644,380) |
| **Financial and other charges** | | | | | |
| Financial charges | | **631,904** | 444,959 | **1,183,515** | 964,544 |
| Exchange differences - Net | | **(49,643)** | 82,590 | **11,393** | 294,520 |
| | | **582,261** | 527,549 | **1,194,908** | 1,259,064 |
| **Loss before taxation** | | **(199,480)** | (811,447) | **(862,881)** | (1,903,444) |
| **Taxation** | | | | | |
| Current | | **61,020** | 54,910 | **104,589** | 104,991 |
| Deferred | | **(25,746)** | (26,198) | **(51,546)** | (52,625) |
| | | **35,274** | 28,712 | **53,043** | 52,366 |
| **Loss after taxation** | | **(234,754)** | (840,159) | **(915,924)** | (1,955,810) |
| **Loss per share - Basic (Rupees)** | 15 | **(0.60)** | (2.14) | **(2.34)** | (4.99) |
| **Loss per share - Diluted (Rupees)** | 15 | **(0.38)** | (1.95) | **(1.54)** | (4.57) |

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

Chief Executive

Director

# Condensed Interim Statement Of Comprehensive Income - (Unaudited)

For the half year ended December 31, 2010

| | 3 months | | 6 months | |
|---|---|---|---|---|
| | Oct - Dec 2010 | Oct - Dec 2009 | July - Dec 2010 | July - Dec 2009 |
| | (Rs. in '000') | | (Rs. in '000') | |
| Net loss after taxation | **(234,754)** | (840,159) | **(915,924)** | (1,955,810) |
| Comprehensive income transferred to equity | **(234,754)** | (840,159) | **(915,924)** | (1,955,810) |
| Component of comprehensive income not reflected in equity: | | | | |
| Surplus on revaluation of | | | | |
| Property, plant and equipment | **73,562** | 74,851 | **147,275** | 150,356 |
| Deferred tax on surplus | **(25,747)** | (26,198) | **(51,546)** | (52,625) |
| | **47,815** | 48,653 | **95,729** | 97,731 |
| Total comprehensive income for the period | **(186,939)** | (791,506) | **(820,195)** | (1,858,079) |

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

Chief Executive

Director

# Condensed Interim Cash Flow Statement - (Unaudited)

For the half year ended December 31, 2010

| | 6 months ended December 31, 2010 | 6 months ended December 31, 2009 |
|---|---|---|
| | (Rs. in '000') | |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | |
| Loss before taxation | **(862,881)** | (1,903,444) |
| Adjustments for non-cash charges and other items: | | |
| Depreciation | **317,252** | 313,619 |
| Financial and other charges | **1,194,908** | 1,259,064 |
| Interest income | **(213,410)** | (28,265) |
| Amortization of intangible assets | **3,249** | 1,769 |
| (Gain) on disposal of fixed assets | **(398)** | (201) |
| **Net cashflow before working capital changes** | **438,720** | (357,458) |
| **Working capital changes** | | |
| (Increase)/Decrease in current assets | | |
| Stores and spares | **(35,945)** | (1,705) |
| Stock in trade | **(1,496,730)** | (778,216) |
| Trade debts | **116,693** | 1,765,399 |
| Loan and advances | **(7,297)** | (210,030) |
| Trade deposits, prepayments and other receivables | **(357,290)** | (100,964) |
| Increase/(Decrease) in current liabilities | | |
| Trade and other payables | **3,238,137** | 1,036,966 |
| **Cash generated from operations** | **1,896,288** | 1,353,992 |
| **Payments for:** | | |
| Financial charges | **(570,147)** | (704,864) |
| Taxes | **(36,425)** | (91,563) |
| **Net cash flow from operating activities** | **1,289,716** | 557,565 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Fixed capital expenditure | **(289,321)** | (1,547,670) |
| Proceeds from disposal of vehicle | **2,049** | 1,861 |
| Interest income received | **27,483** | 28,265 |
| Loan to subsidiary | **(147,108)** | -- |
| Long term deposits | **(8,979)** | (545) |
| **Net cash used in investing activities** | **(415,876)** | (1,518,089) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Short term financing - Net | **(508,809)** | 318,360 |
| Loan from sponsor and associates | **506,479** | (11,218) |
| Long term deposits | **7,950** | -- |
| Repayment of obligation under finance lease | **(56,074)** | (50,952) |
| Repayment against term finance certificates | **--** | (107,094) |
| Repayment of long term loans | **(946,691)** | (291,811) |
| **Net cash used in financing activities** | **(997,145)** | (142,715) |
| **Net decrease in cash and cash equivalents** | **(123,305)** | (1,103,239) |
| **Cash and cash equivalents at the beginning of the period** | **1,036,549** | 2,078,445 |
| **Cash and cash equivalents at the end of the period** | **913,244** | 975,206 |

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

Chief Executive

Director

# Condensed Interim Statement Of Changes In Equity - (Unaudited)

For the half year ended December 31, 2010

| | Issued, subscribed and paid up capital | Accumulated Loss | Total |
|---|---|---|---|
| | | (Rs. in '000') | |
| **Balance as at July 01, 2009** | 3,921,044 | (10,597,517) | (6,676,473) |
| Total comprehensive (loss) for the period | -- | (1,858,079) | (1,858,079) |
| **Balance as at December 31, 2009** | **3,921,044** | **(12,455,596)** | **(8,534,552)** |
| **Balance as at July 01, 2010** | 3,921,044 | (11,989,993) | (8,068,949) |
| Total comprehensive (loss) for the period | -- | (820,195) | (820,195) |
| **Balance as at December 31, 2010** | **3,921,044** | **(12,810,188)** | **(8,889,144)** |

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

Chief Executive

Director

# Notes To The Condensed Interim Financial Information - (Unaudited)

For the half year ended December 31, 2010

## 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 Company is quoted on the Karachi and Lahore Stock Exchanges. Registered office of the Company is situated at 9th floor, The Harbour Front, Dolmen City, SC-3, Block 4, Marine Drive, Clifton, Karachi. The principal business of the Company is refining and selling of the petroleum products.

