



قدم قدم آباد

Annual Report 2017

LEAVING IMPRINTS
OF SUCCESS WITH
EVERY STRIDE





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Hascol Annual Report 2017

We are continuously striving on aligning our business strategy with our objectives. Our objectives are to continue building the trust acumen for our shareholders and keep our direction towards our goals.

The priority for Hascol is to keep our focus towards achieving success for the organization and our shareholders. It is through their trust that we lead towards continuous success.

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Vision



To become the leading energy marketing company in Pakistan through operational excellence, talent management, business diversification and sustainable expansion.

مآلاد



Mission

To gain recognition and leadership in the hydrocarbon and energy sectors, by maximizing customer satisfaction and shareholder value through continuous improvement, high quality human capital, appropriate technology, and by adhering to the Company's Core Values.



Corporate Information



Chairman

Mr. Mumtaz Hasan Khan

Chief Executive Officer

Mr. Saleem Butt

Directors

Mr. Paul Anthony Himsworth
(Nominee of Vitol Dubai Limited)

Mr. Abdul Aziz Khalid
(Nominee of Vitol Dubai Limited)

Mr. Farooq Rahmatullah Khan

Mr. Liaquat Ali

Mr. Najmus Saquib Hameed

Chief Financial Officer

Mr. Khurram Shahzad Venjhar

Company Secretary

Mr. Zeeshan Ul Haq

Audit Committee

Mr. Najmus Saquib Hameed (Chairman)

Mr. Abdul Aziz Khalid (Member)

Mr. Liaquat Ali (Member)

Strategy Committee

Mr. Farooq Rahmatullah Khan (Chairman)

Mr. Mumtaz Hasan Khan (Member)

Mr. Abdul Aziz Khalid (Member)

Mr. Saleem Butt (Member)

Human Resource Committee

Mr. Paul Anthony Himsworth (Chairman)

Mr. Najmus Saquib Hameed (Member)

Mr. Mumtaz Hasan Khan (Member)

Mr. Saleem Butt (Member)

Auditors

Grant Thornton Anjum Rahman

Chartered Accountants

Bankers

Allied Bank Limited

Al Baraka Bank (Pakistan) Limited

Askari Bank Limited

Bank Al Falah Limited

Bank Al Habib Limited

Bank Islami Pakistan Limited

Bank of Khyber

Bank of Punjab

Faysal Bank Limited

First Women Bank Limited

Habib Metropolitan Bank Limited

Habib Bank Limited

Industrial and Commercial Bank of China

MCB Bank Limited

Meezan Bank Limited

National Bank of Pakistan

Samba Bank Limited

Sindh Bank Limited

Soneri Bank Limited

Summit Bank Limited

United Bank Limited

Share Registrar

Central Depository Company of Pakistan Limited

Legal Advisor

Mohsin Tayebaly & Co.

Corporate Legal Consultants - Barristers & Advocates

Registered Office

The Forum, Suite No. 105-106, First Floor,
Khayaban-e-Jami, Clifton, Block - 9, Karachi,
Pakistan.

Phone: +92-21-35301343-50

Fax: +92-21-35301351

UAN: 111-757-757

E-mail: info@hascol.com

Website: www.hascol.com

Zero Harm- Continuing with the legacy of safety...

Our continuing success has never wavered our determination from keeping health, safety and environment as our top priority. Our Zero Harm Policy continues to flourish and is continuously being shared and implemented with our employees, contractors, and other stakeholders.

Hascol Petroleum Limited has set following guiding principles throughout its business in order to achieve the aims & objectives of **Zero Harm Policy**.

01

HASCOL believes that communication is the most powerful tool; hence, we proactively communicate with our people & implement programs that address specific hazards faced in our industry.

02

Ongoing risk assessment of our operations where management actively seeks feedback from employees as our operational growth occurs.

03

Benchmark our HSEQ policy with our strategic partners and competitors to add value in our standards and continually review them to achieve or even exceed industry standards.

04

Our actions have a direct consequential affect to the environment; so we aim to monitor our carbon foot-print and other contaminations / pollution that occurs in the span of our operations and mitigate them.



05

Our initiative has obliged us to prepare contingency plans to counter any adverse event/threat that can potentially disrupt our operations.

06

A progressive attitude which acknowledges that all workplace injuries or disease are preventable; employees are encouraged to report an incident and any near misses; where a near miss is defined as a situation which could have adverse consequences if circumstances prevailed.

07

Respect local and international law so that we set a prime example in the industry; and formulate our operation in order to avoid any potential breaches; thus setting an image of a responsible organization.

08

Employees have a responsibility to identify and isolate any hazards during tasks, be it in the office or out in operations; and our on the job continuous training program are pivotal for achieving this mission.

09

In conclusion, our belief is based on a moral obligation that any contribution we make today sets the tone for our future; so we strive to be accountable for achieving the best.

Corporate Objectives and Business Strategy

At HASCOL, our focus on sustainability healthy ethics plan is driven by our long-standing commitment to doing what is right.



The objective of Hascol Petroleum Limited is to create a retail network catering the fuel needs of its customer base throughout the country;

reaching remote areas for domestic consumption and to cater the energy needs of all the industrial clients in an efficient and profitable manner.

Hascol Petroleum Limited recognizes oil and gas as an energy resource integral to future needs for economic development in this era of world globalization.

Our business strategy is devised in a manner that ensures fulfilling energy needs in an environmentally viable and socially responsible conduct. At Hascol Petroleum Limited, our aspiration is to attain a high standard of performance with robust profitability as well as strengthening market position in the competitive environment. We closely liaise with our customers, partners and policy-makers to fulfill everyone's needs.

A reputation is not built overnight. But when core values are in place, customers give it recognition for international standards, good governance and fair play.



Hascol Petroleum Limited transacts its business based on the following Business Principles; for which the objectives are stated below:

Values of HASCOL,

We at HASCOL, follow a set of business principles that let us achieve remarkable success in every aspect. HASCOL Petroleum limited functions effectively by aligning the following business goals, these values are abide by the set of beliefs as prescribed by our founding father – Unity, Faith and Discipline. We strongly value the importance of trust, openness, teamwork and professionalism, and take great pride in how we do business. Hascol keeps its doors open for feedback/suggestions to the management and human resource and constantly emphasis on employees to demonstrate a high level of discipline in their role, establishing a culture of ingenuity.

Competitive Environment

HASCOL focuses on building the competitive environment that supports the practical implementation of free and fair competition amongst the industry members. We believe in following honest business practices that are sustainable and rewarding for the business in the long run. We seek to compete ethically abiding by the local and international legislation and within the framework of applicable competition laws in the relevant jurisdiction.

Integrity and Honesty

For HASCOL, honesty, integrity, and fairness is what matters the most in all aspects of its business; be it a customers, suppliers, contractors or external partnerships while expecting the same in our interactions. The direct or indirect offer, facilitation payments, soliciting or acceptance of bribes in any form is unacceptable. Employees are expected to avoid conflicts of interest between their private activities and their part in the conduct of company business. Insider trading and passing on sensitive company information is strictly forbidden. HASCOL encourages honesty in all its dealings and business transactions that is reflected in accurate and fair financial statements of the company.

Safeguarding the Human Capital

HASCOL vigilantly takes care that business functions are performed safely. This is the reason we keep aligned the health, safety, security, and environmental management

factors with our business functions to achieve the high potential of our employees. Our “Zero Harm Charter” revolves around the contribution and importance our workforce provides in our growth. At HASCOL, we promotes an open culture that allows every employee to come forward and address their personal concerns to the human resource on confidential basis or any issue that may affect their performance. In case of personal counselling general management do take notice. HASCOL understand that advancement in these matters will enhance their business operations and keep on exploring the area of improvement.

Economics

Profitability makes businesses fuelled up with growth, sustainability and prosperity. It speaks about the brand value and customers’ commitment to the product & service. Profitability helps us to simplify business processes bringing in innovations to market more effectively. On the other hand, the considerable saving of costs frees up cash for investment for another place or plan, further improving our prospects for growth. HASCOL make sure to invest and reallocate the resources in all aspects including, social, economic and environmental on micro and macro level, validating our decision making process and their outcomes.

Meetings and Engagements

HASCOL gives importance to the views of its stakeholders and this makes it obligatory for us to share the right amount of information at right time. We lift the confidence of legitimately interested parties by representing the authentic and reliable information. The regular investor’s relations programme of meetings between shareholders, analysts, senior management and directors makes the operations workout smoothly. This helps us to respond to their concern easily, and providing them feedback honestly and responsibly. Our employees also follow a stringent rule of having formal work relations and not to compromise on principles.

Compliance

We comply with all applicable laws and regulations of the Islamic Republic of Pakistan where we operate. Any breach is a matter of prompt scrutiny and immediate action against the perpetrators. Within our organization, we have also internal procedures which are just as important as our daily tasks. General Management ensures that employees follow the code of conduct and work under the assigned principles without following any shortcuts. Our retail sites ensure the safe disposal of hazardous material and other elements that cause environmental pollution.

Business based on our Principles

Hascol's core values of unity, faith and discipline coupled with honesty, integrity and respect for people are the basis for all the work we do and are the foundation of our Business Principles. These rules apply to all transactions, and are the basis of the behavior expected of every employee in Hascol Petroleum Limited at all times. Our reputation is based on our actions and it will be upheld if we act in accordance with the law and the Business Principles. We encourage our business partners to follow these principles. We persuade our employees to demonstrate leadership, accountability and teamwork, and through these behaviors, to contribute to the overall success of Hascol Petroleum Limited. It is the responsibility of the management to lead by example, to ensure that all employees are aware of these principles, and behave in accordance with the spirit of this statement. The application of these principles is underpinned by a comprehensive set of assurance procedures which are designed to make sure that our employees understand the principles and confirm that they act in accordance with them.

As part of the assurance system, it is also the responsibility of management to provide employees with safe and confidential channels to raise concerns and report instances of non-compliance. In return, it is the responsibility of the employees to report suspected breaches of the Business Principles to the management. The Business Principles have been fundamental to how we conduct our business and living by them is crucial to our continued success.

COUNTRY POLITICS

a. Of Companies

Hascol Petroleum Limited pursues its activities within the laws and statutes of the Islamic Republic of Pakistan whereby our aim is to legitimately accomplish our commercial objectives. The initiatives of Triple Bottom Reporting are gradually evolving among the corporate circles of Pakistan, where the pillars of focus are People, Profit and Planet and Corporate Social Responsibility. Throughout our general principle statement, there will be extracts of practical implementation of the TBR charter.

Hascol Petroleum Limited as a rule of thumb does not make payments to political parties or organization, or to their affiliates /representatives whatsoever. The Company does not take part in any external/internal affairs with regulatory bodies unless compliance issue arises or authorized

instruction permits us to do so. However, with such dealings, Hascol Petroleum Limited has the right to make our position known on any matters which affect us, our employees, our customers, our shareholders or the local communities in which we operate, in a manner which is in accordance with our ethical values and the best practices of our company.

b. Of Employees

Hascol Petroleum Limited has encouraged the need of a friendly work environment and identified the deal conduct for a decent workplace culture and interaction with all stakeholders. Harassment has been explicitly stated and what is unacceptable includes: jokes, insults, threats, and other unwelcome actions about a person's race, gender, age, religion, ancestry, social or economic status or educational background is strictly forbidden. Nor is any employee eligible to verbally or physically conduct himself/herself that upsets another's work performance creating a fearful or hostile work environment. Hascol Petroleum Limited has ensured to provide safe working environment based on our statements in the "Zero Harm Charter". Also, we discourage intoxication or use of illegal substance at work premises and employees violating shall be subjected to disciplinary action. Where individuals wish to engage in political activities in the community, including standing for election to public office, they will be given the opportunity to do so where this is appropriate keeping in view the specific circumstances of that particular scenario.

Business Compliance, & Ethics Guideline

We have a Business Ethics Charter by the name of BUSINESS, COMPLIANCE & ETHICS GUIDELINE that dictates our commitment to fair dealing and highlighting ourselves as a professional entity in the oil marketing sector. Our initiative is to avoid any consequential events due to non-conformance of local and foreign legislation and be subjected to penal scrutiny. Apart from General Business Principles; Hascol Petroleum Limited has placed this additional guideline for its operational engagement with the relevant stakeholders.

Customer Relation

Hascol Petroleum Limited will compete for business aggressively and honestly in the competitive oil marketing industry, and shall constrict itself in the following ways:

- Will not misrepresent any products, services and prices.
- Will not make false claims about our competitors.
- Product alteration / blending or change in specifications is only allowed if requested by the customer, or permitted by regulation or commercial practice.
- Only supply safe products and services that meet all applicable government standards and regulations.

Supplier Relation

Hascol Petroleum Limited shall ensure all procurement decisions are based on best value received by us and a supplier analysis needs to be conducted. Base the purchase of goods and services only on the merits of price, quality, performance and suitability.

- Avoid reciprocal agreements or exchange of favors.
- The fee or price paid for goods and services by Hascol Petroleum Limited shall represent the value of the goods or services provided. Hascol Petroleum Limited shall ensure its maximum ability to refrain from using suppliers who participate in the following activities:
- Supply unsafe products or services.
- Break laws or regulations.
- Hidden deals and unscrupulous commitments.

Entertainment & Gifts

Gifts, favor or entertainment should not be accepted or provided if it will obligate or appear to obligate the person who receives it. Employees may accept or give gifts, favors and entertainment subject to the following criteria:

- Not against the laws and policies of other parties' company.
- Not intended to serve as a bribe, payoff or to get improper influence.
- Should not have been requested or asked to be provided.
- Should not affect business relationship in any negative manner.

Information Sharing

Unless sharing information with external suppliers and customers is against the law or our standard business practise, Hascol Petroleum Limited shall encourage sharing information when it may improve the quality or use of our products. Passing on internal memos and confidential documentation / paperwork is strictly forbidden; if Hascol proprietary information is given outside the company, it has to be ensured that a written confidentiality and non-disclosure agreement is prepared, and that proper controls are established to manage the flow of information. Otherwise, the concerned employee is in serious breach of the business ethics and subject to prosecution.

General Public Relation

Hascol Petroleum Limited considers the general public as its brand ambassador; our brilliance in products and services must outshine that of competitors; thus allow for our market share to rise at our desired optimal level. Dispelling rumours and misinforming about competitors products and services to the public is highly prohibited and any competitor that indulges in such activities must be dealt with the guidelines prescribed by OGRA and other regulations and legislation. Our business ethics guide us to avoid unnecessary comparisons and benchmarking of retrospective performance of competitors.

Society and Local Communities

Hascol Petroleum Limited aims to be society's best friend and foster healthy relationships within our communities. Our aim is to monitor possible impacts of the actions we pursue and ensure that we create recreational facilities adjacent to our retail outlets with provision of fast food franchise chains. This was an idea provisioned by our marketing team to provide a means of light entertainment to the local residents. In

addition, Hascol Petroleum Limited takes a constructive interest in societal matters directly or indirectly related to our business and donation payments for social causes are made on a regular basis. Two well-renowned charities are regular recipients of our donations. Employees can in some instances given time of for appropriate volunteer work and can also refer to legitimate registered.

Responsibilities

Hascol Petroleum Limited recognizes its responsibilities towards all the stakeholders. The management is responsible to continuously assess these priorities and discharge them on the basis of its assessment. These responsibilities pertain to:

- Protect shareholders' investment, and provide competitive long-term return; benchmarking other leading companies in the oil marketing industry as well as to create a brand name; and supplement growth of its affiliate brand FUCHS.
- Developing and maintaining a staunch customer base by providing products and services which offer value in terms of price, quality, safety and positive environmental and commercial expertise thereby create a brand loyalty of Hascol in customers by offering the best possible products and services.
- Employees are our most important assets and they receive utmost respect, rights, good and safe working conditions and to commensurate them with competitive terms and conditions of employment. We appreciate innovation and hard work and regular appraisals based on performance are some of the few means which we use to promote the development and best use of the talents of our employees. We recognize that commercial success depends on the full commitment of all employees.
- The external stakeholders are the contractors, dealers and suppliers with whom we seek to transact business which is mutually beneficial. The ability to promote these principles effectively will be an important factor in the decision to enter into or remain in such relationship.
- Overall, Hascol Petroleum Limited believes in conducting our business as responsible corporate

members of the society, to comply with applicable laws and regulations, to support fundamental human rights in line with the legitimate role of business, and to give proper regard to health, safety, security and the environment.