## 2 BASIS OF PREPARATION

The interim condensed financial information is unaudited but subject to limited scope review by the auditors and is required to be presented to the share holders under section 245 of the ordinance and has been prepared in a condensed form in accordance with the requirements of the international accounting standard (IAS-34) "interim financial reporting" as applicable in Pakistan. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended 31, December 2010 and 2009 have not been reviewed by the auditors of the Company as they have reviewed the cumulative figures for the half year ended 31, December 2010 and 2009. The condensed interim financial information does not include all the information and disclosure required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2010.

## 3 ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

**3.1** The accounting policies adopted in the preparation of this interim condensed financial information are consistent with those followed in the preparation of the Company's annual financial statements for the year ended June 30, 2010.

**3.2** The preparation of interim condensed financial information 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. Actual results may differ from these estimates. The estimates and judgement applied by the management in preparation of this interim condensed financial information is same as those applied in preparation of annual financial statements of the Company for the year ended June 30, 2010.

## 4 GOING CONCERN ASSUMPTION

During the period ended December 31, 2010, Company incurred a net loss after tax of Rs.916 million and as of that date it has accumulated losses of Rs.12.810 billion that have resulted in net capital deficiency of Rs.8.889 billion and excess of current liabilities over current assets of Rs.14.264 billion and the Company is operating at far below its capacity levels. These conditions indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as going concern, therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. The interim condensed financial information has been prepared using going concern assumption as the management is confident that all these conditions are temporary, not permanent and would reverse in foreseeable future. Further, the Company's ability to arrange funds from sponsors / associates when required is yet another positive indicator, accordingly during the period under consideration Company arranged funds from sponsors amounting to Rs.506 million (during the year ended June 30, 2010 Rs 1.214 Bn) which enabled the Company to pay off short term borrowings.

Also, as approved by the shareholders at the AGM held on December 31, 2010, the outstanding loan from sponsors / associates along with markup payable amounting to Rs. 5.8 Bn is being converted into ordinary shares of the Company. Subsequent to reporting date, the Company has initiated the formalities for issuance of shares. The conversion of sponsors / associates' loan into shares will strengthen the equity base as well as save annual finance cost of the Company approx. by Rs. 500 mn. The company has not defaulted in any of the installments of its long term loans / lease finance. During the period under review, the gross refining margins are also now reflecting a positive trend and this will contribute towards the profitability of the Company. In addition, Company is in the process of obtaining running finance facility from syndicate of banks as sub limit of existing letter of credit facility, which will exclusively be used for retirement of letter of credits. The same will address the mismatch of payment cycle, higher finance costs and will enable the Company for timely retirement of letter of credits.

Apart from the refinery operations the Company is also targeting its Petroleum Market Business (PMB) which has visibly improved Company's market position in the oil marketing sector and has also enabled the Company to diversify its revenue stream, as evident from disclosure about business segments (note 17.). PMB, apart from sale of ordinary petroleum products, is further in the process of diversification of its revenue stream, which include Jet Fuel trading, introduction of liquefied petroleum gas (LPG) and lubricants in retail stations, increase in clientele consisting other than retail customers. Further the Company's value addition project in progress like Isomerization Plant, which is expected to commence its operations in near future, will enable the Company to process naphtha, which will ultimately increase the profit margins of the Company, and single point mooring (now owned by Universal Terminal Limited, wholly owned subsidiary of the company 'UTL') will reduce the product transportation costs.

All these steps contribute towards favorable conditions and mitigate the risks involved, therefore, the preparation of interim condensed financial information using the going concern assumption is justified.

| | Dec 31, 2010 | June 30, 2010 |
|---|---|---|
| | (Rs. in '000') | |
| **5 PROPERTY PLANT AND EQUIPMENT** | | |
| Operating fixed assets - At written down value | **9,606,273** | 9,830,513 |
| Capital work in progress - At cost | **4,427,742** | 4,211,040 |
| | **14,034,015** | 14,041,553 |

| | 6 months July - Dec 2010 | 6 months July - Dec 2009 |
|---|---|---|
| | (Rs. in '000') | |
| **5.1 Additions, Revaluations and disposals during the period (Operating fixed assets)** | | |
| **Addition in Owned Assets** | | |
| Plant and machinery | **49,394** | 145 |
| Generator | **8,415** | 4,985 |
| Road and civil works | **2,343** | -- |
| Furniture, fixture and equipment | **1,391** | 1,520 |
| Computer and allied | **8,632** | 6,713 |
| Safety lab equipments | **2,442** | -- |
| Vehicles | **--** | -- |
| | **72,617** | 13,363 |
| **Addition in Leased Assets** | | |
| Plant and machinery | **--** | 1,889 |
| Vehicles | **22,044** | 7,298 |
| | **22,044** | 9,187 |
| **Disposals (net book value)** | | |
| Vehicles - owned | **1,356** | 1,011 |
| Vehicles - leased | **295** | 649 |
| | **1,651** | 1,660 |
| **5.2 Additions during the period (Capital work in progress)** | | |
| Plant and machinery | **212,547** | 462,703 |
| Civil and mechanical works | **6,875** | 1,071,604 |
| | **219,422** | 1,534,307 |

**5.3** During the financial year ended June 30, 2010, certain assets having carrying amounts of Rs.2.805 billion were transferred to M/s Universal Terminal Limited ('UTL') (wholly owned subsidiary) in accordance with the Special Resolution passed by the members in an extra ordinary general meeting held on June 24, 2010. Since those assets were secured against the finance facilities obtained by the Company therefore the Company has obtained no objection certificates from its lenders for the above mentioned sale of assets which are subject to creation of charge over these assets by UTL in their favour. Subsequent to balance sheet date charge has been created by UTL in favor of BPPL's lenders.

Total consideration for the above assets is Rs.4,159.670 million which will be settled as issuance of 200 million shares of Rs.10/- each accumulating to Rs.2.000 billion and balance amount of Rs.2.159 billion is payable on deferred basis.

| | | Dec 31, 2010 | June 30, 2010 |
|---|---|---|---|
| | | (Rs. in '000') | |
| **6 LONG TERM LOAN AND RECEIVABLE** | | | |
| **Considered good:** | | | |
| Loan to executive - interest free | | **28,080** | 31,320 |
| Less: receivable within next twelve months | | **(6,480)** | (6,480) |
| | | **21,600** | 24,840 |
| **Subsidiary:** | | | |
| Receivable against sale of assets | 5.3 | **2,159,670** | 2,159,670 |
| Long term loan to subsidiary | | **311,871** | 164,763 |
| | | **2,493,141** | 2,349,273 |
| **7 LONG TERM INVESTMENT** | | | |
| Investment in subsidiary | | | |
| Universal Terminal Limited | | | |
| 4,503,000 shares of Rs.10/- each @ Rs.19.35 per share | | **87,115** | 87,115 |
| Deposit for issuance of shares | 5.3 | **2,000,000** | 2,000,000 |
| | | **2,087,115** | 2,087,115 |
| **8 LOAN AND ADVANCES - Considered good** | | | |
| Employees | 8.1 | **6,812** | 7,228 |
| Suppliers and contractors | | **269,246** | 258,293 |
| | | **276,058** | 265,521 |

**8.1** This includes amount of Rs.6.480 million (June 2010: Rs.6.602 million) due from executives of the Company.

| | | Dec 31, 2010 | June 30, 2010 |
|---|---|---|---|
| **9 LOAN FROM SPONSORS AND ASSOCIATES - Unsecured** | | | |
| From associated undertakings | | **3,189,114** | 3,242,679 |
| From sponsors | | **2,321,740** | 1,758,265 |
| | | **5,510,854** | 5,000,944 |

**9.1** Loans from associated undertakings carry markup @ 4% to 4.5% over six months KIBOR and sponsors loans carry markup @ 1% over one month LIBOR. The loan along with markup is repayable in five years. The repayment period can be extended to further period or periods. The loans are inferior to the rights of present secured financial institutions that are lenders to the Company and such financial institutions that may be lenders to the Company in the future.

**9.2** In annual general meeting of the Company held on December 31, 2010, it was resolved that above loans from sponsors and associates be novated to one associated company. Thereafter, the principal amount of Rs.5,510.854 million and markup payable to extent of Rs. 346.690 million, accumulating to Rs.5,857.543 million be converted into 585,754,341 ordinary shares of Rs.10/- each. Subsequent to reporting date, the Company has initiated the formalities for issuance of shares.

| | **Dec 31, 2010** | **June 30, 2010** |
|---|---|---|
| | **(Rs. in '000')** | |

## 10 LONG TERM LOANS - Secured

| | | |
|---|---|---|
| From banks | | |
| Term finance - I | **29,834** | 59,670 |
| Term finance - II | **--** | 25,000 |
| Syndicated Loan | **210,000** | 279,999 |
| Syndicated Term Finance | **3,972,310** | 4,794,166 |
| | **4,212,144** | 5,158,835 |
| Less: Current maturity | **1,813,549** | 1,868,384 |
| | **2,398,595** | 3,290,451 |

## 11 TRADE AND OTHER PAYABLES

This includes Rs.5.540 billion (June 30, 2010: 8.951 billion) in respect of overdue letter of credits on which markup @ 3% over one month KIBOR has been accrued.

## 12 CURRENT PORTIONS OF NON CURRENT LIABILITIES

| | | |
|---|---|---|
| Long term loans | **1,813,549** | 1,868,384 |
| Liabilities against assets subject to finance leases | **120,541** | 108,995 |
| | **1,934,090** | 1,977,379 |

## 13 CONTINGENCIES AND COMMITMENTS

**13.1 Contingencies**
There were no significant contingencies at the balance sheet date which need to be disclosed in the interim condensed financial information.

**13.2 Commitments**
Commitments in respect of capital expenditures amount to Rs.211.65 million (June 2010: Rs.72.236 million).

| | 3 months Oct - Dec 2010 | 3 months Oct - Dec 2009 | 6 months December 31, 2010 | 6 months December 31, 2009 |
|---|---|---|---|---|
| | (Rs. in '000') | | (Rs. in '000') | |
| **14 COST OF SALES** | | | | |
| Opening stock of raw material | 3,974,648 | 4,175,116 | 1,488,779 | 3,333,945 |
| Purchases | 8,751,582 | 10,720,215 | 18,077,639 | 21,494,664 |
| Available for use | 12,726,230 | 14,895,331 | 19,566,418 | 24,828,609 |
| Closing stock of raw material | (2,533,032) | (3,054,162) | (2,533,032) | (3,054,162) |
| Raw material consumed | 10,193,198 | 11,841,169 | 17,033,386 | 21,774,447 |
| Manufacturing expenses | 353,168 | 240,442 | 716,552 | 498,161 |
| Cost of goods manufactured | 10,546,366 | 12,081,611 | 17,749,938 | 22,272,608 |
| Opening stock of finished products | 2,755,949 | 1,106,225 | 3,439,159 | 1,153,856 |
| Closing stock of finished products | (3,850,151) | (2,211,855) | (3,850,151) | (2,211,855) |
| | 9,452,164 | 10,975,981 | 17,338,946 | 21,214,609 |
| **15 LOSS PER SHARE - Basic and Diluted** | | | | |
| **15.1 Loss per share - Basic** | | | | |
| Loss after taxation | (234,754) | (840,159) | (915,924) | (1,955,810) |
| | Number of Shares | | Number of Shares | |
| Weighted average number of ordinary shares | 392,104,400 | 392,104,400 | 392,104,400 | 392,104,400 |
| | Rupees | | Rupees | |
| Loss per share - Basic | (0.60) | (2.14) | (2.34) | (4.99) |
| **15.2 Loss per share - Diluted** | | | | |
| Net loss after taxation | (234,754) | (840,159) | (915,924) | (1,955,810) |
| Dilutive effect - net of tax | 2,400 | 974 | 4,109 | 1,624 |
| | (232,354) | (839,185) | (911,815) | (1,954,186) |
| Weighted average number of ordinary shares | 392,104,400 | 392,104,400 | 392,104,400 | 392,104,400 |
| Dilutive effect | 224,640,865 | 38,595,300 | 200,631,436 | 35,099,200 |
| | 616,745,265 | 430,699,700 | 592,735,836 | 427,203,600 |
| | Rupees | | Rupees | |
| Loss per share - Diluted | (0.38) | (1.95) | (1.54) | (4.57) |