General Principles, Business, Compliance and Ethics and Zero Harm Charter is subject to constant review and updated as per our business requirements. We seek continuous feedback from a variety of stakeholders and vested interest group as the dynamic and unpredictable nature of the oil marketing business demands us to be proactive.

I welcome the sincere initiatives of any respective reader of our General Principles and overall this report to present Hascol Petroleum Limited with any clarification and constructive feedback they deem has to be brought to our attention.


Mumtaz Hasan Khan
Chairman & Director



Chairman's Review



I am delighted to report another outstanding year for the company. Our sales volumes increased by almost 39% and our profit after tax was in excess of rupees 1.401 billion. As such, we have exceeded the challenging targets, which the Board had set for the management. Your company ended the year, as the second largest Oil Marketing Company in the country in terms of volumes.

As, I mentioned in my last report, the Company has set up a new joint venture company with Vitol by the name of Hascol Terminals Limited. The work on the terminal has started and the first phase of the project will be completed INSHALLAH by June this year. Similarly, at the Lube Oil Blending Plant at Port Qasim, the work is moving at a very fast pace and we hope to commission the plant by June this year.

We have formally received the LPG Marketing Licence from OGRA, and the company is now in the process of setting up a storage terminal and a cylinder filling facility.

I am also pleased to advise you that Hascol has started a Chemical business and we are importing bulk chemicals and supplying to end users.

Your Board has again set very ambitious targets for the current year and the Management is very confident of achieving these targets. We are hoping that our market share by the end of this year will be 14-15%.

Your company is also aggressively building storage

facilities all over the country. Last year we commissioned Mehmoodkot and Sahiwal depot, this year we will be commissioning storage facilities at Thalian and Kotlajam. With the completion of these storage facilities, our supply chain management will improve further and give us a great edge over our competitors.

After PSO, Hascol will have the largest storage infrastructure in Pakistan.

Finally, I would like to thank the Board for their guidance in pursuing an aggressive business strategy and in making recommendations in our corporate governance. I would also like to place on record the efforts of the management team and all employees for efficiently executing the Business Plan of the company and exceeding the ambitious targets.

I am confident that the future of the company is now assured as, Mr. Saleem Butt has now taken over as the new Chief Executive Officer of the company.


Mumtaz Hasan Khan
Chairman & Director



CEO'S Message

Dear Shareholders,

2017 has been another record year for Hascol Petroleum Limited, Alhamdulillah!

I'm pleased to announce our results for the year ended December 2017. It has been a year of strong performance by all functions, market share consolidation and expansion. The Board of Directors is pleased to announce and recommend a final cash dividend of Rs. 3.5 per share.

Despite continuous fluctuation of oil prices throughout the year and weakening of the Pakistani Rupee against the Dollar, your Company was still able to deliver outstanding results and continued to provide quality and sustainable supplies to its customers' nationwide. We finished the year as the second largest Oil Marketing Company (in terms of volume), which speaks of our commitment to the value and trust of our shareholders.

We are pleased to inform that Hascol Petroleum Limited's retail network has increased to 498 sites. We are continuously investing and increasing our supply chain infrastructure, depots and terminals. Concurrently, our OGRA Standards compliant company fleet has reached 67 and has successfully completed one and a half years of safe and reliable operations.

In 2017, with the issuance of right shares, your Company is now poised to make critical and strategic investments that will help us further cement our position in the market. JCR-VIS Credit Rating Company Limited has upgraded the entity

ratings of Hascol Petroleum Limited to 'AA- / A-1' (Double A Minus / A – One) from 'A+/A-1' (Single A Plus / A – One). The improved ratings are a consequence of our increasing market share, significant ongoing and projected investments in infrastructure (storage, retail footprint and supply chain) and other initiatives which will facilitate in sustaining our growth momentum.

Going forward, our objectives for this year are even more ambitious as we pursue an aggressive growth strategy and focus on further Retail Development, NFR businesses, strong Commercial and B to B sales, company fleet expansion, and diversification into new product streams.

I am indebted to The HASCOL Team which has again put in tremendous efforts. Our human capital is second to none and it's dedication is also without parallel. We have strengthened our Team by inductions of capable, young professionals. And complimented by a very experienced, agile and competent management team, we have a winning combination.

I would also like to express my sincere gratitude for the valued support provided by our shareholders, suppliers, contractors and service providers, financial institutions, regulatory bodies, the Ministry of Petroleum & Natural Resources, and above all, our customers.

I and my Team look forward to another exciting and successful year, In Sha Allah!!

Directors' Report

The Directors of your Company are pleased to present the Annual Report of the Company along with audited standalone and consolidated financial statements and auditors' report thereon for the year ended 31st December 2017.

1. FINANCIAL RESULTS

The profit for the year ended 31st December 2017 after providing for administrative, marketing and distribution expenses, financial and other charges amounts to:

| | (Rupees in '000) |
|------------------------|------------------|
| Profit before taxation | 2,658,699 |
| Taxation | (1,257,451) |
| Profit for the year | 1,401,248 |
| | (Rupees) |
| Earnings per share | 10.70 |

Appropriations and movement in reserves have been disclosed in the Statement of Changes in Equity on page 47 of the Annual Report.

During the year the Company has achieved a growth of 39% as compared to last year, with sales volume at 2,592,188 MT. The Gross Profits have also improved by 44.03%, thereby generating a Profit after Tax of Rs. 1.401 billion in comparison to Rs. 1.215 billion of previous year, showing an increase of 15.27%.

The standalone EPS for the year is Rs. 10.70 which is 13.71% higher than the last year EPS of Rs.9.41.

2. DIVIDENDS

The Board is pleased to recommend a final cash dividend of Rs.3.50 per share i.e. 35% for the year ended 31st December 2017, in addition to the earlier interim cash dividend of Rs. 3.50 per share i.e. 35%. The total dividends for the year stood at Rs. 7.00 per share i.e. 70%. The approval of the members for the dividend will be obtained at the Annual General Meeting of the Company to be held on 27th April 2018. This approach remains in line with our commitment to provide consistent returns to our shareholders.

3. COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The management of Hascol Petroleum Limited is committed to good corporate governance and complying with the best practices. As required under the Code of Corporate Governance, the directors are pleased to state as follows:

- The financial statements prepared by the Management of the Company present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and any changes in accounting policies have been disclosed in the financial statements. The accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards as applicable in Pakistan have been followed in the preparation of financial statements and any departure therefrom has been adequately disclosed and explained.
- The Company maintains a sound system of internal control which has been effectively implemented and regularly reviewed and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Code of Corporate Governance, as detailed in the listing regulations.
- The key operating and financial data of last six years has been given on page 27 of the Annual Report. The significant deviations in operating results of the Company from last year have been discussed in the Chairman's Review on page 16.

4. BOARD OF DIRECTORS AND MEETINGS OF THE BOARD HELD DURING THE YEAR 2017

During the year, nine (9) meetings of the Board of Directors were held and the attendance of each Director is given below:

| S. No. | Director's Name | Meetings Attended |
|--------|---|-------------------|
| 1 | Mr. Mumtaz Hasan Khan (Chairman) | 6 |
| 2 | Mr. Saleem Butt (Chief Executive Officer) | 9 |
| 3 | Mr. Farooq Rahmatullah Khan | 9 |
| 4 | Mr. Sohail Hasan* | 3 |
| 5 | Mr. Najmus Saquib Hameed | 8 |
| 6 | Mr. Paul Anthony Himsworth** | 5 |
| 7 | Mr. Liaquat Ali | 4 |
| 8 | Mr. Abdul Aziz Khalid | 7 |

*Mr. Sohail Hasan retired as director on 6th September 2017.

**Mr. Paul Anthony Himsworth was elected as a director on 6th September 2017.

5. BOARD COMMITTEE MEETINGS HELD DURING THE YEAR

During the year, the Audit Committee held four (4) meetings. The attendance record of the Directors is as follows:

| S. No. | Director's Name | Meetings Attended |
|--------|-------------------------------------|-------------------|
| 1 | Mr. Najmus Saquib Hameed (Chairman) | 4 |
| 2 | Mr. Sohail Hasan (Member)* | 3 |
| 3 | Mr. Liaquat Ali (Member) | 3 |
| | Mr. Abdul Aziz Khalid (Member)** | 1 |

*Mr. Sohail Hasan retired as director on 6th September 2017.

**Mr. Abdul Aziz Khalid was appointed member of the Audit Committee on 13th September 2017

During the year, the Human Resource Committee held one (1) meeting. The attendance record of the Directors is as follows:

| S. No. | Director's Name | Meetings Attended |
|--------|-------------------------------------|-------------------|
| 1 | Mr. Najmus Saquib Hameed (Chairman) | 1 |
| 2 | Mr. Mumtaz Hasan Khan (Member) | 1 |
| 3 | Mr. Liaquat Ali (Member) | 1 |

*The HR Committee has been reconstituted on 13th September 2017 pursuant to the election of directors of the Company.

6. CREDIT RATINGS

JCR-VIS Credit Rating Company Ltd. (JCR-VIS) has upgraded the entity ratings of Hascol Petroleum Limited (HPL) to 'AA-/A-1' (Double A Minus/A-One) from 'A+/A-1' (Single A Plus/A-One). Rating of HPL's secured Sukuk issue of Rs. 2 billion has also been upgraded to 'AA' (Double A) from 'AA-' (Double A Minus). Outlook on the assigned ratings is 'Stable'.

jcr-vis has assigned preliminary rating of A-1 (Single A One) to the Company's first issue of privately placed commercial paper of up to Rs. 1.5 billion (inclusive of green shoe option of Rs. 500 million) having a tenure of up to 6 months.

7. PERFORMANCE EVALUATION OF THE BOARD

The performance of the Board of your Company was evaluated during the year. The Board members effectively bring diversity to the Board and constitute a mix of independent and non-executive directors. The overall performance of the Board is good and the board members are aligned with the results of the evaluation.

8. DIRECTORS TRAINING PROGRAMME

Details have been provided in the Statement of Compliance with the Code.

• VALUE OF INVESTMENT OF PROVIDENT AND GRATUITY FUNDS

The Company maintains retirement benefit plans for its employees. Contribution to provident and gratuity funds on the basis of audited financial statements as at 31st December 2017 are as follows:

| | Rs. (000) |
|----------------|-----------|
| Provident Fund | 22,212 |
| Gratuity | 24,379 |

• CORPORATE SOCIAL RESPONSIBILITY

Your Company has a roadmap with respect to Corporate Social Responsibility to support in the areas of education, health and environment through various philanthropic efforts. During the current year the Company paid donations amounting to Rs.12.176 million to various educational institutions, hospitals and charitable organizations.

• CONTRIBUTION TO THE NATIONAL EXCHEQUER AND ECONOMY

During the year your Company has made a total contribution of Rs. 72.58 billion to the national exchequer on account of import duties, general sales tax, income tax and other government levies.

• EXTERNAL AUDITORS

The auditors Messrs Grant Thornton Anjum Rahman, Chartered Accountants will retire at the conclusion of the forthcoming annual general meeting and being eligible offered themselves for the re-appointment.

The Board has recommended the appointment of Messrs Grant Thornton Anjum Rahman as Auditors of the Company for the year 2018, subject to Shareholders' approval at the next AGM to be held on 27th April 2018.

• PATTERN OF SHAREHOLDING

The statement of Pattern of Shareholding as at 31st December 2017 is given on page 24 of the report.

• ACKNOWLEDGEMENT

Our people are the key drivers behind the sustained growth of the Company. The directors acknowledge the contribution of each and every employee of the Company. We would also like to express our thanks to our customers for the trust shown in our products. We are also grateful to our shareholders for their support and confidence in our management

• FUTURE OUTLOOK

A reasonable indication of future prospects is discussed in the Chairman's Review on page 16.

Thanking you all.
On behalf of the Board



Saleem Butt
Chief Executive Officer



Abdul Aziz Khalid
Director

Pattern of Shareholding

As of December 31, 2017

| No. of Shareholder | Shareholdings' Slab | | | Total Shares Held |
|--------------------|---------------------|----|----------|-------------------|
| 1553 | 1 | to | 100 | 57,480 |
| 1263 | 101 | to | 500 | 340,010 |
| 2333 | 501 | to | 1000 | 1,714,711 |
| 1205 | 1001 | to | 5000 | 2,625,489 |
| 159 | 5001 | to | 10000 | 1,137,693 |
| 82 | 10001 | to | 15000 | 1,038,838 |
| 54 | 15001 | to | 20000 | 933,594 |
| 34 | 20001 | to | 25000 | 778,803 |
| 17 | 25001 | to | 30000 | 477,884 |
| 8 | 30001 | to | 35000 | 255,437 |
| 10 | 35001 | to | 40000 | 368,988 |
| 9 | 40001 | to | 45000 | 382,858 |
| 7 | 45001 | to | 50000 | 342,500 |
| 3 | 50001 | to | 55000 | 161,347 |
| 3 | 55001 | to | 60000 | 173,232 |
| 7 | 60001 | to | 65000 | 437,722 |
| 3 | 65001 | to | 70000 | 209,393 |
| 2 | 70001 | to | 75000 | 145,034 |
| 2 | 75001 | to | 80000 | 155,820 |
| 3 | 80001 | to | 85000 | 249,739 |
| 1 | 85001 | to | 90000 | 86,420 |
| 3 | 95001 | to | 100000 | 296,000 |
| 2 | 100001 | to | 105000 | 206,963 |
| 4 | 105001 | to | 110000 | 430,536 |
| 2 | 110001 | to | 115000 | 223,579 |
| 6 | 115001 | to | 120000 | 714,760 |
| 1 | 130001 | to | 135000 | 132,667 |
| 2 | 135001 | to | 140000 | 274,940 |
| 1 | 140001 | to | 145000 | 145,000 |
| 2 | 145001 | to | 150000 | 300,000 |
| 2 | 150001 | to | 155000 | 306,871 |
| 2 | 155001 | to | 160000 | 317,562 |
| 1 | 160001 | to | 165000 | 161,372 |
| 2 | 180001 | to | 185000 | 364,888 |
| 2 | 195001 | to | 200000 | 397,400 |
| 2 | 200001 | to | 205000 | 403,255 |
| 1 | 230001 | to | 235000 | 234,560 |
| 3 | 235001 | to | 240000 | 714,540 |
| 2 | 245001 | to | 250000 | 495,758 |
| 1 | 250001 | to | 255000 | 254,900 |
| 1 | 265001 | to | 270000 | 268,100 |
| 1 | 295001 | to | 300000 | 300,000 |
| 2 | 315001 | to | 320000 | 639,360 |
| 1 | 320001 | to | 325000 | 325,000 |
| 1 | 325001 | to | 330000 | 329,311 |
| 1 | 335001 | to | 340000 | 340,000 |
| 1 | 340001 | to | 345000 | 343,000 |
| 1 | 355001 | to | 360000 | 358,700 |
| 1 | 385001 | to | 390000 | 387,600 |
| 1 | 390001 | to | 395000 | 394,080 |
| 1 | 395001 | to | 400000 | 400,000 |
| 1 | 430001 | to | 435000 | 431,854 |
| 1 | 465001 | to | 470000 | 468,920 |
| 1 | 695001 | to | 700000 | 699,294 |
| 1 | 745001 | to | 750000 | 750,000 |
| 1 | 770001 | to | 775000 | 772,041 |
| 1 | 1030001 | to | 1035000 | 1,031,430 |
| 1 | 1065001 | to | 1070000 | 1,069,803 |
| 1 | 1095001 | to | 1100000 | 1,097,306 |
| 1 | 1340001 | to | 1345000 | 1,340,248 |
| 1 | 1620001 | to | 1625000 | 1,623,000 |
| 1 | 1950001 | to | 1955000 | 1,950,238 |
| 1 | 2115001 | to | 2120000 | 2,117,400 |
| 1 | 2350001 | to | 2355000 | 2,351,980 |
| 1 | 2835001 | to | 2840000 | 2,838,600 |
| 1 | 3175001 | to | 3180000 | 3,179,308 |
| 1 | 5830001 | to | 5835000 | 5,830,768 |
| 1 | 5865001 | to | 5870000 | 5,869,227 |
| 1 | 9320001 | to | 9325000 | 9,322,526 |
| 1 | 14880001 | to | 14885000 | 14,880,975 |
| 1 | 27185001 | to | 27190000 | 27,188,163 |
| 1 | 37465001 | to | 37470000 | 37,468,265 |
| 6882 | | | | 144,815,040 |

Pattern of Shareholding

As of December 31, 2017

| Categories of Shareholders | Shareholders | Shares Held | Percentage |
|--|--------------|--------------------|---------------|
| Directors and their spouse(s) and minor children | | | |
| MUMTAZ HASAN KHAN | 1 | 27,188,163 | 18.77 |
| SALEEM BUTT | 2 | 319,687 | 0.22 |
| NAJMUS SAQIB HAMEED | 2 | 63,941 | 0.04 |
| FAROOQ RAHMATULLAH KHAN | 1 | 329,311 | 0.23 |
| LIAQUAT ALI | 1 | 3,179,308 | 2.20 |
| NAZIA MALIK | 2 | 1,346,920 | 0.93 |
| Associated Companies, undertakings and related parties | | | |
| FOSSIL ENERGY (PRIVATE) LIMITED | 2 | 15,130,975 | 10.45 |
| MARSHAL GAS (PVT) LIMITED | 1 | 9,322,526 | 6.44 |
| Executives | 31 | 1,125,600 | 0.78 |
| Public Sector Companies and Corporations | 0 | - | - |
| Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds | 19 | 9,161,822 | 6.33 |
| Mutual Funds | | | |
| CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND | 1 | 135,840 | 0.09 |
| CDC - TRUSTEE JS LARGE CAP FUND | 1 | 95 | 0.00 |
| CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND | 1 | 120,000 | 0.08 |
| CDC - TRUSTEE MEEZAN BALANCED FUND | 1 | 180,108 | 0.12 |
| CDC - TRUSTEE FAYSAL BALANCED GROWTH FUND | 1 | 10,500 | 0.01 |
| CDC - TRUSTEE ALFALAH GHP VALUE FUND | 1 | 1,630 | 0.00 |
| CDC - TRUSTEE AKD INDEX TRACKER FUND | 1 | 12,240 | 0.01 |
| CDC - TRUSTEE AL MEEZAN MUTUAL FUND | 1 | 153,418 | 0.11 |
| CDC - TRUSTEE MEEZAN ISLAMIC FUND | 1 | 699,294 | 0.48 |
| CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND | 1 | 10,500 | 0.01 |
| CDC - TRUSTEE NAFSA STOCK FUND | 1 | 96 | 0.00 |
| CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND | 1 | 3,264 | 0.00 |
| CDC - TRUSTEE NAFSA ISLAMIC ASSET ALLOCATION FUND | 1 | 136 | 0.00 |
| CDC - TRUSTEE ALFALAH GHP STOCK FUND | 1 | 2,803 | 0.00 |
| CDC - TRUSTEE ALFALAH GHP ALPHA FUND | 1 | 924 | 0.00 |
| CDC - TRUSTEE ABL STOCK FUND | 1 | 3,444 | 0.00 |
| CDC-TRUSTEE HBL ISLAMIC STOCK FUND | 1 | 103,600 | 0.07 |
| CDC - TRUSTEE ASKARI EQUITY FUND | 1 | 15,885 | 0.01 |
| CDC - TRUSTEE KSE MEEZAN INDEX FUND | 1 | 105,711 | 0.07 |
| MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND | 1 | 10,000 | 0.01 |
| MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND | 1 | 14,000 | 0.01 |
| CDC-TRUSTEE FIRST HABIB ISLAMIC STOCK FUND | 1 | 9,500 | 0.01 |
| MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND | 1 | 995 | 0.00 |
| CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND | 1 | 8,711 | 0.01 |
| CDC - TRUSTEE NAFSA ISLAMIC PRINCIPAL PROTECTED FUND - II | 1 | 75 | 0.00 |
| CDC - TRUSTEE NAFSA ISLAMIC STOCK FUND | 1 | 1,797 | 0.00 |
| CDC - TRUSTEE FAYSAL ISLAMIC ASSET ALLOCATION FUND | 1 | 4,500 | 0.00 |
| ABA ALI HABIB SECURITIES (PVT) LIMITED - MF | 1 | 200 | 0.00 |
| CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND | 1 | 70,000 | 0.05 |
| CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND | 1 | 2,600 | 0.00 |
| CDC - TRUSTEE PICIC ENERGY FUND | 1 | 119,960 | 0.08 |
| CDC - TRUSTEE DAWOOD ISLAMIC FUND | 1 | 3,100 | 0.00 |
| CDC - TRUSTEE HBL - STOCK FUND | 1 | 387,600 | 0.27 |
| CDC - TRUSTEE HBL MULTI - ASSET FUND | 1 | 19,800 | 0.01 |
| M C F S L-TRUSTEE ASKARI ISLAMIC ASSET ALLOCATION FUND | 1 | 5,700 | 0.00 |
| CDC - TRUSTEE FIRST HABIB STOCK FUND | 1 | 22,120 | 0.02 |
| CDC - TRUSTEE PICIC STOCK FUND | 1 | 22,100 | 0.02 |
| CDC - TRUSTEE HBL IPF EQUITY SUB FUND | 1 | 5,400 | 0.00 |
| CDC - TRUSTEE HBL PF EQUITY SUB FUND | 1 | 14,500 | 0.01 |
| CDC - TRUSTEE PICIC ISLAMIC STOCK FUND | 1 | 111,000 | 0.08 |
| CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND | 1 | 254,900 | 0.18 |
| CDC - TRUSTEE NAFSA ISLAMIC ENERGY FUND | 1 | 197,400 | 0.14 |
| CDC - TRUSTEE MEEZAN ENERGY FUND | 1 | 468,920 | 0.32 |
| CDC - TRUSTEE ALFALAH GHP ISLAMIC DEDICATED EQUITY FUND | 1 | 2,600 | 0.00 |
| CDC-TRUSTEE - MEEZAN DEDICATED EQUITY FUND | 1 | 118,900 | 0.08 |
| General Public | | | |
| a. Local | 6636 | 17,565,825 | 12.13 |
| b. Foreign | 5 | 457,545 | 0.32 |
| Foreign Companies | 22 | 54,137,510 | 37.38 |
| OTHERS | 62 | 2,050,041 | 1.42 |
| Totals | 6832 | 144,815,040 | 100.00 |

Shareholders holding 5% or more

| | Shares Held | Percentage |
|---------------------------------|-------------|------------|
| FOSSIL ENERGY (PRIVATE) LIMITED | 15,130,975 | 10.45 |
| MARSHAL GAS (PVT) LIMITED | 9,322,526 | 6.44 |
| MUMTAZ HASAN KHAN | 27,188,163 | 18.77 |
| VITOL DUBAI LIMITED | 37,468,265 | 25.87 |

Sales - net

215.66

(67.49%) billion

Gross profit

7.38

(44.03%) billion

Profit after tax

1.40

(15.27%) billion



Key Operational and Financial Data

Six Years Summary

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|----------|---------|---------|---------|--------|--------------|
| Profit and Loss Account | | | | | | Rs/mn |
| Revenue (Gross) | 215,662 | 128,759 | 94,065 | 99,061 | 57,469 | 29,775 |
| Revenue (net) | 173,739 | 99,508 | 76,774 | 84,856 | 49,820 | 25,992 |
| Cost of good sold | 166,851 | 95,000 | 74,018 | 82,877 | 48,506 | 24,996 |
| Gross profit | 7,389 | 4,708 | 2,839 | 2,037 | 1,360 | 996 |
| Operating profit | 4,528 | 2,627 | 1,630 | 1,237 | 579 | 393 |
| Profit before tax | 2,659 | 2,154 | 1,197 | 865 | 425 | 292 |
| Profit after tax | 1,401 | 1,216 | 1,133 | 640 | 392 | 218 |
| Earnings before interest, taxes, depreciation and amortisation | 3,751 | 2,987 | 1,788 | 1,264 | 633 | 464 |
| Balance Sheet | | | | | | |
| Share Capital | 1,448 | 1,207 | 1,207 | 906 | 656 | 656 |
| Property, plant and equipment | 13,680 | 8,689 | 6,278 | 3,291 | 2,436 | 1,724 |
| Inventory | 18,557 | 16,478 | 8,470 | 3,474 | 3,154 | 617 |
| Current assets | 42,184 | 33,710 | 17,916 | 10,975 | 6,557 | 2,595 |
| Current liabilities | 43,798 | 35,035 | 20,171 | 12,059 | 7,630 | 3,067 |
| Non current assets | 15,911 | 10,940 | 8,703 | 4,642 | 2,798 | 1,913 |
| Non current liabilities | 4,031 | 3,510 | 662 | 459 | 281 | 376 |
| Surplus on revaluation of fixed assets | 1,026 | 1,143 | 1,257 | 321 | 358 | 396 |
| Summary of cash flow statements | | | | | | |
| Cash flows from operating activities | 1,276 | 2,421 | 4,364 | 722 | 948 | 307 |
| Cash flows from investing activities | (5,825) | (2,933) | (2,290) | (1,793) | (642) | (322) |
| Cash flows from financing activities | 4,748 | 1,785 | 104 | 1,367 | (214) | 311 |
| Net cash flows during the year | 199 | 1,273 | 2,178 | 296 | 93 | 296 |
| Investor Information | | | | | | % |
| Profitability Ratios | | | | | | |
| Gross profit ratio | 4.25 | 5.16 | 3.70 | 2.40 | 2.73 | 3.83 |
| Net profit ratio | 0.81 | 1.22 | 1.48 | 0.75 | 0.79 | 0.84 |
| EBITDA margin | 1.74 | 2.18 | 1.90 | 1.28 | 1.10 | 1.56 |
| Cost / Income ratio | 0.77 | 0.79 | 0.74 | 0.65 | 1.35 | 1.53 |
| Return on equity | 0.14 | 0.24 | 0.25 | 0.23 | 0.36 | 0.33 |
| Liquidity Ratios | | | | | | Ratio |
| Current ratio | 0.96 : 1 | 0.97:1 | 0.88:1 | 0.91:1 | 0.88:1 | 0.85:1 |
| Quick ratio | 0.54 : 1 | 0.50:1 | 0.47:1 | 0.62:1 | 0.47:1 | 0.65:1 |
| | | | | | | % |
| Cash flows from operations to sales | 0.73 | 2.42 | 5.68 | 0.85 | 1.90 | 1.18 |
| Cash to current liabilities | 0.22 | 0.23 | 0.20 | 0.15 | 0.11 | 0.15 |
| Investment / Market Ratios | | | | | | Rs |
| Earnings per share | 10.70 | 9.41 | 9.39 | 5.89 | 5.97 | 3.33 |
| Breakup value per share without surplus on revaluation of fixed assets | 63.81 | 41.12 | 37.53 | 30.67 | 16.54 | 10.07 |
| Breakup value per share with surplus on revaluation of fixed assets | 70.89 | 50.59 | 47.94 | 34.21 | 22.01 | 16.11 |

Notice of Sixteenth (16th) Annual General Meeting

Notice is hereby given that the Sixteenth (16th) Annual General Meeting of Hascol Petroleum Limited will be held on Friday, 27th April 2018 at 10:00 a.m. at the ICAP Auditorium, Chartered Accountants Avenue, Clifton Karachi, to transact the following business:

Ordinary Business

1. To confirm the minutes of the Extraordinary General Meeting of the Company held on 6th September 2017.
2. To receive, consider and adopt the audited accounts of the Company for the year ended 31st December 2017, together with the Directors' and Auditors' reports thereon.
3. To consider and approve payment of final cash dividend of Rs.3.50 per share i.e. 35%, as recommended by the Board of Directors. This is in addition to the interim dividend already paid at Rs.3.50 per share i.e. 35%, thereby making a total cash dividend of Rs.7.00 per share i.e. 70%.
4. To appoint auditors and fix their remuneration for the financial year 2018.
5. To transact any other ordinary business with the permission of the Chair.

By Order of the Board

6th April 2018
Karachi


Zeeshan Ul Haq
Company Secretary

NOTES:

Closure of Share Transfer Books

The Share Transfer Books of the Company shall remain closed from 20th April 2018 to 27th April 2018 (both days inclusive). Transfers in the form of physical transfers / CDS Transaction IDs received in order at the Company's Share Registrar, Messrs Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S., Shahra-e-Faisal, Karachi, by close of business on 19th April 2018 will be treated in time to attend and vote at the meeting and for the purpose of the above entitlement to the transferees.

Participation in the Meeting

Only those persons, whose names appear in the register of members of the Company as on 19th April 2018, are entitled to attend, participate in, and vote at the Annual General Meeting.

A member of the Company entitled to attend and vote at the Annual General Meeting may appoint another person as his / her proxy to attend and vote instead of him / her. Proxies in order to be effective must be received at the registered office of the Company not less than 48 hours before the time of the Meeting and must be duly stamped, signed and witnessed. A form of proxy is attached herewith in the Annual Report.

Transmission of Annual Financial Statements through Email:

The Securities and Exchange Commission of Pakistan (SECP) through its Notification S.R.O. 787(1)/2014 dated 8th September 2014 has permitted companies to circulate Audited Financial Statements along with Notice of Annual General Meeting to its members through e-mail. Accordingly, members are hereby requested to convey their consent and e-mail address for receiving Audited Financial Statements and Notice through e-mail. In order to avail this facility a Standard Request Form is available at the Company's website www.hascol.com, to be sent along with copy of his / her / its CNIC / Passport to the Company's Share Registrar.

Please note that giving email address for receiving of Annual Financial Statements instead of receiving the same by post is optional, in case you do not wish to avail this facility please ignore this notice.

Notice to Members Who Have Not Provided CNIC

SECP vide Notification S.R.O. 19(1)/2014 dated 10th January 2014 read with Notification S.R.O 831(1)/2012 dated 5th July 2012 require that the dividend warrant(s) should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members. Accordingly, in case of non-receipt of the copy of a valid CNIC, the Company would be unable to comply with the directives of SECP and therefore will be constrained under SECP order dated July 13, 2015 to withhold the dispatch of dividend warrants of such shareholders. The shareholders while sending CNIC must quote their respective folio number and name of the Company.

Revision of Withholding Tax on Dividend Income under Section 150 of Income Tax Ordinance, 2001:

Pursuant to Section 150 of the Income Tax Ordinance, 2001 and the provisions of the Finance Act 2016 effective 1st July 2017, withholding tax on dividend income will be deducted for 'Filer' and 'Non-Filer' shareholders @ 15% and 20% respectively. According to clarification received from Federal Board of Revenue (FBR) withholding tax will be determined separately on 'Filer / Non-Filer' status of principal shareholder as well as joint holder(s) based on their shareholding proportions, in case of joint accounts.

In this regard, all shareholders who hold shares with joint shareholders, are requested to provide shareholding proportions of principal shareholder and joint holder(s) in respect of shares held by them to our Share Registrar, in writing as follows:

| Folio / CDS Account No. | Total Shares | Principal Shareholder | | Joint Shareholder | |
|----------------------------|--------------|-----------------------|---|-------------------|---|
| | | Name & CNIC | Shareholding Proportion (No. of shares) | Name & CNIC | Shareholding Proportion (No. of shares) |

In case the required information is not provided to our Share Registrar by 19th April 2018, it will be assumed that the shares are held in equal proportion by the principal shareholder and joint holder(s).

Change of Address

Members are requested to immediately notify the Company's Share Registrar, Messrs Central Depository Company of Pakistan Limited of any change in their registered address.

Payment of Dividend through electronic mode (Mandatory)

Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders.

In order to receive dividend directly into their bank account, shareholders are requested to fill in Electronic Credit Mandate Form available on Company's website and send it duly signed along with a copy of CNIC to the Registrar of the Company, in case of physical shares.

In case shares are held in CDC then Electronic Credit Mandate Form must be submitted directly to shareholder's broker / participant / CDC account services.