| | | 6 months July - Dec 2010 | 6 months July - Dec 2009 |
|---|---|---|---|
| | | (Rs. in '000') | |
| **16 TRANSACTIONS AND BALANCES WITH RELATED PARTIES** | | | |
| **16.1 Transactions with related parties** | | | |
| **Parent companies:** | | | |
| Receipt of loan | | 560,043 | 207,782 |
| Repayment of loan | | -- | -- |
| Markup on loan | | 12,590 | 2,498 |
| **Subsidiary Company:** | | | |
| Loan advanced | | 147,109 | -- |
| Markup income | | 185,927 | -- |
| Land lease rental | | 1,375 | -- |
| **Associated companies:** | | | |
| Purchase of operating fixed assets and services | | 70,782 | 138,171 |
| Payment of rent | | -- | 230 |
| Repayment of loans | | 53,564 | 254,653 |
| Payment against services (freight for crude oil) | | 117,151 | 197,258 |
| Markup on borrowings and leases | | 274,291 | 312,707 |
| Land lease rentals | | 21,875 | 21,875 |
| Shared expenses | | 7,710 | 21,244 |
| Liquidated damages | | -- | 7,935 |
| Sale of petroleum products | | 1,937,282 | -- |
| **Staff provident fund** | | | |
| Payment of employees and company's contribution | | 29,098 | 20,447 |

| | | Dec 31, 2010 | June 30, 2010 |
|---|---|---|---|
| | | (Rs. in '000') | |
| **16.2 Balances with related parties** | | | |
| **Parent companies:** | | | |
| Long term loans | 9 | 2,321,740 | 1,758,265 |
| Markup payable | | 19,797 | 7,207 |
| **Subsidiary company:** | | | |
| Long term receivable as deferred payment | 6 | 2,159,670 | 2,159,670 |
| Deposit for shares | 7 | 2,000,000 | 2,000,000 |
| Long term loan | 6 | 311,871 | 164,763 |
| Markup receivable | | 191,917 | 5,990 |
| Receivable against land lease rent | | 1,375 | -- |
| **Associated companies:** | | | |
| Long term loans | 9 | 3,189,114 | 3,242,679 |
| Markup payable | | 758,458 | 595,167 |
| Receivable against land lease rent | | 51,562 | 29,688 |
| Markup receivable | | 33,012 | 33,012 |
| Creditors / (advances) | | 27,759 | (25,000) |
| Debtors | | 191,022 | -- |
| **Staff provident fund** | | 9,655 | -- |

## 17 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 Business | | Petroleum Marketing Business | | Total | |
|---|---|---|---|---|---|---|
| | 6 months July - Dec 2010 | 6 months July - Dec 2009 | 6 months July - Dec 2010 | 6 months July - Dec 2009 | 6 months July - Dec 2010 | 6 months July - Dec 2009 |
| | (Rupees in '000) | | | | | |
| Revenue | | | | | | |
| Net Sales to external customers | 2,626,429 | 12,715,157 | 14,995,718 | 8,283,046 | 17,622,147 | 20,998,203 |
| Inter-segment sales | 8,088,102 | 5,458,426 | -- | -- | 8,088,102 | 5,458,426 |
| Eliminations | | | | | (8,088,102) | (5,458,426) |
| Total revenue | 10,714,531 | 18,173,583 | 14,995,718 | 8,283,046 | 17,622,147 | 20,998,203 |
| Result | | | | | | |
| Segment results - (loss) / profit | (144,101) | (1,448,157) | 235,445 | 479,793 | 91,344 | (968,364) |
| Un-allocated expenses | | | | | (3,248) | (2,320) |
| | | | | | 88,096 | (970,684) |
| Interest expense | | | | | (1,164,387) | (961,025) |
| Interest income | | | | | 213,410 | 28,265 |
| Taxation | | | | | (53,043) | (52,366) |
| Loss for the year | | | | | (915,924) | (1,955,810) |
| Other Information | | | | | | |
| Depreciation and amortization | 304,759 | 309,092 | 12,493 | 4,527 | | |

## 18 DATE OF AUTHORIZATION OF ISSUE

The interim condensed financial information was authorized for issue on 2nd February 2011 in accordance with the resolution of the Board of Directors of the Company.

## 19 GENERAL

The condensed interim financial information is presented in Rupees, which is the Company's functional currency. All financial information presented in Rupees have been rounded off to nearest thousand.

Chief Executive

Director

# Condensed Consolidated Interim Financial Information

# Condensed Consolidated Interim Balance Sheet

As at December 31, 2010

| | Note | Unaudited December 31, 2010 | Audited June 30, 2010 |
|---|---|---|---|
| | | (Rs. in '000') | |
| **ASSETS** | | | |
| **NON CURRENT ASSETS** | | | |
| Property, plant and equipment | 5 | 17,158,624 | 17,064,985 |
| Intangible assets | | 35,867 | 39,116 |
| Long term deposit | | 68,719 | 59,740 |
| Long term loan and receivable | 6 | 21,600 | 24,840 |
| **CURRENT ASSETS** | | | |
| Stores and spares | | 180,127 | 144,076 |
| Stock in trade | | 6,424,668 | 4,927,938 |
| Trade debts - Considered good | | 6,745,149 | 6,861,842 |
| Loan and advances - Considered good | 7 | 385,545 | 286,321 |
| Trade deposits, prepayments and other receivables | | 732,850 | 329,616 |
| Markup accrued | | 33,012 | 33,012 |
| Cash and bank balances | | 914,869 | 1,046,352 |
| | | 15,416,220 | 13,629,157 |
| | | 32,701,030 | 30,817,838 |
| **LIABILITIES** | | | |
| **SHARE CAPITAL AND RESERVES** | | | |
| Authorized share capital | | | |
| 500,000,000 (June 2010: 500,000,000) Ordinary shares of Rs.10/- each | | 5,000,000 | 5,000,000 |
| Issued, subscribed and paid-up capital | | 3,921,044 | 3,921,044 |
| Accumulated loss | | (14,400,224) | (13,358,802) |
| | | (10,479,180) | (9,437,758) |
| **Surplus on revaluation of property, plant and equipment** | | 3,765,149 | 3,860,878 |
| **NON-CURRENT LIABILITIES** | | | |
| Loan from sponsor and associates - Unsecured | 8 | 5,510,854 | 5,000,944 |
| Long term loans - Secured | 9 | 2,398,595 | 3,290,451 |
| Liabilities against assets subject to finance lease | | 159,403 | 204,979 |
| Long term deposits | | 24,896 | 16,946 |
| Deferred liabilities | | 1,482,656 | 1,534,202 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 10 | 25,514,039 | 22,196,399 |
| Accrued markup | | 2,036,566 | 1,415,236 |
| Short term borrowings | | -- | 508,809 |
| Current portion of non current liabilities | 11 | 1,934,090 | 1,977,379 |
| Provision for taxation | | 353,962 | 249,373 |
| | | 29,838,657 | 26,347,196 |
| **CONTINGENCIES AND COMMITMENTS** | 12 | -- | -- |
| | | 32,701,030 | 30,817,838 |

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

Chief Executive

Director

# Condensed Consolidated Interim Profit And Loss Account - (Unaudited)

For the half year ended December 31, 2010

| | Note | 3 months Oct - Dec 2010 | 3 months Oct - Dec 2009 | 6 months July - Dec 2010 | 6 months July - Dec 2009 |
|---|---|---|---|---|---|
| | | (Rs. in '000') | | (Rs. in '000') | |
| **Gross sales** | | **11,123,775** | 12,881,308 | **20,300,376** | 24,842,344 |
| Sales tax, discount and others | | **(1,400,678)** | (1,899,266) | **(2,678,229)** | (3,844,141) |
| **Net sales** | | **9,723,097** | 10,982,042 | **17,622,147** | 20,998,203 |
| **Cost of sales** | 13 | **9,452,164** | 10,975,981 | **17,338,946** | 21,214,609 |
| **Gross profit / (loss)** | | **270,933** | 6,061 | **283,201** | (216,406) |
| **Operating expenses** | | | | | |
| Administrative expenses | | **244,503** | 157,702 | **438,773** | 269,476 |
| Selling expenses | | **285,382** | 169,028 | **323,350** | 229,178 |
| **Operating loss** | | **(258,952)** | (320,669) | **(478,922)** | (715,060) |
| Other income | | **538,255** | 36,771 | **589,813** | 70,680 |
| | | **279,303** | (283,898) | **110,891** | (644,380) |
| **Financial and other charges** | | | | | |
| Financial charges | | **631,922** | 444,959 | **1,183,606** | 964,544 |
| Exchange differences - Net | | **(49,643)** | 82,590 | **11,393** | 294,520 |
| | | **582,279** | 527,549 | **1,194,999** | 1,259,064 |
| **Loss before taxation** | | **(302,976)** | (811,447) | **(1,084,108)** | (1,903,444) |
| **Taxation** | | | | | |
| Current | | **61,020** | 54,910 | **104,589** | 104,991 |
| Deferred | | **(25,746)** | (26,198) | **(51,546)** | (52,625) |
| | | **35,274** | 28,712 | **53,043** | 52,366 |
| **Loss after taxation** | | **(338,250)** | (840,159) | **(1,137,151)** | (1,955,810) |
| **Loss per share - Basic (Rupees)** | 14 | **(0.86)** | (2.14) | **(2.90)** | (4.99) |
| **Loss per share - Diluted (Rupees)** | 14 | **(0.54)** | (1.95) | **(1.91)** | (4.57) |

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

Chief Executive

Director

# Condensed Consolidated Interim Statement Of Comprehensive Income - (Unaudited)

For the half year ended December 31, 2010

| | 3 months | | 6 months | |
|---|---|---|---|---|
| | Oct - Dec 2010 | Oct - Dec 2009 | July - Dec 2010 | July - Dec 2009 |
| | (Rs. in '000') | | (Rs. in '000') | |
| Net loss after taxation | **(338,250)** | (840,159) | **(1,137,151)** | (1,955,810) |
| Comprehensive income transferred to equity | **(338,250)** | (840,159) | **(1,137,151)** | (1,955,810) |
| Component of comprehensive income not reflected in equity: | | | | |
| Surplus on revaluation of | | | | |
| Property, plant and equipment | **73,562** | 74,851 | **147,275** | 150,356 |
| Deferred tax on surplus | **(25,747)** | (26,198) | **(51,546)** | (52,625) |
| | **47,815** | 48,653 | **95,729** | 97,731 |
| Total comprehensive income for the period | **(290,435)** | (791,506) | **(1,041,422)** | (1,858,079) |

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

Chief Executive

Director

# Condensed Consolidated Interim Cash Flow Statement - (Unaudited)

For the half year ended December 31, 2010

| | 6 months ended December 31, 2010 | 6 months ended December 31, 2009 |
|---|---|---|
| | (Rs. in '000') | |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | |
| Loss before taxation | (1,084,108) | (1,903,444) |
| Adjustments for non-cash charges and other items: | | |
| Depreciation | 350,979 | 313,619 |
| Financial and other charges | 1,194,999 | 1,259,064 |
| Interest income | (27,483) | (28,265) |
| Amortization of intangible assets | 3,248 | 1,769 |
| (Gain) on disposal of fixed assets | (398) | (201) |
| **Net cashflow before working capital changes** | 437,237 | (357,458) |
| **Working capital changes** | | |
| (Increase)/Decrease in current assets | | |
| Stores and spares | (36,051) | (1,705) |
| Stock in trade | (1,496,730) | (778,216) |
| Trade debts | 116,693 | 1,765,399 |
| Loan and advances | (95,984) | (210,030) |
| Trade deposits, prepayments and other receivables | (366,809) | (100,964) |
| Increase/(Decrease) in current liabilities | | |
| Trade and other payables | 3,317,640 | 1,036,966 |
| **Cash generated from operations** | 1,875,996 | 1,353,992 |
| **Payments for:** | | |
| Financial charges | (570,236) | (704,864) |
| Taxes | (36,425) | (91,563) |
| **Net cash flow from operating activities** | 1,269,335 | 557,565 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Fixed capital expenditure | (424,226) | (1,547,670) |
| Proceeds from disposal of vehicles | 2,049 | 1,861 |
| Interest income received | 27,483 | 28,265 |
| Loan to subsidiary | -- | -- |
| Long term deposits | (8,979) | (545) |
| **Net cash used in investing activities** | (403,673) | (1,518,089) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Short term financing - Net | (508,809) | 318,360 |
| Loan from sponsor and associates | 506,479 | (11,218) |
| Long term deposits | 7,950 | -- |
| Repayment of obligation under finance lease | (56,074) | (50,952) |
| Repayment against term finance certificates | -- | (107,094) |
| Repayment of long term loans | (946,691) | (291,811) |
| **Net cash used in financing activities** | (997,145) | (142,715) |
| **Net decrease in cash and cash equivalents** | (131,483) | (1,103,239) |
| **Cash and cash equivalents at the beginning of the period** | 1,046,352 | 2,078,445 |
| **Cash and cash equivalents at the end of the period** | 914,869 | 975,206 |