Guidelines for CDC Account Holders

CDC account holders are required to comply with the following guidelines as laid down in Circular No.1 of 2000 dated 26th January 2000 issued by SECP:

A. For Attending the Meeting

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

B. For Appointing Proxies

- (i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account their registration details are uploaded as per the CDC regulations, shall submit the proxy form as per the above requirement;
- (ii) The proxy form shall be witnessed by two (2) persons whose names, addresses, and CNIC numbers shall be mentioned on the form;
- (iii) Attested copies of CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form;
- (iv) The proxy shall produce his / her original CNIC or original passport at the time of the meeting; and
- (v) In case of corporate entities, the board of directors' resolution / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity shall be submitted (unless it has been provided earlier) along with the proxy form to the Company.





Statements of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (the “CCG”) contained in Regulation No.5.19 of listing regulations of the Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

- The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

| Category | Names |
|-------------------------|--|
| Independent Director | Mr. Najmus Saquib Hameed |
| Executive Directors | Mr. Saleem Butt |
| Non-Executive Directors | Mr. Mumtaz Hasan Khan Mr. Liaquat Ali Mr. Farooq Rahmatullah Khan Mr. Paul Anthony Himsworth Mr. Abdul Aziz Khalid |

The independent director meets the criteria of independence under clause 5.19.1(b) of the CCG.

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
- All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-Banking Financial Institution, or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- No casual vacancy occurred on the Board during the year. However, election of Directors was held on 6th September 2017 and above mentioned seven (7) Directors were elected for the next term of three years.
- The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with supporting policies and procedures.
- The Board has developed a Vision / Mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board / shareholders.
- The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

- In accordance with the criteria specified on clause 5.19.7 of PSX Rules, majority of Directors of the Company have completed the Directors' training program.
- The Chief Financial Officer was appointed during the year. There has been no new appointments for the positions of Company Secretary or Head of Internal Audit during the year.
- The Directors' Report has been prepared in compliance with the requirements of CCG and fully describes the salient matters required to be disclosed.
- The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
- The Directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
- The Company has complied with all the corporate and financial reporting requirements of the CCG.
- The Board has formed an Audit Committee. It comprises of three members, of whom two are non-executive directors and one is an independent director. The chairman of the audit committee is an independent director.
- The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
- The Board has formed a Human Resource Committee. It comprises of four members, of whom two are non-executive directors, one executive director and one independent director. The chairman of the committee is a non-executive director.
- The Board has set up an effective internal audit function for the Company which was fully operational during the year.
- The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
- The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
- Material / price sensitive information has been disseminated among all market participants at once through the stock exchange.
- The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
- As stated above, we confirm that all other material principles enshrined in the CCG have been complied with

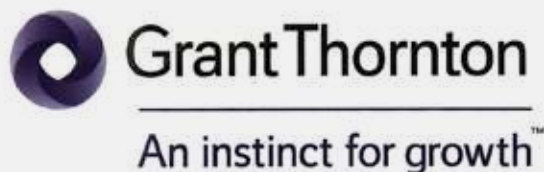
Karachi: 3rd April 2018



Saleem Butt
Chief Executive Officer



Abdul Aziz Khalid
Director



REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

GRANT THORNTON ANJUM RAHMAN

1st & 3rd Floor,
Modern Motors House
Beaumont Road,
Karachi 75530

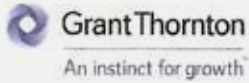
T +92 021 3567 2951-56
F +92 021 3568 8834
www.gt-pak.com

We have reviewed the enclosed Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of **Hascol Petroleum Limited** (the Company) for the year ended **December 31, 2017** to comply with the requirements of clause No. 5.19 of the Pakistan Stock Exchange Limited Regulations issued by Pakistan Stock Exchange Limited, where the Company is listed.

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

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

The code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.



Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2017.

Karachi

Date:

03 APR 2018

Grant Thornton Anjum Rahman

Chartered Accountants

Muhammad Shaukat Naseeb

Engagement Partner

Statement of Compliance with The Sukuk (Privately Placed) Regulations, 2017 and Issue of **Sukuk Regulations, 2015**

This statement is being presented to comply with the requirements under “Issue of Sukuk Regulations, 2015” and “Sukuk (Privately Placed) Regulations, 2017” (the Regulations) issued by the Securities and Exchange Commission of Pakistan (SECP). This Statement of Compliance is for the year ended December 31, 2017.

Hascol Petroleum Limited (the Company) entered into an arrangement for issue of Sukuk amounting to Rs. 2,000 Million inclusive of Green Shoe Option of Rs. 500 Million, on December 31, 2015 for a period of 6 years including a grace period of 1 year. We state that the Company is in compliance with the Sukuk Features and Shari’ah Requirements in accordance with the Regulations.

We specifically confirm that:

The Company has established policies and procedures for all Sukuk related transactions to comply with Sukuk Features and Shari’ah Requirements.

The Company has implemented and maintained such internal control and risk management systems that are necessary to mitigate the risk of non-compliances of the Sukuk Features and Shari’ah Requirements, whether due to fraud or error;

The Company has a process to ensure that the management and where appropriate the board of directors, and personnel responsible to ensure the Company’s compliance with the Sukuk Features and Shari’ah Requirements are properly trained and systems are properly updated.

The Sukuk Features and Shari’ah Requirements in accordance with issue of the Regulations comprises of the following:

- a. Requirements of Shariah Structure and Transaction Documents as stated in the Information Memorandum, with respect to issuance of Sukuk:
 - Trust Deed
 - Musharka Agreements
 - Payment Agreements
 - Purchase Undertaking
 - Asset Purchase Agreement
 - Investment Agency Agreement
 - Security Documents
 - Guidelines of the relevant Shariah Standards, issued by the Accounting and Auditing Organization of the Islamic Financial Institutions, as notified by the SECP;
 - Requirements of the relevant Islamic Financial Accounting Standard as notified by the SECP; and
 - Other compliances specified in the Regulations as issued by the SECP.

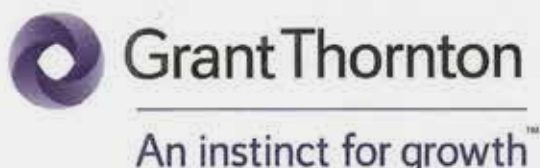
The above Statement has been duly endorsed by the Board of Directors of the Company.



Saleem Butt
Chief Executive Officer



Abdul Aziz Khalid
Director



Independent Assurance Report to the Board of Directors of Hascol Petroleum Limited on Shari'ah Compliance of Rs. 2 billion privately placed Sukuk

GRANT THORNTON ANJUM RAHMAN

1st & 3rd Floor,
Modern Motors House
Beaumont Road,
Karachi 75530

T +92 021 3567 2951-56
F +92 021 3568 8834
www.gtpak.com

Introduction

We were engaged by the Board of Directors ("the Board") of Hascol Petroleum Limited ("the Company") to express an opinion on the annexed Statement of Compliance ("Statement") prepared by the management for the year ended December 31, 2017, with Sukuk Features and Shari'ah Requirements about whether the annexed Statement presents fairly the status of Compliance with Sukuk Features and Shari'ah Requirements as required under Issue of Sukuk Regulations, 2015 and Sukuk (privately placed) Regulations, 2017 (the Regulations) and Shari'ah Opinion (Fatwa) as issued by the Shari'ah Advisor and to the extent applicable, the guidelines of Shari'ah Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), in all material respects.

Applicable Criteria

The criteria against which the subject matter information (the Statement) is assessed comprises of the provisions of the Regulations and Shari'ah Opinion (Fatwa) as issued by the Shari'ah Advisor.

Company's Responsibilities for Shari'ah Compliance

The Board and management of the Company are responsible for the preparation of the annexed Statement and to ensure that it is free from material misstatement. It is the responsibility of the Company's Board and management to ensure that all Sukuk related financial arrangements, contracts and transactions are in substance and in their legal form, in compliance with the Sukuk Features and Shari'ah Requirements. The Company's Board and management are also responsible for prevention and detection of fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its Sukuk related activities and also for designing, implementation and maintenance of appropriate internal control procedures with respect to such compliance and maintenance of relevant records and such risk management systems as the management determines is necessary to mitigate the risk of non-compliance of the Sukuk Features and Shari'ah Requirements whether due to fraud or error. They are also responsible for ensuring that personnel involved with the compliance with the Sukuk Features and Shari'ah Requirements are properly trained and systems are properly updated.



Our Responsibilities

Our responsibility is to examine the annexed Statement prepared by management and to report thereon in form of an independent assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. This Standard requires that we comply with the ethical requirements, and plan and perform the engagement to obtain reasonable assurance regarding the subject matter i.e. about whether the annexed Statement presents fairly the status of compliance with Sukuk Features and Shari'ah Requirements as required under the Regulation and Shari'ah Opinion (Fatwa) issued by Shari'ah Advisor and to the extent applicable, the guidelines of Shari'ah Standards issued by AAOIFI, in all material respects.

The procedures selected depend on our professional judgment including the assessment of the risk of the Company's non-compliance with Sukuk Features and Shari'ah Requirements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to ensure compliance with Sukuk Features and Shari'ah Requirements, in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion as to the effectiveness of the Company's internal control over ensuring compliance with Sukuk Features and Shari'ah Requirements.

A system of internal control, because of its nature, may not prevent or detect all instances of non-compliance with Sukuk features and Shari'ah requirements, and consequently cannot provide absolute assurance that the objective of compliance with Sukuk Features and Shari'ah Requirement will be met.

The procedures performed included:

- Evaluation of the systems, procedures and practices in place with respect to Sukuk related transactions against the Features and Shari'ah Requirements;
- Evaluation of the systems established to help ensure the Company's compliance with the systems, procedures and practices with respect to Sukuk Features and Shari'ah Requirements;
- Verification that payments were made on time and there was no delay; and
- Test for a sample of transactions to help ensure that these are carried out in accordance with the laid down procedures and practices.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis of our conclusion.

In our opinion, the annexed Statement prepared by management, for the year ended December 31, 2017, presents fairly the status of compliance with Sukuk Features and Shari'ah Requirements as required under the Regulation and Shari'ah Opinion (Fatwa) issued by Shari'ah Advisor, and to the extent applicable, the guidelines of Shari'ah Standards issued by AAOIFI, in all material respects.

Date:

Karachi: 03 APR 2018


Grant Thornton Anjum Rahman

Chartered Accountants

Muhammad Shaukat Naseeb

Engagement partner

Audited Unconsolidated Financial Statements

for the year ended December 31, 2017







Grant Thornton

An instinct for growth™

AUDITORS' REPORT TO THE MEMBERS

GRANT THORNTON ANJUM RAHMAN

1st & 3rd Floor,
Modern Motors House
Beaumont Road,
Karachi 75530

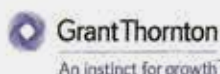
T +92 021 3567 2951-56
F +92 021 3568 8834
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We have audited the annexed unconsolidated Balance Sheet of **Hascol Petroleum Limited** ("the Company") as at December 31, 2017 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the unconsolidated balance sheet and unconsolidated profit and loss account together with the notes thereof have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;



- (ii) the expenditure incurred during year was for the purpose of the Company's business; and
- (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2017 and of the profit, total comprehensive income, its changes in equity and cash flows for the year then ended; and
- (d) in our opinion, Zakat deductible at source under Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

Karachi

Date: 03 APR 2018

Grant Thornton Anjum Rahman
Grant Thornton Anjum Rahman
 Chartered Accountants
Muhammad Shaukat Naseeb
 Engagement Partner

UNCONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2017


(Rupees in thousand)

| | Note | 2017 | 2016 |
|---|------|-------------------|-------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 13,680,349 | 8,688,947 |
| Intangible asset | 6 | - | - |
| Long-term investments | 7 | 1,899,518 | 1,961,977 |
| Long-term deposits | 8 | 331,537 | 288,882 |
| Total non-current assets | | 15,911,404 | 10,939,806 |
| Current assets | | | |
| Stock-in-trade | 9 | 18,557,106 | 16,477,668 |
| Trade debts | 10 | 11,518,218 | 7,871,281 |
| Advances | 11 | 181,365 | 253,413 |
| Deposits and prepayments | 12 | 80,633 | 106,179 |
| Other receivables | 13 | 2,161,031 | 1,144,753 |
| Mark-up and profit accrued | 14 | 57,398 | 35,816 |
| Cash and bank balances | 15 | 9,628,057 | 7,821,070 |
| Total current assets | | 42,183,808 | 33,710,180 |
| TOTAL ASSETS | | 58,095,212 | 44,649,986 |
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | | | |
| Share capital | 16 | 1,448,150 | 1,206,792 |
| Reserves | 17 | 7,792,097 | 3,755,346 |
| Total shareholders' equity | | 9,240,247 | 4,962,138 |
| Surplus on revaluation of operating fixed assets - net of tax | 18 | 1,025,789 | 1,142,880 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Long-term financing | 19 | 2,240,163 | 2,307,749 |
| Liabilities against assets subject to finance lease | 20 | 377,603 | 471,731 |
| Deferred and other liabilities | 21 | 1,413,122 | 1,144,581 |
| Total non-current liabilities | | 4,030,888 | 3,924,061 |
| Current liabilities | | | |
| Trade and other payables | 22 | 34,321,373 | 29,222,758 |
| Mark-up and profit accrued | 23 | 117,258 | 91,185 |
| Short-term borrowings | 24 | 6,944,699 | 3,889,629 |
| Current portion of non-current liabilities | 25 | 1,642,892 | 747,466 |
| Taxation | 26 | 772,066 | 669,869 |
| Total current liabilities | | 43,798,288 | 34,620,907 |
| TOTAL LIABILITIES | | 47,829,176 | 38,544,968 |
| TOTAL EQUITY AND LIABILITIES | | 58,095,212 | 44,649,986 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 27 | | |

The annexed notes 1 to 52 form an integral part of these unconsolidated financial statements.



Saleem Butt
Chief Executive Officer
& Director



Khurram Shahzad Venjhar
Chief Financial Officer



Abdul Aziz Khalid
Director

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT


FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | Note | 2017 | 2016 |
|---|------|--------------------|--------------------|
| Sales - net | 28 | 215,662,302 | 128,759,275 |
| Less: sales tax | | (41,923,129) | (29,251,081) |
| Net sales | | 173,739,173 | 99,508,194 |
| Other revenue | 29 | 500,460 | 207,587 |
| Net revenue | | 174,239,633 | 99,715,781 |
| Cost of products sold | 30 | (166,850,657) | (94,585,669) |
| Gross profit | | 7,388,976 | 5,130,112 |
| Operating expenses | | | |
| Distribution and marketing | 31 | (2,666,666) | (1,746,237) |
| Administrative | 32 | (611,439) | (508,983) |
| | | (3,278,105) | (2,255,220) |
| Other income | 33 | 417,481 | 203,189 |
| Operating profit | | 4,528,352 | 3,078,081 |
| Finance cost | 34 | (582,785) | (442,163) |
| Other expenses | 35 | (491,095) | (673,772) |
| Exchange (loss) / gain - net | | (795,773) | 5,829 |
| | | (1,869,653) | (1,110,106) |
| Profit before taxation | | 2,658,699 | 1,967,975 |
| Taxation | 36 | (1,257,451) | (752,349) |
| Profit for the year | | 1,401,248 | 1,215,626 |
| | | | Restated |
| Earnings per share - basic and diluted (Rupees) | 37 | 10.70 | 9.41 |

The annexed notes 1 to 52 form an integral part of these unconsolidated financial statements.


Saleem Butt
 Chief Executive Officer
 & Director


Khurram Shahzad Venjhar
 Chief Financial Officer


Abdul Aziz Khalid
 Director

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | Note | 2017 | 2016 |
|--|--------|------------------|------------------|
| Profit for the year | | 1,401,248 | 1,215,626 |
| Other comprehensive loss | | | |
| <i>Items that will not be reclassified to unconsolidated profit and loss account</i> | | | |
| Remeasurement of actuarial losses on defined benefit obligation - net of tax | 21.3.5 | (30,519) | (9,795) |
| <i>Items that may be reclassified subsequently to unconsolidated profit and loss account</i> | | | |
| Unrealized loss on remeasurement of available-for-sale investments - net of tax | | (302,341) | (59,791) |
| | | (332,860) | (69,586) |
| Total comprehensive income | | 1,068,388 | 1,146,040 |

The annexed notes 1 to 52 form an integral part of these unconsolidated financial statements.