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

Chief Executive

Director

# Condensed Consolidated Interim Statement Of Changes In Equity- (Unaudited)

For the half year ended December 31, 2010

| | Issued, subscribed and paid up capital | Accumulated Loss | Total |
|---|---|---|---|
| | | (Rs. in '000') | |
| **Balance as at July 01, 2009** | 3,921,044 | (10,597,517) | (6,676,473) |
| Total comprehensive (loss) for the period | -- | (1,858,079) | (1,858,079) |
| **Balance as at December 31, 2009** | **3,921,044** | **(12,455,596)** | **(8,534,552)** |
| **Balance as at July 01, 2010** | 3,921,044 | (13,358,802) | (9,437,758) |
| Total comprehensive (loss) for the period | -- | (1,041,422) | (1,041,422) |
| **Balance as at December 31, 2010** | **3,921,044** | **(14,400,224)** | **(10,479,180)** |

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

Chief Executive

Director

## 1 REPORTING ENTITY

The Group comprises the following companies

**Byco Petroleum Pakistan Limited (Formerly: Bosicor Pakistan Limited) (BPPL) - Parent Company**

The 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 the Karachi, Lahore and Islamabad Stock Exchanges. BPPL is engaged in the production and sale of the petroleum products.

**Universal Terminal Limited ('UTL') - Subsidiary**

UTL was incorporated in Pakistan on June 14, 2002 as a Private Limited Company under the Companies Ordinance, 1984. UTL has been converted from Private Limited to Public Limited Company on May 24, 2010. BPPL has 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. UTL was principally engaged in the provision of bulk storage services of petroleum products however, its operations are presently closed.

## 2 BASIS OF PREPARATION

The consolidated interim condensed financial information is un audited and is required to be presented to the share holders under section 245 of the ordinance and has been prepared in a condensed form in accordance with the requirements of the international accounting standard (IAS-34)"interim financial reporting" as applicable in Pakistan. The consolidated interim condensed financial information does not include all the information and disclosure required in the annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended June 30, 2010.

## 3 ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

3.1 The accounting policies adopted in the preparation of this consolidated interim condensed financial information are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended June 30, 2010.

3.2 The preparation of consolidated interim condensed financial information 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. Actual results may differ from these estimates. The estimates and judgement applied by the management in preparation of this interim condensed financial information is same as those applied in preparation of annual consolidated financial statements of the Company for the year ended June 30, 2010.

## 4 GOING CONCERN ASSUMPTION

During the period ended December 31, 2010, Company incurred a net loss after tax of Rs.1,137 million and as of that date it has accumulated losses of Rs.14.4 billion that have resulted in net capital deficiency of Rs.10.479 billion and excess of current liabilities over current assets of Rs.14.422 billion and the company is operating at far below its capacity levels. These conditions indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as going concern, therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. The interim condensed financial information has been prepared using going concern assumption as the management is confident that all these conditions are temporary, not permanent and would reverse in foreseeable future. Further, the Company's ability to arrange funds from sponsors / associates when required is yet another positive indicator, accordingly during the period under consideration Company arranged funds from sponsors amounting to Rs.506 million (during the year ended June 30, 2010 Rs. 1.214 bn) which enabled the Company to pay off short term borrowings.

Also, as approved by the shareholders at the AGM held on December 31, 2010, the outstanding loan from sponsors / associates along with markup payable amounting to Rs. 5.8 bn is being converted into ordinary shares of the Company. Subsequent to reporting date, the Company has initiated the formalities for issuance of shares. The conversion of sponsors / associates' loan into shares will strengthen the equity base as well as save annual finance cost of the Company approx. by Rs. 500 mn. The Company has not defaulted in any of the installments of its long term loans / lease finance. During the period under review, the gross refining margins are also now reflecting a positive trend and this will contribute towards the profitability of the Company. In addition, Company is in the process of obtaining running finance facility from syndicate of banks as sub limit of exisiting letter of credit facility, which will exclusively be used for retirment of letter of credits. The same will address the mismatch of payment cycle, higher finance costs and will enable the Company for timely retirement of letter of credits.

Apart from the refinery operations the Company is also targeting its Petroleum Market Business (PMB) which has visibly improved Company's market position in the oil marketing sector and has also enabled the Company to diversify its revenue stream, as evident from disclosure about business segments (note 17.). PMB, apart from sale of ordinary petroleum products, is further in the process of diversification of its revenue stream, which include Jet Fuel trading, introduction of liquified petroleum gas (LPG) and lubricants in retail stations, increase in clientele consisting other than retail customers. Further the Company's value addition project in progress like Isomerization Plant, which is expected to commence its operations in near future, will enable the Company to process naphtha, which will ultimately increase the profit margins of the company, and single point mooring (now owned by Universal Terminal Limited, wholly owned subsidiary of the company 'UTL') will reduce the product transportation costs.

All these steps contribute towards favorable conditions and mitigate the risks involved, therefore, the preparation of financial information using the going concern assumption is justified.

| | Dec 31, 2010 | June 30, 2010 |
|---|---|---|
| | (Rs. in '000') | |
| **5 PROPERTY PLANT AND EQUIPMENT** | | |
| Operating fixed assets - At written down value | **10,974,278** | 11,232,245 |
| Capital work in progress - At cost | **6,184,346** | 5,832,740 |
| | **17,158,624** | 17,064,985 |

| | 6 months July - Dec 2010 | 6 months July - Dec 2009 |
|---|---|---|
| | (Rs. in '000') | |
| **5.1 Additions, Revaluations and disposals during the period (Operating fixed assets)** | | |
| **Additions in Owned Assets** | | |
| Plant and machinery | **49,394** | 145 |
| Generator | **8,415** | 4,985 |
| Road and civil works | **2,343** | -- |
| Furniture, fixture and equipment | **1,391** | 1,520 |
| Computer and allied | **8,632** | 6,713 |
| Safety lab equipments | **2,442** | -- |
| Vehicles | **--** | -- |
| | **72,617** | 13,363 |

| | 6 months July - Dec 2010 | 6 months July - Dec 2009 |
|---|---|---|
| | (Rs. in '000') | |
| **Additions in Leased Assets** | | |
| Plant and machinery | **--** | 1,889 |
| Vehicles | **22,044** | 7,298 |
| | **22,044** | 9,187 |
| **Disposals (net book value)** | | |
| Vehicles - owned | **1,356** | 1,011 |
| Vehicles - leased | **295** | 649 |
| | **1,651** | 1,660 |

**5.2 Additions during the period (Capital work in progress)**

| | | |
|---|---|---|
| Plant and machinery | **347,452** | 462,703 |
| Civil and mechanical works | **6,875** | 1,071,604 |
| | **354,327** | 1,534,307 |

**5.3** During the financial year ended June 30, 2010, certain assets having carrying amounts of Rs.2.805 billion were transferred to M/s Universal Terminal Limited ('UTL') (wholly owned subsidiary) in accordance with the Special Resolution passed by the members in an extra ordinary general meeting held on June 24, 2010. Since those assets were secured against the finance facilities obtained by the Company therefore the Company has obtained no objection certificates from its lenders for the above mentioned sale of assets which are subject to creation of charge over these assets by UTL in their favour. Subsequent to balance sheet date charge has been created by UTL in favor of BPPL's lenders.

Total consideration for the above assets is Rs.4,159.670 million which will be settled as issuance of 200 million shares of Rs.10/- each accumulating to Rs.2.000 billion and balance amount of Rs.2.159 billion is payable on deferred basis.

| | Note | Dec 31, 2010 | June 30, 2010 |
|---|---|---|---|
| | | (Rs. in '000') | |
| **6 LONG TERM LOAN AND RECEIVABLE** | | | |
| **Considered good:** | | | |
| Loan to executive - interest free | | **28,080** | 31,320 |
| Less: receivable within next twelve months | | **(6,480)** | (6,480) |
| | | **21,600** | 24,840 |
| **Subsidiary** | | | |
| Receivable against sale of assets | 5.3 | **--** | -- |
| Long term loan to subsidiary | | **--** | -- |
| | | **21,600** | 24,840 |
| **7 LOAN AND ADVANCES - Considered good** | | | |
| Employees | 7.1 | **6,812** | 7,280 |
| Suppliers and contractors | | **378,733** | 279,041 |
| | | **385,545** | 286,321 |

**7.1** This includes amount of Rs.6.480 million (June 2010: Rs.6.602 million) due from executives of the Company.

**8 LOAN FROM SPONSORS AND ASSOCIATES - Unsecured**

| | | |
|---|---|---|
| From associated undertakings | **3,189,114** | 3,242,679 |
| From sponsors | **2,321,740** | 1,758,265 |
| | **5,510,854** | 5,000,944 |

**8.1** Loans from associated undertakings carry markup @ 4% to 4.5% over six months KIBOR and sponsors loans carry markup @ 1% over one month LIBOR. The loan along with markup is repayable in five years. The repayment period can be extended to further period or periods. The loans are inferior to the rights of present secured financial institutions that are lenders to the Company and such financial institutions that may be lenders to the Company in the future.

**8.2** In annual general meeting of the Company held on December 31, 2010, it was resolved that above loans from sponsors and associates be novated to one associated company. Thereafter, the principal amount of Rs.5,510.854 million and markup payable to extent of Rs. 346.690 million, accumulating to Rs.5,857.543 million be converted into 585,754,341 ordinary shares of Rs.10/- each. Subsequent to reporting date, the Company has initiated the formalities for issuance of shares.

**9 LONG TERM LOANS - Secured**

| | | |
|---|---|---|
| From banks | | |
| Term finance - I | **29,834** | 59,670 |
| Term finance - II | **--** | 25,000 |
| Syndicated Loan | **210,000** | 279,999 |
| Syndicated Term Finance | **3,972,310** | 4,794,166 |
| | **4,212,144** | 5,158,835 |
| Less: Current maturity | **1,813,549** | 1,868,384 |
| | **2,398,595** | 3,290,451 |

**10 TRADE AND OTHER PAYABLES**

This includes Rs.5.540 billion (June 30, 2010: 8.951 billion) in respect of overdue letter of credits on which markup @ 3% over one month KIBOR has been accrued.

| | **Dec 31, 2010** | **June 30, 2010** |
|---|---|---|
| | **(Rs. in '000')** | |
| **11 CURRENT PORTIONS OF NON CURRENT LIABILITIES** | | |
| Long term loans | **1,813,549** | 1,868,384 |
| Liabilities against assets subject to finance leases | **120,541** | 108,995 |
| | **1,934,090** | 1,977,379 |

**12 CONTINGENCIES AND COMMITMENTS**

**12.1** Contingencies
There were no significant contingencies at the balance sheet date which need to be disclosed in the interim condensed financial information.

**12.2** Commitments
Commitments in respect of capital expenditures amount to Rs.211.65 million (June 2010: Rs.72.236 million).