Saleem Butt
Chief Executive Officer
& Director



Khurram Shahzad Venjhar
Chief Financial Officer



Abdul Aziz Khalid
Director

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY


FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | Share Capital | Share premium | Capital reserves Suplus on re-measurement of available for sale investment to fair value | Revenue reserve Unappropriated profit | Total shareholders' equity |
|---|---------------|---------------|---|--|----------------------------|
| Balance as at January 01, 2016 | 1,206,792 | 1,070,828 | 684,721 | 1,566,762 | 4,529,103 |
| Total comprehensive income for the year | | | | | |
| Profit for the year | - | - | - | 1,215,626 | 1,215,626 |
| Other comprehensive loss | | | | | |
| Remeasurement of actuarial losses on defined benefit obligation - net of tax | - | - | - | (9,795) | (9,795) |
| Unrealized loss due to change in fair value of long-term investments - net of tax | - | - | (59,791) | - | (59,791) |
| Total comprehensive income | - | - | (59,791) | 1,205,831 | 1,146,040 |
| Transferred from surplus on revaluation of operating fixed assets on account of incremental depreciation - net of tax | - | - | - | 131,749 | 131,749 |
| | - | - | (59,791) | 1,337,580 | 1,277,789 |
| Transactions with owners recognized directly in equity | | | | | |
| Final dividend at Rs. 3.50 per share - December 2015 | - | - | - | (422,377) | (422,377) |
| Interim dividend at Rs. 3.50 per share - June 2016 | - | - | - | (422,377) | (422,377) |
| Total transactions with owners recognized directly in equity | - | - | - | (844,754) | (844,754) |
| Balance as at December 31, 2016 | 1,206,792 | 1,070,828 | 624,930 | 2,059,588 | 4,962,138 |
| Balance as at January 01, 2017 | 1,206,792 | 1,070,828 | 624,930 | 2,059,588 | 4,962,138 |
| Total comprehensive income for the year | | | | | |
| Profit for the year | - | - | - | 1,401,248 | 1,401,248 |
| Other comprehensive loss | | | | | |
| Remeasurement of actuarial losses on defined benefit obligation - net of tax | - | - | - | (30,519) | (30,519) |
| Unrealized loss due to change in fair value of long-term investments - net of tax | - | - | (302,341) | - | (302,341) |
| Total comprehensive income | - | - | (302,341) | 1,370,729 | 1,068,388 |
| Transferred from surplus on revaluation of operating fixed assets on account of incremental depreciation - net of tax | - | - | - | 117,091 | 117,091 |
| | - | - | (302,341) | 1,487,820 | 1,185,479 |
| Transactions with owners | | | | | |
| Right issue 20% @ Rs. 165/- per share - September 2017 | 241,358 | 3,741,055 | - | - | 3,982,413 |
| Issuance cost | - | (45,029) | - | - | (45,029) |
| | 241,358 | 3,696,026 | - | - | 3,937,384 |
| Final dividend at Rs. 3.50 per share - December 2016 | - | - | - | (422,377) | (422,377) |
| Interim dividend at Rs. 3.50 per share - June 2017 | - | - | - | (422,377) | (422,377) |
| | - | - | - | (844,754) | (844,754) |
| Total transactions with owners | 241,358 | 3,696,026 | - | (844,754) | 3,092,630 |
| Balance as at December 31, 2017 | 1,448,150 | 4,766,854 | 322,589 | 2,702,654 | 9,240,247 |

The annexed notes 1 to 52 form an integral part of these unconsolidated financial statements.


Saleem Butt
 Chief Executive Officer
 & Director


Khurram Shahzad Venjhar
 Chief Financial Officer


Abdul Aziz Khalid
 Director

UNCONSOLIDATED CASH FLOW STATEMENT


FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | Note | 2017 | 2016 |
|---|--------|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 40 | 2,388,667 | 3,288,145 |
| Finance cost paid | | (555,825) | (405,289) |
| Profit received on bank deposits | | 257,471 | 129,217 |
| Taxes paid | | (788,425) | (599,442) |
| Gratuity paid | 21.3.2 | (25,825) | (5,003) |
| Net cash generated from operating activities | | 1,276,063 | 2,407,628 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Capital expenditure incurred | 5.3 | (5,693,170) | (2,863,872) |
| Proceeds from disposal of property, plant and equipment | | 214,099 | 65,711 |
| Dividend received | | - | 13,407 |
| Long-term investment made during the year | | (303,000) | (75,000) |
| Long-term deposits paid | | (42,655) | (60,251) |
| Net cash used in investing activities | | (5,824,726) | (2,920,005) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Lease liability (repaid) / obtained - net | | (131,977) | 194,591 |
| Proceeds from issue of shares - net of transaction cost | | 3,937,384 | - |
| Dividend paid | | (844,754) | (844,754) |
| Proceeds from issue of commercial paper | 24.3 | 1,446,204 | - |
| Long-term finance obtained - net | | 340,814 | 2,435,489 |
| Net cash generated from financing activities | | 4,747,671 | 1,785,326 |
| Net increase in cash and cash equivalents | | 199,008 | 1,272,949 |
| Cash and cash equivalents at beginning of the year | | 3,871,441 | 2,598,492 |
| Cash and cash equivalents at end of the year | 41 | 4,070,449 | 3,871,441 |

The annexed notes 1 to 52 form an integral part of these unconsolidated financial statements.


Saleem Butt
 Chief Executive Officer
 & Director


Khurram Shahzad Venjhar
 Chief Financial Officer


Abdul Aziz Khalid
 Director

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

1 LEGAL STATUS AND NATURE OF BUSINESS

Hascol Petroleum Limited (the Company) was incorporated in Pakistan as a private limited company on March 28, 2001. On September 12, 2007 the Company was converted into a public unlisted company and on May 12, 2014 the Company got listed on the Pakistan Stock Exchange. The registered office of the Company is situated at Suite No. 105-106, The Forum, Khayaban-e-Jami, Clifton, Karachi.

The Company is engaged in the business of procurement, storage and marketing of petroleum and related products, for which the Company obtained oil marketing license from Ministry of Petroleum and Natural Resources in the year 2005.

2 BASIS OF PREPARATION

2.1 Separate financial statements

These unconsolidated financial statements are the separate financial statements of the Company in which investment in subsidiary is accounted for on the basis of cost rather than on the basis of reported results. Consolidated financial statements of the Company are prepared and presented separately.

2.2 Statement of compliance

2.2.1 The Companies Ordinance, 1984 was repealed by enactment of the Companies Act, 2017 (the Act) on May 30, 2017. Securities & Exchange Commission of Pakistan (SECP) vide its Circular No. 17 of 2017 has communicated its decision that the companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. In continuation to the above mentioned circular, SECP in view of the difficulties faced by the companies to comply with the provisions of the Act, has advised vide Circular No. 23 of 2017 that the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Furthermore, the Institute of Chartered Accountant of Pakistan (ICAP) has obtained clarification from the SECP in this regard, as per which the preparation of financial statements in accordance with the repealed Companies Ordinance, 1984 covers interim financial statements of the companies for the period ending on or before December 31, 2017.

2.2.2 These unconsolidated financial statements have been prepared in accordance with the Approved Accounting Standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by ICAP as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued there under differ with the requirements of IFRS and IFAS, the requirements of the Companies Ordinance, 1984 and said directives shall prevail.

2.3 Accounting convention

These unconsolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

| Items | Measurement basis |
|-------------------------------|---|
| Available for sale investment | Fair value |
| Net defined benefit liability | Present value of the defined benefit obligation |
| Property, plant and equipment | Revalued amounts |
| Monetary Liabilities | Spot exchange Rate |

2.3.1 In these unconsolidated financial statements, except for the unconsolidated statement of cash flows, all the transactions have been accounted for on an accrual basis.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

2.4 Functional and presentation currency

These unconsolidated financial statements are presented in Pakistani Rupees which is also the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise stated.

2.5 Standards, Amendments and Interpretations to Approved Accounting Standards

2.5.1 Standards, amendments and interpretations to the published standards that are relevant to the Company and adopted in the current year

The Company has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current year.

| Amendments | Effective Date |
|--|-----------------|
| IAS 7 - Disclosure Initiative (Amendments to IAS 7) | January 1, 2017 |
| IAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12) | January 1, 2017 |
| IFRS 12 - Annual Improvements to IFRS 2014-2016 | January 1, 2017 |

Adoption of the above revisions, amendments and interpretations of the standards have no significant effect on the amounts for the year ended December 31, 2017 and 2016.

2.5.2 Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Company

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

| Standards and amendment | Effective date (Annual periods beginning on or after) |
|---|---|
| IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) | Postponed |
| IFRS 2 - Classification and Measurement of Share-based Payment Transaction (Amendments to IFRS 2) | |
| IFRS 1 and IAS 28 - Annual Improvements to IFRSs 2014-2016 | January 1, 2018 |
| IAS 40 - Transfers of Investment Property (Amendments to IAS 40) | January 1, 2018 |
| IFRS 15 - Revenue from Contracts with Customers | July 1, 2018 |
| IFRS 9 - Financial Instruments | July 1, 2018 |
| IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) | January 1, 2019 |
| IFRS 9 - Prepayment Features with Negative Compensation (Amendments to IFRS 9) | January 1, 2019 |
| Annual Improvements to IFRSs 2015 - 2017 Cycle | January 1, 2019 |
| Interpretation | |
| IFRIC 22 - Foreign Currency Transactions and Advance Consideration | January 1, 2018 |
| IFRIC 23 - Uncertainty over Income Tax Treatments | January 1, 2019 |

The Company is in the process of assessing the impact of these standards, amendments and interpretations to the published standards on the unconsolidated financial statements.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

2.5.3 Standards, amendments and interpretations to the published standards that are not yet notified by the SECP

Following new standards have been issued by the IASB which are yet to be notified by SECP for the purpose of applicability in Pakistan.

| Standard | IASB effective date (Annual periods beginning on or after) |
|--|--|
| IFRS 14 - Regulatory Deferral Accounts | January 1, 2016 |
| IFRS 16 - Leases | January 1, 2019 |
| IFRS 17 - Insurance Contracts | January 1, 2021 |

3 CRITICAL ASSUMPTIONS, ESTIMATES AND MEASUREMENT UNCERTAINTY

The preparation of unconsolidated financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make estimates, assumptions and use judgments that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Accounting policies in respect of judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the Company's unconsolidated financial statements, estimates and assumptions with significant risk of material adjustments in the future period are included in the following notes:

| | Note |
|---|-------|
| a) Depreciation method, rates and useful life of operating fixed assets | 4.1 |
| b) Revaluation of operating fixed assets | 4.1.2 |
| c) Amortization method, rates and useful life of intangible assets | 4.2 |
| d) Estimate of fair value of investments available for sale | 4.3 |
| e) Impairment of financial assets | 4.3 |
| f) Estimate of recoverable amount of investment in subsidiaries | 4.10 |
| g) Net realizable value of stock-in-trade | 4.15 |
| h) Recoverable amount and impairment of non-financial assets | 4.16 |
| i) Provisions and contingencies | 4.19 |
| j) Provision for taxation | 4.23 |
| k) Present value of defined benefit obligation | 4.25 |

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these unconsolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

4.1 Property, plant and equipment

4.1.1 Initial recognition

(a) Operating fixed assets

An item of property, plant and equipment is initially recognized at cost.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Operating fixed assets under construction are disclosed as capital work in progress (CWIP). The cost of self constructed assets includes the cost of materials, fixed labour and any other cost directly attributable to bring the asset into service for its intended use including, where applicable, the cost of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

The assets which are available for intended use are capitalized as operating fixed assets. While assets under construction are capitalized to CWIP.

The Company accounts for property, plant and equipment acquired under finance leases by recording the assets and the related liabilities. These amounts are determined at the inception of lease, on the basis of the lower of the fair value of the leased assets and the present value of minimum lease payments. Financial charges are allocated to the accounting period in a manner so as to provide a constant rate of charge on the outstanding liability.

(b) Capital work-in-progress

CWIP is stated at cost less accumulated impairment losses, if any. All expenditure in connection with specific assets incurred during construction/installation period are carried to CWIP. These expenditures are transferred to operating fixed assets as and when these are available for intended use.

4.1.2 Measurement subsequent to initial recognition

(a) Carried using revaluation model

Following operating assets both owned and leased are subsequently measured under revaluation model (i.e. fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses).

- Building on lease hold land
- Tanks and pipelines
- Dispensing pumps
- Plant and machinery
- Electrical, mechanical and fire fighting equipment.

Fair value is determined by external professional valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

(b) Carried using cost model

Fixed assets other than those mentioned above are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation

Depreciation on operating fixed assets is charged to unconsolidated profit and loss account by applying the straight-line method whereby the cost/revalued amount of operating fixed assets is charged off over its remaining useful life. Same basis and estimates for depreciation are applied to owned assets and assets acquired under finance lease.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

Depreciation is charged on straight line method from the month in which an asset is available for intended use, while no depreciation is charged from the month in which the asset is disposed off. Depreciation is provided at the rates as disclosed in note 5.1.

Depreciation method, useful lives, and residual values are reviewed at each reporting year and adjusted, if applicable. Capital work-in-progress is not depreciated.

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

Gain and loss on disposal of operating fixed assets is included in the unconsolidated profit and loss account in the year of disposal.

Surplus on revaluation of fixed assets

The surplus arising on revaluation of fixed assets is credited to the "Surplus on revaluation of fixed assets" shown below equity in the unconsolidated balance sheet. Accordingly, the Company has adopted the following accounting treatment of depreciation on revalued assets, keeping in view the requirement of SECP SRO 45(1)/2003 dated January 13, 2003:

- depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the period is taken to the unconsolidated profit and loss account; and
- an amount equal to incremental depreciation for the period net of deferred taxation is transferred from "Surplus on revaluation of fixed assets account" to unappropriated profits through unconsolidated statement of changes in equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

Borrowing cost

Borrowing costs directly attributable to the acquisition, construction and production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

4.2 Intangible assets - computer software

These are recorded initially at cost and subsequently carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets having finite useful lives are stated at cost less accumulated amortization and accumulated impairment losses, if any. Such intangible assets are amortized over their estimated useful lives using the straight line method.

Amortization on addition and deletion of intangible assets is charged in proportion to the period of use. The useful life and amortization method is reviewed and adjusted, if appropriate, at the balance sheet date. Intangible assets having indefinite useful life are not amortized and stated at cost less impairment losses, if any.

4.3 Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

Financial assets and financial liabilities are initially measured at fair value. Transaction cost that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of financial assets or financial liabilities, as appropriate, on initial recognition.

Regular purchases and sales of financial assets are recognized on the trade date i.e. the date on which the Company commits to purchase or sell the asset.

Classification and subsequent measurement of financial assets

For the purpose of classification and subsequent measurement of financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- loans and receivables; and
- available for sale.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The loan and receivables includes trade debts, advances, deposits, markup or profit accrued, other receivables and cash and bank balances.

Available for sale

Available for sale (AFS) financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed equity securities held by the Company that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Company also have investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to changes in market rate of the equity securities and dividends on AFS equity investments are recognized in consolidated profit or loss account. Other changes in the carrying amount of AFS financial assets are recognized in consolidated other comprehensive income and accumulated under the heading of fair value reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognize in consolidated comprehensive income is reclassified to consolidated profit and loss account.

Dividends on AFS equity instruments are recognized in consolidated profit and loss account when the Company's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in consolidated profit and loss account.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through consolidated profit and loss account to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in consolidated profit and loss account are not reversed through consolidated profit and loss account. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of AFS debt securities, impairment losses are subsequently reversed through consolidated profit and loss account if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Company derecognizes a financial assets when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred assets, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

On derecognition of a financial assets in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in unconsolidated other comprehensive income and accumulated in equity is recognized in unconsolidated profit and loss account.

On derecognition of financial asset other than in its entirety (e.g. when the Company retains an option to re-purchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continue to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in unconsolidated other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Classification and subsequent measurement of financial liabilities

Financial liabilities are measured subsequently at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. All interest-related charges, if applicable, changes in an instrument's fair value that are reported in unconsolidated profit and loss account are included within finance costs.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in unconsolidated profit and loss account.

4.4 Off setting of financial assets and financial liabilities

Financial assets and liabilities are off set and the net amount is reported in the unconsolidated balance sheet if the Company has a legally enforceable right to off-set the transactions and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.5 Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definition of a financial liability and equity instrument.

4.6 Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received. Transaction costs directly attributable to the issue of ordinary share are recognized as deduction from equity.