| | 3 months Oct - Dec 2010 | 3 months Oct - Dec 2009 | 6 months December 31, 2010 | 6 months December 31, 2009 |
|---|---|---|---|---|
| | (Rs. in '000') | | (Rs. in '000') | |
| **13 COST OF SALES** | | | | |
| Opening stock of raw material | 3,974,648 | 4,175,116 | 1,488,779 | 3,333,945 |
| Purchases | 8,751,582 | 10,720,215 | 18,077,639 | 21,494,664 |
| Available for use | 12,726,230 | 14,895,331 | 19,566,418 | 24,828,609 |
| Closing stock of raw material | (2,533,032) | (3,054,162) | (2,533,032) | (3,054,162) |
| Raw material consumed | 10,193,198 | 11,841,169 | 17,033,386 | 21,774,447 |
| Manufacturing expenses | 353,168 | 240,442 | 716,552 | 498,161 |
| Cost of goods manufactured | 10,546,366 | 12,081,611 | 17,749,938 | 22,272,608 |
| Opening stock of finished products | 2,755,949 | 1,106,225 | 3,439,159 | 1,153,856 |
| Closing stock of finished products | (3,850,151) | (2,211,855) | (3,850,151) | (2,211,855) |
| | 9,452,164 | 10,975,981 | 17,338,946 | 21,214,609 |

| | 3 months Oct - Dec 2010 | 3 months Oct - Dec 2009 | 6 months December 31, 2010 | 6 months December 31, 2009 |
|---|---|---|---|---|
| | (Rs. in '000') | | (Rs. in '000') | |
| **14 LOSS PER SHARE - BASIC AND DILUTED** | | | | |
| **14.1 Loss per share - Basic** | | | | |
| Loss after taxation | (338,250) | (840,159) | (1,137,151) | (1,955,810) |
| | Number of Shares | | Number of Shares | |
| Weighted average | | | | |
| number of ordinary shares | 392,104,400 | 392,104,400 | 392,104,400 | 392,104,400 |
| | Rupees | | Rupees | |
| Loss per share - Basic and diluted | (0.86) | (2.14) | (2.90) | (4.99) |
| **14.2 Loss per share - Diluted** | | | | |
| Net loss after taxation | (338,250) | (840,159) | (1,137,151) | (1,955,810) |
| Dilutive effect - net of tax | 2,400 | 974 | 4,109 | 1,624 |
| | (335,850) | (839,185) | (1,133,042) | (1,954,186) |
| Weighted average | | | | |
| number of ordinary shares | 392,104,400 | 392,104,400 | 392,104,400 | 392,104,400 |
| Dilutive effect | 224,640,865 | 38,595,300 | 200,631,436 | 35,099,200 |
| | 616,745,265 | 430,699,700 | 592,735,836 | 427,203,600 |
| | Rupees | | Rupees | |
| **Loss per share - Diluted** | (0.54) | (1.95) | (1.91) | (4.57) |

| | | 6 months July-Dec 2010 | 6 months July-Dec 2009 |
|---|---|---|---|
| | | (Rs. in '000') | |
| **15 TRANSACTIONS AND BALANCES WITH RELATED PARTIES** | | | |
| **15.1 Transactions with related parties** | | | |
| **Parent companies:** | | | |
| Receipt of loan | | **560,043** | 207,782 |
| Repayment of loan | | **--** | -- |
| Markup on loan | | **12,590** | 2,498 |
| **Associated companies:** | | | |
| Purchase of operating fixed assets and services | | **70,782** | 138,171 |
| Payment of rent | | **--** | 230 |
| Repayment of loans | | **53,564** | 254,653 |
| Payment against services (freight for crude oil) | | **117,151** | 197,258 |
| Markup on borrowings and leases | | **274,291** | 312,707 |
| Land lease rentals | | **21,875** | 21,875 |
| Shared expenses | | **7,710** | 21,244 |
| Liquidated damages | | **--** | 7,935 |
| Sale of petroleum products | | **1,937,282** | -- |
| **Staff provident fund** | | | |
| Payment of employees and company's contribution | | **29,098** | 20,447 |

| | | Dec 31, 2010 | June 30, 2010 |
|---|---|---|---|
| | | (Rs. in '000') | |
| **15.2 Balances with related parties** | | | |
| **Parent companies:** | | | |
| Long term loans | 8 | **2,321,740** | 1,758,265 |
| Markup payable | | **19,797** | 7,207 |
| **Associated companies:** | | | |
| Long term loans | 8 | **3,189,114** | 3,242,679 |
| Markup payable | | **758,458** | 595,167 |
| Receivable against Land lease rent | | **51,562** | 29,688 |
| Markup receivable | | **33,012** | 33,012 |
| Creditors / (advances) | | **27,759** | (25,000) |
| Debtors | | **191,022** | -- |
| **Staff provident fund** | | **9,655** | -- |

## 16 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 sellingof refined petroleum products to oil marketing companies. Petroleum marketing business is engaged in trading of petroleum products, procuring products from Oil refining business as well as from other sources. The quantitative data for segments is given below:

| | Oil Refining Business | | Petroleum Marketing Business | | Total | |
|---|---|---|---|---|---|---|
| | 6 months July - Dec 2010 | 6 months July - Dec 2009 | 6 months July - Dec 2010 | 6 months July - Dec 2009 | 6 months July - Dec 2010 | 6 months July - Dec 2009 |
| | ------ (Rupees in '000) ------ | | | | | |
| **Revenue** | | | | | | |
| Net Sales to external customers | **2,626,429** | 12,715,157 | **14,995,718** | 8,283,046 | **17,622,147** | 20,998,203 |
| Inter-segment sales | **8,088,102** | 5,458,426 | **--** | -- | **8,088,102** | 5,458,426 |
| Eliminations | | | | | **(8,088,102)** | (5,458,426) |
| Total revenue | **10,714,531** | 18,173,583 | **14,995,718** | 8,283,046 | **17,622,147** | 20,998,203 |
| **Result** | | | | | | |
| Segment results - (loss) / profit | **(179,401)** | (1,448,157) | **235,445** | 479,793 | **56,044** | (968,364) |
| Un-allocated expenses | | | | | **(3,248)** | (2,320) |
| | | | | | **52,796** | (970,684) |
| Interest expense | | | | | **(1,164,387)** | (961,025) |
| Interest income | | | | | **27,483** | 28,265 |
| Taxation | | | | | **(53,043)** | (52,366) |
| Loss for the year | | | | | **(1,137,151)** | (1,955,810) |
| **Other Information** | | | | | | |
| Depreciation and amortization | **338,486** | 309,092 | **12,493** | 4,527 | | |

## 17 DATE OF AUTHORIZATION OF ISSUE

The condensed interim financial information was authorized for issue on 2nd February 2011 in accordance with the resolution of the Board of Directors of the company.

## 18 GENERAL

The interim condensed financial information is presented in Rupees, which is the Company's functional currency. All financial information presented in Rupees have been rounded off to nearest thousand.

Chief Executive

Director

**Byco Petroleum Pakistan Limited**

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