4.7 Share premium reserves

Share premium is recorded on issue of shares in accordance with the requirements of section 83 of the Companies Act, 2017 and Rule 5 of the Companies (Issue of Capital) Rules, 1996 amendment pursuant of S.R.O 34 (I)/2016 dated 19th January 2016. The premium is available for use as per section 81 of the Companies Act, 2017.

4.8 Dividend distribution

Final dividend distribution to the Company's shareholders is recognized as a liability in the unconsolidated balance sheet in the period in which the dividends are approved, while interim dividend distributions are recognized in the period in which the dividends are declared by the Board of Directors. However, if these are approved after the reporting period but before the unconsolidated financial statements are authorized for issue, they are disclosed in the notes to the unconsolidated financial statements.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

4.9 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.10 Investment in subsidiary

A subsidiary is an entity controlled by the entity. The Company control an investee when the Company is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect the return through its power over the investee. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account.

Investment in subsidiary company is initially stated at cost. At subsequent reporting date recoverable amounts are estimated to determine the extent of impairment loss, if any, and carrying amount of investment is adjusted accordingly.

4.11 Investment in associate

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but also neither has control nor joint control over those policies.

When necessary the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS-36 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use and fair value less cost of disposal) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS-36 to the extent that the recoverable amount of the investment subsequently increases.

When the Company transacts with an associate profit and losses resulting from the transactions with the associate are recognized in the Company's unconsolidated financial statements only to the extent of interests in the associate that are not related to the Company.

4.12 Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest method exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

4.13 Trade debts and other receivables

Trade debts and other receivables are recognized initially at invoice value, which approximates fair value, and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade debts and other receivables is established when there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of the receivable. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the trade debt is impaired. The amount of provision is charged to unconsolidated profit and loss account. Trade debts and other receivables considered irrecoverable are written-off.

Exchange gains and losses arising on translation in respect of trade debts and other receivables in foreign currency are added to the carrying amount of the respective receivables.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

4.14 Advance and deposits

These are stated at cost less provision for doubtful balances, if any. Deposits represent security deposits from dealers by virtue of agreement and are interest free. These are repayable on cancellation on dealership contract with dealers.

4.15 Stock-in-trade

Stock-in-trade is valued at the lower of cost and net realizable value.

Cost is determined as follows:

- Stock-in-transit is valued at cost comprising invoice value plus other charges incurred thereon.
- The cost of stock in trade is determined on moving weighted average basis.

Provision is made for obsolete/slow moving stocks where necessary and recognized in the unconsolidated profit and loss account. Net realizable value represents the estimated selling value price in the ordinary course of business less estimated costs necessary in order to make the sale.

4.16 Impairment of non financial assets

The carrying amounts of non financial assets, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the unconsolidated profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

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

4.17 Term deposit receipts (TDRs)

These represent placement in TDRs with financial institution having tenure of one year.

4.18 Cash and cash equivalents

Cash and cash equivalents are carried in the unconsolidated balance sheet at cost. For the purposes of the unconsolidated statement of cash flows, cash and cash equivalents include cash in hand, demand deposit, bank balances, short term borrowings and other items of current assets and current liabilities which qualify as cash equivalent.

4.19 Provisions and contingent liabilities

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are only disclosed and not recognized as liability in the unconsolidated balance sheet.

4.20 Commitment

Commitments are disclosed in the unconsolidated financial statements at committed amount.

4.21 Leases

Finance leases

Leases in terms of which the Company has substantially all the risks and rewards of ownership are classified as finance leases. Assets obtained under finance lease are accounted for in accordance with policy stated in note 4.1.

The related rental obligations, net of finance costs are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to unconsolidated profit and loss account over the lease term.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. Payments made under operating leases (net of any incentives received from the lessor) are charged to the unconsolidated profit and loss account on a straight-line basis over the period of lease. In the event lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight line basis except where another systematic basis is more representative of the time pattern in which economic benefit from the leased assets are consumed.

Ijarah

Leased assets which are obtained under Ijarah agreement are not recognized in the Company's unconsolidated balance sheet and are treated as operating lease based on IFAS 2 issued by the ICAP and notified by SECP vide S.R.O. 43(1) / 2007 dated 22 May 2007. Ujrah payments made under an Ijarah are charged to the unconsolidated profit and loss account on a straight line basis over the Ijarah term unless another systematic basis is representative of time pattern of the user's benefit even if the payment are not on that basis.

4.22 Foreign currency translations

Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rates of exchange prevailing at the balance sheet date. Transactions denominated in foreign currencies are converted into Pakistani Rupees at the rates of exchange prevailing at the transaction date. Exchange gains or losses are taken to the unconsolidated profit and loss account. At the end of each reporting period, monetary amount denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

4.23 Taxation

Taxation for the year comprises current and deferred tax. Taxation is recognized in the unconsolidated profit and loss account except to the extent that it relates to items recognized outside unconsolidated profit and loss account (whether in unconsolidated other comprehensive income or directly in equity), if any, in which case the tax amounts are recognized outside unconsolidated profit and loss account.

- Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of prior years.

- Deferred

Deferred tax is provided for using the unconsolidated balance sheet method providing the temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date. Deferred tax asset is recognized only to the extent that it is probable that the future taxable profits will be available and credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on the tax rates that have been enacted. The Company takes into account the current income tax laws and decisions taken by the taxation authorities.

Deferred tax is charged or credited in the unconsolidated profit and loss account, except in the case of items credited or charged to equity or comprehensive income, in which case it is included in equity or statement of other comprehensive income as the case may be.

4.24 Revenue recognition

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

Operating revenue

- Sales are recorded when significant risks and rewards of ownership of the goods have passed to the customers which coincides with dispatch of goods to customers.
- Non-fuel retail income and other revenue (including license fee) is recognized on an accrual basis.
- Handling, storage and other services income is recognized when the services have been rendered.

Other income

- Dividend income is recognized when the Company's right to receive the dividend is established.
- Return on bank deposits is recognized when it is probable that the economic benefits will flow to the entity and the amount of income can be measured reliably. Interest income is accrued on a timely basis by reference to the principal outstanding and at the effective interest rate applicable.
- Rental income from operating leases is recognized on a straight line basis over the terms of the relevant lease. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amounts of the leased assets and recognized on a straight line basis over the leased term.

4.25 Retirement and other service benefits

Unfunded gratuity scheme

The Company operates an unapproved and unfunded gratuity scheme covering of all its permanent employees who have completed the qualifying period under the scheme. The scheme is administered by the trustees and contribution therein are made in the accordance with actuarial recommendations.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

The valuation in this regard is carried using the Projected Unit Credit Method with actuarial valuation being carried out at the end of each annual reporting period. Remeasurement of the defined benefit liability, which comprises of actuarial gain and losses are recognized in the unconsolidated other comprehensive income based on actuarial gain and losses.

The Company determine the net interest expense / (income) on the net defined benefit liability / (asset) for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual year to the net defined benefit liability / (asset), taking into account and change in the net defined benefit liability / (asset) during the year as result of contribution and benefit payments. Net interest expense, current service cost and past service cost related to defined benefit plans are recognized in the unconsolidated profit and loss account.

Contributory provident fund

The Company operates an approved contributory provident fund for all its permanent employees. The contribution to the fund is made by the Company as well as the employees at the rate of 5.72% percent of the basic salary.

4.26 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as management that makes strategic decisions. The management has determined that the Company has a single reportable segment as the Board of Directors view the Company's operations as one reportable segment.

4.27 Related party transactions

All transactions with related parties are carried out by the Company at arm's length price using the comparable uncontrolled valuation method.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

(Rupees in thousand)

5 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets
Capital work-in-progress

5.1 Operating fixed assets

| Note | 2017 | 2016 |
|------|-------------------|------------------|
| 5.1 | 9,869,027 | 5,214,536 |
| 5.2 | 3,811,322 | 3,474,411 |
| | <u>13,680,349</u> | <u>8,688,947</u> |

| | Owned assets | | | | | | | Leased assets | | | | | | | | | | | |
|-------------------------------------|-----------------|---|------------------|---------------------|------------------|---------------------|--|--|----------------|---------------|----------------------|----------------|---------------------|------------------|---------------------|--|----------------|---------------|------------------------------|
| | Land lease hold | Building on lease hold and office and depots building | Pump building | Tanks and pipelines | Dispensing pumps | Plant and machinery | Electrical, mechanical and fire fighting equipment | Furniture, office equipment and other assets | Tank lorries | Motor cars | Computer auxiliaries | Pump building | Tanks and pipelines | Dispensing pumps | Plant and machinery | Electrical, mechanical and fire fighting equipment | Tank lorries | Motor cars | Total operating fixed assets |
| At January 1, 2017 | | | | | | | | | | | | | | | | | | | |
| Cost / revalued amount | 31,557 | 1,050,270 | 1,360,952 | 764,904 | 325,888 | 81,231 | 594,001 | 142,943 | 16,247 | 57,871 | 52,811 | 285,399 | 208,596 | 635,116 | 205,322 | 44,777 | 255,579 | 61,493 | 6,174,957 |
| Accumulated depreciation | - | (129,881) | (144,557) | (60,462) | (50,228) | (8,476) | (95,457) | (62,158) | (2,118) | (9,766) | (33,735) | (74,627) | (47,545) | (165,157) | (35,326) | (7,767) | (15,898) | (17,263) | (960,421) |
| Net book value | 31,557 | 920,389 | 1,216,395 | 704,442 | 275,660 | 72,755 | 498,544 | 80,785 | 14,129 | 48,105 | 19,076 | 210,772 | 161,051 | 469,959 | 169,996 | 37,010 | 239,681 | 44,230 | 5,214,536 |
| Year ended December 31, 2017 | | | | | | | | | | | | | | | | | | | |
| Opening net book value | 31,557 | 920,389 | 1,216,395 | 704,442 | 275,660 | 72,755 | 498,544 | 80,785 | 14,129 | 48,105 | 19,076 | 210,772 | 161,051 | 469,959 | 169,996 | 37,010 | 239,681 | 44,230 | 5,214,536 |
| Addition / transfer from CWIP | 857,520 | 1,608,596 | 226,179 | 1,358,026 | 53,182 | 78,379 | 554,514 | 22,996 | 309,242 | 67,964 | 16,949 | - | - | - | - | 20,070 | 174,919 | 7,723 | 5,356,255 |
| Revaluation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Disposals | | | | | | | | | | | | | | | | | | | |
| Cost | - | - | - | - | - | - | - | - | (126,897) | (69,459) | - | - | - | - | - | - | - | (1,269) | (197,625) |
| Accumulated depreciation | - | - | - | - | - | - | - | - | (126,897) | (65,308) | 4,151 | - | - | - | - | - | - | 1,269 | 5,420 |
| Depreciation charge | - | - | - | - | - | - | - | - | (126,897) | (65,308) | (12,954) | (19,755) | (13,783) | (65,337) | (12,219) | (2,540) | (35,638) | (10,692) | (509,563) |
| Closing net book value | 889,077 | 2,464,822 | 1,361,297 | 2,013,981 | 301,870 | 145,770 | 981,044 | 81,944 | 190,236 | 37,807 | 25,732 | 191,017 | 147,268 | 404,622 | 157,777 | 54,540 | 378,962 | 41,261 | 9,869,027 |
| At December 31, 2017 | | | | | | | | | | | | | | | | | | | |
| Cost / revalued amount | 889,077 | 2,658,866 | 1,587,131 | 2,122,930 | 379,070 | 159,610 | 1,148,515 | 165,939 | 198,592 | 56,376 | 69,760 | 285,399 | 208,596 | 635,116 | 205,322 | 64,847 | 430,498 | 67,947 | 11,333,591 |
| Accumulated depreciation | - | (194,044) | (225,834) | (108,949) | (77,200) | (13,840) | (167,471) | (83,995) | (8,356) | (18,569) | (44,028) | (94,382) | (61,328) | (230,494) | (47,545) | (10,307) | (51,536) | (26,686) | (1,464,564) |
| Net book value | 889,077 | 2,464,822 | 1,361,297 | 2,013,981 | 301,870 | 145,770 | 981,044 | 81,944 | 190,236 | 37,807 | 25,732 | 191,017 | 147,268 | 404,622 | 157,777 | 54,540 | 378,962 | 41,261 | 9,869,027 |
| Depreciation rate - % | - | 5 | 5 | 5 | 6.67 | 5 | 10 | 20 | 10 | 20 | 33.33 | 5 | 5 | 6.67 | 5 | 10 | 10 | 20 | |
| At January 1, 2016 | | | | | | | | | | | | | | | | | | | |
| Cost / revalued amount | - | 969,929 | 1,020,617 | 579,307 | 303,771 | 52,311 | 426,135 | 73,320 | - | 10,448 | 34,463 | 277,873 | 208,596 | 600,076 | 168,002 | 39,592 | 12,230 | 11,739 | 4,788,409 |
| Accumulated depreciation | - | (70,312) | (76,143) | (30,113) | (27,125) | (3,444) | (37,316) | (50,884) | - | (6,778) | (24,360) | (55,040) | (33,766) | (100,748) | (24,318) | (6,464) | (9,275) | (11,739) | (567,825) |
| Net book value | - | 899,617 | 944,474 | 549,194 | 276,646 | 48,867 | 388,819 | 22,436 | - | 3,670 | 10,103 | 222,833 | 174,830 | 499,328 | 143,684 | 33,128 | 2,955 | - | 4,220,584 |
| Year ended December 31, 2016 | | | | | | | | | | | | | | | | | | | |
| Opening net book value | - | 899,617 | 944,474 | 549,194 | 276,646 | 48,867 | 388,819 | 22,436 | - | 3,670 | 10,103 | 222,833 | 174,830 | 499,328 | 143,684 | 33,128 | 2,955 | - | 4,220,584 |
| Addition / transfer from CWIP | 31,557 | 80,341 | 340,335 | 185,597 | 22,117 | 28,920 | 167,866 | 69,623 | 16,247 | 50,630 | 18,408 | 7,526 | - | 35,040 | 37,320 | 5,185 | 297,213 | 52,819 | 1,446,744 |
| Revaluation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Disposals / transfers | - | - | - | - | - | - | - | - | - | (3,207) | (60) | - | - | - | - | - | (53,864) | (3,065) | (60,196) |
| Cost | - | - | - | - | - | - | - | - | - | 2,533 | 50 | - | - | - | - | - | 898 | 3,065 | 6,516 |
| Accumulated depreciation | - | - | - | - | - | - | - | - | - | (674) | (10) | - | - | - | - | - | (62,966) | - | (53,650) |
| Depreciation charge for the year | - | (59,569) | (68,414) | (30,349) | (23,103) | (5,032) | (58,141) | (11,274) | (2,118) | (5,521) | (9,425) | (19,587) | (13,779) | (64,409) | (11,008) | (1,303) | (7,521) | (8,589) | (399,142) |
| Closing net book value | 31,557 | 920,389 | 1,216,395 | 704,442 | 275,660 | 72,755 | 498,544 | 80,785 | 14,129 | 48,105 | 19,076 | 210,772 | 161,051 | 469,959 | 169,996 | 37,010 | 239,681 | 44,230 | 5,214,536 |
| At December 31, 2016 | | | | | | | | | | | | | | | | | | | |
| Cost / revalued amount | 31,557 | 1,050,270 | 1,360,952 | 764,904 | 325,888 | 81,231 | 594,001 | 142,943 | 16,247 | 57,871 | 52,811 | 285,399 | 208,596 | 635,116 | 205,322 | 44,777 | 255,579 | 61,493 | 6,174,957 |
| Accumulated depreciation | - | (129,881) | (144,557) | (60,462) | (50,228) | (8,476) | (95,457) | (62,158) | (2,118) | (9,766) | (33,735) | (74,627) | (47,545) | (165,157) | (35,326) | (7,767) | (15,898) | (17,263) | (960,421) |
| Net book value | 31,557 | 920,389 | 1,216,395 | 704,442 | 275,660 | 72,755 | 498,544 | 80,785 | 14,129 | 48,105 | 19,076 | 210,772 | 161,051 | 469,959 | 169,996 | 37,010 | 239,681 | 44,230 | 5,214,536 |
| Depreciation rate - % | - | 5 | 5 | 5 | 6.67 | 5 | 10 | 20 | 20 | 20 | 33.33 | 5 | 5 | 6.67 | 5 | 10 | 20 | 20 | |

* Running finance facility from Summit Bank Limited is secured on office building for the value of Rs. 500 million (2016: Rs. 500 million).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | Note | 2017 | 2016 |
|--|------|------------------|------------------|
| 5.2 Capital work in progress | | | |
| Office building | | 1,505,203 | 1,601,993 |
| Tanks and pipelines | | 697,086 | 649,540 |
| Pump building | | 435,325 | 250,137 |
| Electrical, mechanical and fire fighting equipment | | 304,894 | 475,424 |
| Tank lorries | | 260,357 | - |
| Advances to contractors | | 232,592 | 140,614 |
| Dispensing pumps | | 160,087 | 96,357 |
| Furniture, office equipment and other assets | | 155,567 | 107,768 |
| Plant and machinery | | 25,697 | 22,319 |
| Borrowing cost capitalized | 5.3 | 22,035 | 123,214 |
| Computer auxiliaries | | 12,479 | 7,045 |
| | | 3,811,322 | 3,474,411 |

5.3 During the year additions amounting to Rs. 5,693.17 million (2016: 2,863.87 million) have been made in capital work-in-progress. This also includes borrowing cost capitalized during the year at rates ranging from 7.45% - 9.15% (2016: 7.36% - 9.59%).

5.4 Due to large number of dealers it is impracticable to disclose the name of each person having possession of operating fixed assets, as required under Paragraph 5 of Part I of the 4th Schedule to the Companies Ordinance, 1984.

Operating fixed assets held by dealers of retail outlets of the Company are tanks and pipelines dispensing pumps, plant and machinery, electrical, mechanical and fire fighting equipments. These assets are not in possession of the Company as these have been provided to dealers of retail outlets to facilitate them to promote and sell the Company's products.

5.5 Change in accounting estimates

In accordance with its policy, the Company reviews the estimated useful lives of its operating fixed assets on an ongoing basis. This review indicated that the actual lives of tank lorries were more than the estimated useful lives used for depreciation purposes in the Company's unconsolidated financial statements. As a result, effective January 01, 2017, the Company changed its estimates of the useful lives of its tank lorries to better reflect the estimated periods during which these assets will remain in service. Due to change in estimated useful lives the depreciation rate has been revised from 20% to 10%.

Effect of the change in estimate on depreciation expense and profit for the year is shown below:

| | Based at previous rate | Based at current rate | (Decreased) /increased by |
|--------------------------------|---------------------------|--------------------------|------------------------------|
| Change in depreciation expense | 83,752 | 41,876 | (41,876) |
| Change in profit for the year | | | 41,876 |

5.6 In 2012, the Company carried out revaluation of petrol pumps through an independent valuer. Revalued amount of assets was Rs. 1,172 million, resulting in surplus (net of deferred tax) amount to Rs. 387 million. Further, during 2015 the Company carried out revaluation of depots and petrol pumps through an independent valuer. Revalued amount of assets was Rs. 4,154 million, resulting in surplus (net of deferred tax) amounting to Rs. 1,006 million.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

- 5.7** Had there been no revaluation, the written down value of the following assets in the unconsolidated balance sheet would have been as follows:

| | Cost | Accumulated depreciation | Written down value 2017 | 2016 |
|---|------------------|--------------------------|----------------------------|------------------|
| Owned Assets | | | | |
| Building on lease hold land: | | | | |
| - Pump building | 880,921 | 197,677 | 683,244 | 727,290 |
| - Dispensing units | 61,613 | 15,275 | 46,338 | 50,448 |
| Plant and machinery | 19,767 | 5,345 | 14,422 | 15,410 |
| Tanks and pipelines | 312,423 | 50,019 | 262,404 | 278,025 |
| Electrical mechanical and fire fighting equipment | 224,202 | 67,699 | 156,503 | 178,923 |
| Leased Assets | | | | |
| Pump building | 166,399 | 83,331 | 83,068 | 91,388 |
| Dispensing units | 137,419 | 87,400 | 50,019 | 59,185 |
| Plant and machinery | 66,850 | 32,637 | 34,213 | 37,556 |
| Tanks and pipelines | 90,260 | 48,011 | 42,249 | 46,762 |
| Electrical mechanical and fire fighting equipment | 14,351 | 6,634 | 7,717 | 9,152 |
| | <u>1,974,205</u> | <u>594,028</u> | <u>1,380,177</u> | <u>1,494,139</u> |

- 5.8** The level of hierarchy for the fair value disclosed fall in level 3 i.e., inputs other than quoted prices included within level 3 that are unobservable either directly or indirectly.

| | Note | 2017 | 2016 |
|---|------|----------------|----------------|
| 5.9 The depreciation charged for the year has been allocated as follows: | | | |
| Distribution and marketing expenses | 31 | 486,087 | 373,786 |
| Administrative expenses | 32 | 23,476 | 25,356 |
| | | <u>509,563</u> | <u>399,142</u> |

- 5.10** During the year written down value of operating fixed assets that have been disposed-off amount to Rs.192.2 million (2016: Rs. 53.65 million). Details of operating fixed assets disposed-off with WDV above Rs. 50,000 are given below:

| Type | Cost | Accumulated depreciation | Net book value | Sale proceeds | Gain / (Loss) | Particulars of buyers | Mode of disposal |
|-------------------|---------------|--------------------------|----------------|---------------|---------------|------------------------------|-----------------------|
| Motor cars | | | | | | | |
| | 25,205 | 1,721 | 23,484 | 23,000 | (484) | Mumtaz Hasan Khan - Chairman | As per Company policy |
| | 22,238 | - | 22,238 | 22,384 | 146 | Mumtaz Hasan Khan - Chairman | As per Company policy |
| | 19,281 | 1,380 | 17,901 | 15,750 | (2,151) | Mumtaz Hasan Khan - Chairman | As per Company policy |
| | 814 | - | 814 | 964 | 150 | Mumtaz Hasan Khan - Chairman | As per Company policy |
| | 102 | 5 | 97 | 402 | 305 | Sheraz Ahmed - Employee | As per Company policy |
| | 102 | 5 | 97 | 402 | 305 | Muhammad Umer - Employee | As per Company policy |
| | 102 | 5 | 97 | 402 | 305 | Nousheen Nabeel - Employee | As per Company policy |
| | 99 | 8 | 91 | 394 | 303 | Ali Raza - Employee | As per Company policy |
| | 99 | 8 | 91 | 394 | 303 | Tillah Khan - Employee | As per Company policy |
| | 99 | 8 | 91 | 394 | 303 | Shumail - Employee | As per Company policy |
| | 99 | 8 | 91 | 394 | 303 | Farooq Memon - Employee | As per Company policy |
| | 99 | 10 | 89 | 710 | 621 | Fawaz Fasih - Employee | As per Company policy |
| | 99 | 11 | 88 | 394 | 306 | Zubair Ahmed Khan - Employee | As per Company policy |
| | <u>68,438</u> | <u>3,169</u> | <u>65,269</u> | <u>65,984</u> | <u>715</u> | | |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| Type | Cost | Accumulated depreciation | Net book value | Sale proceeds | Gain / (Loss) | Particulars of buyers | Mode of disposal |
|---------------------|----------------|--------------------------|----------------|----------------|---------------|-----------------------|------------------------------|
| Tank Lorries | | | | | | | |
| | 10,575 | - | 10,575 | 12,212 | 1,637 | Meezan Bank Limited | Sale and operating leaseback |
| | 10,575 | - | 10,575 | 12,212 | 1,637 | Meezan Bank Limited | Sale and operating leaseback |
| | 10,575 | - | 10,575 | 12,212 | 1,637 | Meezan Bank Limited | Sale and operating leaseback |
| | 10,575 | - | 10,575 | 12,212 | 1,637 | Meezan Bank Limited | Sale and operating leaseback |
| | 10,575 | - | 10,575 | 12,212 | 1,637 | Meezan Bank Limited | Sale and operating leaseback |
| | 10,575 | - | 10,575 | 12,212 | 1,637 | Meezan Bank Limited | Sale and operating leaseback |
| | 10,575 | - | 10,575 | 12,212 | 1,637 | Meezan Bank Limited | Sale and operating leaseback |
| | 10,575 | - | 10,575 | 12,212 | 1,637 | Meezan Bank Limited | Sale and operating leaseback |
| | 10,575 | - | 10,575 | 12,212 | 1,637 | Meezan Bank Limited | Sale and operating leaseback |
| | 10,575 | - | 10,575 | 12,312 | 1,737 | Meezan Bank Limited | Sale and operating leaseback |
| | 10,575 | - | 10,575 | 12,312 | 1,737 | Meezan Bank Limited | Sale and operating leaseback |
| | 10,575 | - | 10,575 | 12,312 | 1,737 | Meezan Bank Limited | Sale and operating leaseback |
| | 126,900 | - | 126,900 | 146,844 | 19,944 | | |
| 2017 | 195,338 | 3,169 | 192,169 | 212,828 | 20,659 | | |
| 2016 | 57,073 | 3,433 | 53,640 | 64,362 | 10,722 | | |

Note **2017** 2016

6 INTANGIBLE ASSET

Computer software

Net book value at beginning of the year
Amortization charge for the year
Net book value at the end of the year

32
6.1

| | |
|---|---------|
| - | - |
| - | 1,522 |
| - | (1,522) |
| - | - |

6.1 Net book value

Cost
Accumulated amortization
Net book value
Rate of amortization - %

| | |
|---------|---------|
| 8,299 | 8,299 |
| (8,299) | (8,299) |
| - | - |
| 33.33 | 33.33 |

7 LONG-TERM INVESTMENTS

Investment in subsidiary companies - at cost

Hascombe Lubricants (Private) Limited (unquoted)
Hascol Terminals Limited (unquoted)

7.1
7.2

| | |
|---|--------|
| - | - |
| - | 75,000 |

Investment in associated company - at cost

VAS LNG (Private) Limited (unquoted)

7.3

| | |
|-------|---|
| 3,000 | - |
|-------|---|

Available for sale investments

Pakistan Refinery Limited (quoted) - at fair value
Hascol Terminals Limited (unquoted) - at cost

7.4
7.2

| | |
|-----------|-----------|
| 1,521,518 | 1,886,977 |
| 375,000 | - |
| 1,899,518 | 1,961,977 |

7.1 Investment at cost

| | |
|--------|--------|
| 30,604 | 30,604 |
|--------|--------|

Movement in provision for impairment

Balance at the beginning of the year
Provision made during the year
Balance at the end of the year

7.1.1

| | |
|----------|----------|
| (30,604) | (30,604) |
| - | - |
| (30,604) | (30,604) |
| - | - |

Net book value

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

- 7.1.1** This represents investment in wholly owned subsidiary of the Company, incorporated in Pakistan under the Companies Ordinance, 1984. Its shares are not quoted in active market. The Company holds 9.78 million ordinary shares (2016: 9.78 million) of Rs. 10 per share.
- 7.2** Investment in Hascol Terminals Limited amounts to Rs. 375 million (2016: Rs. 75 million) representing 15% (2016: 62.5%) equity stake which amounts to 37.5 million shares (2016: 7.5 million shares) as at December 31, 2017. During the year, the Company subscribed to 30 million right shares at Rs. 10 each. These shares are not quoted on an active market and have been carried at cost. Hascol Terminals Limited provides storage facilities for imported and locally produced petroleum and related products. Due to change in ownership structure, the Company loss control of Hascol terminal Limited and therefore is no longer subsidiary.
- 7.3** Investment in VAS LNG (Private) Limited amounts to Rs. 3 million (2016: Nil) representing 30% (2016: Nil) equity stake. The Company holds 0.3 million ordinary shares (2016: Nil) of Rs. 10 per share.

| | Note | Cost | Unrealised gain | Carrying value |
|--------------------------------------|-------|------------------|-----------------|------------------|
| 7.4 Pakistan Refinery Limited | | | | |
| December 31, 2017 | 7.4.1 | 1,172,772 | 348,746 | 1,521,518 |
| December 31, 2016 | | 1,172,772 | 714,205 | 1,886,977 |

- 7.4.1** Investment in Pakistan Refinery Limited represents 13.72% (2016: 13.72%) equity stake which amounts to 43.25 million shares (2016: 43.25 million shares).

| | Note | 2017 | 2016 |
|---|------|-------------------|------------|
| 8 LONG-TERM DEPOSITS | | | |
| Lease deposits | | 133,888 | 133,462 |
| Less: current portion of lease deposits | 12 | (794) | (5,740) |
| | | 133,094 | 127,722 |
| Deposits against: | | | |
| - depots | | 107,144 | 107,144 |
| - retail outlets | | 67,164 | 47,993 |
| - others | | 24,135 | 6,023 |
| | | 198,443 | 161,160 |
| | | 331,537 | 288,882 |
| 9 STOCK-IN-TRADE | | | |
| Raw and packing materials - lubricants | | 97,636 | 79,694 |
| Finished goods | | | |
| - fuels | 9.1 | 16,624,943 | 14,972,545 |
| - lubricants | | 298,577 | 315,292 |
| | | 16,923,520 | 15,287,837 |
| Stock in transit | | | |
| - fuels | | 1,509,777 | 1,110,137 |
| - lubricants | | 26,173 | - |
| | | 1,535,950 | 1,110,137 |
| | | 18,557,106 | 16,477,668 |

- 9.1** Fuels include Rs. 3,620.17 million (2016: Rs. 1,725.56 million) of High Speed Diesel which has been maintained as line fill necessary for the pipeline to operate.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | Note | 2017 | 2016 |
|--|--|------------|-----------|
| 10 TRADE DEBTS | | | |
| Considered good | | | |
| - Secured | 10.1 | 3,658,244 | 2,142,536 |
| - Unsecured | | 7,859,974 | 5,728,745 |
| | | 11,518,218 | 7,871,281 |
| Considered doubtful | 10.2 | 7,973 | 7,973 |
| | | 11,526,191 | 7,879,254 |
| Provision for impairment | 10.3 | (7,973) | (7,973) |
| | | 11,518,218 | 7,871,281 |
| 10.1 | These debts are secured by way of bank guarantees, letter of credits and security deposits. | | |
| 10.2 | This includes receivable from Hascombe Lubricants (Private) Limited (subsidiary company) amounting to Rs. 7.12 million (2016: Rs. 7.12 million). | | |
| | Note | 2017 | 2016 |
| 10.3 Movement of provision for impairment | | | |
| Balance at the beginning of the year | | 7,973 | 7,973 |
| Provision made during the year | | - | - |
| Balance at the end of the year | | 7,973 | 7,973 |
| 11 ADVANCES - considered good, unsecured | | | |
| To employees | | | |
| - against expenses | | 46,023 | 1,716 |
| - against salaries | | 63,755 | 13,348 |
| Leasing companies | | - | 2,203 |
| Advance against purchase of shares | 11.1 | 60,721 | 208,808 |
| Suppliers | | 10,866 | 27,338 |
| | | 181,365 | 253,413 |
| 11.1 Advance against purchase of shares - related parties | | | |
| Hascol Terminals Limited | | 57,685 | 208,808 |
| Hascol Lubricants (Private) Limited | | 2,013 | - |
| VAS LNG (Private) Limited | | 1,023 | - |
| | | 60,721 | 208,808 |
| 12 DEPOSITS AND PREPAYMENTS | | | |
| Deposits | | | |
| Current portion of lease deposits | 8 | 794 | 5,740 |
| Other deposits | | 2,477 | 19,822 |
| | | 3,271 | 25,562 |
| Prepayments | | | |
| - Rent | | 53,686 | 66,616 |
| - Insurance and others | | 23,676 | 14,001 |
| | | 77,362 | 80,617 |
| | | 80,633 | 106,179 |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | Note | 2017 | 2016 |
|---|------|------------------|-----------|
| 13 OTHER RECEIVABLES | | | |
| Inland freight equalization margin receivable | | 2,019,113 | 1,024,234 |
| Receivable against services rendered | 13.1 | 53,346 | - |
| Franchise income receivable - net | 13.2 | 34,642 | 73,304 |
| Receivable against regulatory duty | | 25,533 | 25,533 |
| Receivable from oil marketing companies | 13.3 | 9,073 | 11,328 |
| Price differential claims | 13.4 | 5,083 | 5,083 |
| Others | | 14,241 | 5,271 |
| | | 2,161,031 | 1,144,753 |

- 13.1** This represents amount receivable from Hascol Terminals Limited (an associated company) against services rendered by the Company on account of business support services.

| | Note | 2017 | 2016 |
|---|--------|-----------------|----------|
| 13.2 Franchise income receivable - net | | | |
| <i>Movement in gross receivables</i> | | | |
| Balance at the beginning of the year | | 100,653 | 81,946 |
| Earned during the year | | - | 18,707 |
| Received during the year | | (3,452) | - |
| Balance at the end of the year | | 97,201 | 100,653 |
| <i>Movement of provision</i> | | | |
| Balance at the beginning of the year | | (27,349) | - |
| Charged during the year | | (35,210) | (27,349) |
| Balance at the end of the year | | (62,559) | (27,349) |
| | 13.2.1 | 34,642 | 73,304 |

- 13.2.1** This represents amount receivable from CNG dealers.

- 13.3** This represents amount receivable from various oil marketing companies on account of share of motor gasoline imported on their behalf.

- 13.4** This represents amount receivable from the Government of Pakistan (GoP) net of recovery as per fortnightly rates declared by the Ministry of Petroleum and Natural Resources. The Company together with other oil marketing companies is actively pursuing the matter with the concerned authorities for the early settlement of above claim. The Company considers that the balance amount will be reimbursed by GoP in due course of time.

| | 2017 | 2016 |
|--|---------------|--------|
| 14 MARK - UP AND PROFIT ACCRUED | | |
| From conventional banks | 54,366 | 32,332 |
| From Islamic banks | 3,032 | 3,484 |
| | 57,398 | 35,816 |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | Note | 2017 | 2016 |
|--|-------------|-----------|-----------|
| 15 CASH AND BANK BALANCES | | | |
| Balances with banks: in current accounts: | | | |
| - Conventional banks | | 864,735 | 1,408,267 |
| - Islamic banks | | 62,135 | 1,925 |
| | | 926,870 | 1,410,192 |
| in saving accounts: | | | |
| - Conventional banks | | 7,561,072 | 5,741,121 |
| - Islamic banks | | 1,079,278 | 608,028 |
| | 15.1 | 8,640,350 | 6,349,149 |
| Cash in hand | | 837 | 1,729 |
| | | 9,568,057 | 7,761,070 |
| Term deposit receipts | 15.2 & 19.2 | 60,000 | 60,000 |
| | | 9,628,057 | 7,821,070 |

15.1 These carry mark-up ranging from 3.75% to 5.5% per annum (2016: 3.75% to 6% per annum).

15.2 This carry mark-up 5% per annum (2016: 5% per annum).

16 SHARE CAPITAL

16.1 Authorized share capital

| 2017 | 2016 | | 2017 | 2016 |
|------------------|-------------|--------------------------------|-----------|-----------|
| Number of shares | | | | |
| 150,000,000 | 150,000,000 | Ordinary shares of Rs. 10 each | 1,500,000 | 1,500,000 |

16.2 Issued, subscribed and paid-up share capital

| 2017 | 2016 | | Note | 2017 | 2016 |
|------------------|-------------|--|------|-----------|-----------|
| Number of shares | | | | | |
| 89,540,000 | 89,540,000 | Ordinary shares of Rs. 10 each fully paid in cash | | 895,400 | 895,400 |
| 1,060,000 | 1,060,000 | Ordinary shares of Rs. 10 each for consideration other than cash | 16.3 | 10,600 | 10,600 |
| 9,966,000 | 9,966,000 | Annual bonus @ 11% Dec 2014 | | 99,660 | 99,660 |
| 20,113,200 | 20,113,200 | Interim bonus @ 20% Jun 2015 | | 201,132 | 201,132 |
| 24,135,840 | - | Right issue @ 20% Sep 2017 | 16.4 | 241,358 | - |
| 144,815,040 | 120,679,200 | | | 1,448,150 | 1,206,792 |

16.3 These were issued on December 8, 2004 for consultancy, feasibility study, travel and other expenses.

16.4 An associated company held 37,468,365 (2016: 18,101,880) shares which represents 25.87% (2016: 15%) of the equity stake of the Company.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | Note | 2017 | 2016 |
|---|---|-------------|-----------|
| 17 RESERVES | | | |
| Capital | | | |
| Share premium | 17.1 | 4,766,854 | 1,070,828 |
| Surplus on re-measurement of available for sale investments | | 322,589 | 624,930 |
| | | 5,089,443 | 1,695,758 |
| Revenue | | | |
| Unappropriated profit | | 2,702,654 | 2,059,588 |
| | | 7,792,097 | 3,755,346 |
| 17.1 | The reserve can be utilized by the Company only for the purpose specified in section 81 of the Companies Act, 2017. | | |
| | Note | 2017 | 2016 |
| 18 SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - net of tax | | | |
| Balance at the beginning of the year | | 1,656,347 | 1,847,286 |
| Transfer in respect of incremental depreciation for the year | | (190,935) | (190,939) |
| Balance at the end of the year | | 1,465,412 | 1,656,347 |
| Related deferred tax | | | |
| Balance at the beginning of the year | | 513,467 | 590,758 |
| Effective rate adjustment | | (16,563) | (18,101) |
| Reversal of deferred tax liability on account of incremental depreciation charged during the year | | (57,281) | (59,190) |
| Balance at the end of the year | | (439,623) | (513,467) |
| | | 1,025,789 | 1,142,880 |
| 19 LONG TERM FINANCING - secured | | | |
| Borrowings from conventional banks | 19.1.1 | 562,500 | 725,000 |
| Borrowings from Non Banking Financial Institutions | 19.1.2 | 1,013,769 | 220,007 |
| Sukuk certificates | 19.1.3 | 1,671,373 | 1,961,821 |
| | | 3,247,642 | 2,906,828 |
| Current portion of long term financing | | | |
| Borrowings from conventional banks | | 225,000 | 162,500 |
| Borrowings from Non Banking Financial Institutions | | 382,479 | 136,579 |
| Sukuk certificates | | 400,000 | 300,000 |
| | 25 | (1,007,479) | (599,079) |
| Non - current portion of long term financing | | 2,240,163 | 2,307,749 |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

19.1 Terms and conditions of borrowings are as follows:

| Particulars | Note | Number of installments and commencement month | Grace period | Date of final repayment | Markup rate per annum | Installment Amount | 2017 | 2016 |
|--|------|---|--------------|-------------------------|---|--------------------|------------------|------------------|
| 19.1.1 Borrowings from conventional banks | | | | | | | | |
| First Women Bank Limited Under DF scheme | 19.2 | 36 monthly March-16 | Nil | March 28, 2019 | six month Kibor + 1.3% payable monthly | 8,333 | 125,000 | 225,000 |
| National Bank of Pakistan Under LTF scheme | 19.3 | 16 quarterly May-16 | 1 year | May 24, 2021 | three month Kibor + 2.5% payable quarterly | 31,250 | 437,500 | 500,000 |
| 19.1.2 Borrowings from Non Banking Financial Institutions | | | | | | | | |
| Pak China Investment Company Limited Under LTF scheme | 19.4 | 12 quarterly February-17 | Nil | February 29, 2020 | three month Kibor + 2.25% payable quarterly | 41,667 | 375,000 | - |
| Pak Oman Investment Company Limited Loan 1 Under LTF scheme | 19.5 | 42 monthly December-14 | 6 months | November 19, 2018 | six month Kibor + 3% payable monthly | 950 | 10,450 | 21,850 |
| Pak Oman Investment Company Limited Loan 2 Under LTF scheme | 19.5 | 42 monthly March-15 | 6 months | February 3, 2019 | six month Kibor + 3% payable monthly | 1,431 | 20,033 | 37,205 |
| Pak Oman Investment Company Limited Loan 3 Under LTF scheme | 19.5 | 42 monthly June-15 | 6 months | May 19, 2019 | six month Kibor + 3% payable monthly | 2,190 | 37,238 | 63,524 |
| Pak Oman Investment Company Limited Loan 4 Under LTF scheme | 19.6 | 42 monthly May-16 | 6 months | April 4, 2020 | six month Kibor + 2.5% payable monthly | 1,286 | 36,000 | 51,428 |
| Pak Oman Investment Company Limited Loan 5 Under LTF scheme | 19.6 | 42 monthly September-16 | 6 months | August 19, 2020 | six month Kibor + 2.5% payable monthly | 1,095 | 35,048 | 46,000 |
| Pak Oman Investment Company Limited Loan 6 Under LTF scheme | 19.7 | 42 monthly June-17 | 6 months | June 23, 2021 | six month Kibor + 2.5% payable monthly | 2,381 | 100,000 | - |
| Pak Oman Investment Company Limited Loan 7 Under LTF scheme | 19.8 | 42 monthly July-17 | 6 months | July 18, 2021 | six month Kibor + 2.5% payable monthly | 9,524 | 400,000 | - |
| 19.1.3 Sukuk certificates | 19.9 | 20 quarterly January-16 | 1 year | January 5, 2022 | three month Kibor + 1.5% payable quarterly | 100,000 | 1,671,373 | 1,961,821 |
| | | | | | | | 3,247,642 | 2,906,828 |

19.2 This represents demand finance facility from First Women Bank Limited for construction of retail outlets which is secured against pledge of TDR of Rs. 60 million, Pledge of Pakistan Refinery Limited shares at 40% margin and personal guarantee of Mr. Mumtaz Hasan Khan (Chairman).

19.3 This represents term loan facility from National Bank of Pakistan for construction of storage depot at Mehmood Kot - Muzaffar Garh. The facility is secured against exclusive charge /mortgage of Rs. 666.67 million over the entire land and building, installation and machinery of the storage depot, personal guarantee of Mr. Mumtaz Hasan Khan (Chairman), post-dated cheques covering facility amount and corporate guarantee of M/s Fossil Energy (Private) Limited and M/s Marshal Gas (Private) Limited.

19.4 This represents term finance facility from Pak China Investment Company Limited for the future expansion plans and working capital requirements of the Company which was secured against first pari passu charge over the Company's current assets with 25% margin amounting to Rs. 666.67 million, personal guarantee of Mr. Mumtaz Hasan Khan (Chairman) and promissory note covering the charge amount to be obtained from the Company.

19.5 This represents two term finance facilities from Pak Oman Investment Company Limited for establishment of Daulatpur bulk oil depot. The facility limit were utilized in multiple tranches out of which one of the facility with limit of Rs. 100 million was availed in two tranches, that is Rs. 39.9 million and Rs. 60.1 million. The other facility with a limit of Rs. 100 million was availed in a single trench amounting to Rs. 92 million. The finance facilities were secured against first pari passu charge on land, building, plant and machinery and equipment situated in Deh Kandah Nandho with 25% margin.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

- 19.6** This represents term finance facility from Pak Oman Investment Company Limited for expansion of Daulatpur bulk oil depot. The facility limit of Rs. 100 million was utilized in multiple tranches that is Rs. 54 million and Rs. 46 million and facility was secured against first pari passu charge on the land, building, plant and machinery and equipment locate at the Daulatpur Bulk Storage depot with 25% margin.
- 19.7** This represents term finance facility from Pak Oman Investment Company Limited for the expansion of Daulatpur depot. The facility was secured against first pari passu charge on land, building, plant and machinery and equipment of the Company situated at Daulatpur bulk oil depot with 25% margin maintained all times.
- 19.8** This represents term finance facility from Pak Oman Investment Company Limited for the establishment of Sahiwal depot. The facility was secured against exclusive charge on land, building, plant and machinery and equipment of the Company situated at Sahiwal depot with 25% margin maintained all times.

| | Note | 2017 | 2016 |
|---|--------|------------------|-----------|
| 19.9 Sukuk certificates - gross amount | 19.9.1 | 1,700,000 | 2,000,000 |
| Issuance cost | | | |
| Balance at the beginning of the year | | (38,179) | - |
| Addition | | - | (47,731) |
| Charged to profit and loss | | 9,552 | 9,552 |
| Balance at the end of the year | | (28,627) | (38,179) |
| Sukuk certificates - net amount | | 1,671,373 | 1,961,821 |

- 19.9.1** This represents rated and secured privately placed long term Islamic certificates (Sukuk) amounting to Rs. 2,000 million, issued to meet working capital requirements and future expansion plans of the Company. Summit Bank Limited was the lead financial advisor and arranger while Meezan Bank Limited is acting as Shari'ah structuring advisor for the Sukuk. The facility is secured against first pari-passu charge over specific depots and retail outlets of the Company inclusive of 25% margin.

| | Note | 2017 | 2016 |
|---|------|----------------|-----------|
| 20 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE | | | |
| Present value of future minimum lease payments | | 488,141 | 620,118 |
| Less: current portion | 25 | (110,538) | (148,387) |
| Non current portion | | 377,603 | 471,731 |

- 20.1** The Company has entered into lease agreements with various leasing companies for lease of items of plant and machinery and other assets. Minimum lease payments, which are payable by the year 2022, have been discounted by using financing rates ranging from 6 month KIBOR plus 1.6% to 6 month KIBOR plus 2.75% (2016 : 6 month KIBOR plus 1.9% to 6 month KIBOR plus 3%). Title to the assets acquired under the leasing arrangements are transferable to the Company upon payment of entire lease obligations.

- 20.2** The amount of future payments under the finance lease arrangements and the year in which these payments will become due are as follows:

| | 2017 | 2016 |
|---|----------------|-----------|
| Not later than one year | 139,221 | 185,485 |
| Later than one year but not later than five years | 411,689 | 524,896 |
| Total future minimum lease payments | 550,910 | 710,381 |
| Finance charge allocated to future years | (62,769) | (90,263) |
| Present value of future minimum lease payments | 488,141 | 620,118 |
| Not later than one year | (110,538) | (148,387) |
| Later than one year but not later than five years | 377,603 | 471,731 |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | Note | 2017 | 2016 |
|--|------|------------------|------------------|
| 21 DEFERRED AND OTHER LIABILITIES | | | |
| Other liabilities | 21.1 | 524,875 | 600,000 |
| Deferred taxation - net | 21.2 | 699,422 | 408,790 |
| Deferred liability - gratuity | 21.3 | 188,825 | 135,791 |
| | | <u>1,413,122</u> | <u>1,144,581</u> |

21.1 Other liabilities

| | | | |
|-----------------------------|--------|----------------|----------------|
| Payable to MENA Energy DMCC | | 1,049,750 | 600,000 |
| Current portion | 25 | (524,875) | - |
| | 21.1.1 | <u>524,875</u> | <u>600,000</u> |

21.1.1 This amount pertains to provision recorded against claim of MENA Energy DMCC against out of court settlement of an ongoing litigation dispute in the English Commercial Court, London between MENA Energy DMCC and the Company, based on advice and recommendation of the Solicitors and Senior Counsel representing the Company in the litigation. The settlement involves the Company agreeing, subject to State Bank of Pakistan's approval, to pay the settlement amount over a period of 18 (eighteen) months in four equal installments of USD 2,375,000 each on 19th May 2018, 19th July 2018, 19th January 2019 and 19th July 2019.

| | | | |
|-------------------------------------|--|-------------|-------------|
| | | 2017 | 2016 |
| 21.2 DEFERRED TAXATION - NET | | | |

This comprises the following:

Taxable temporary difference arising in respect of :

| | | |
|---|-----------|-----------|
| Accelerated depreciation | (826,625) | (354,233) |
| Assets under finance lease | (160,068) | (129,683) |
| Revaluation of operating fixed assets | (431,061) | (513,467) |
| Exchange gain - unrealised | - | (1,797) |
| Surplus on remeasurement on available for sale investment | (26,156) | (89,276) |

Deductible temporary difference arising in respect of :

| | | |
|---|------------------|------------------|
| Liabilities against assets subject to finance lease | 146,442 | 182,677 |
| Exchange loss | 92,461 | - |
| Provision for: | | |
| - provision investments in subsidiary | 9,181 | 9,140 |
| - other liabilities | 314,925 | 186,000 |
| - retirement benefits | 56,648 | 40,718 |
| - doubtful trade debts | 2,368 | 2,358 |
| - franchise income | 18,768 | 8,168 |
| Turnover tax | 103,695 | 250,605 |
| | <u>(699,422)</u> | <u>(408,790)</u> |

21.2.1 Movement in deferred tax (liability)/ assets

| | | |
|---|------------------|------------------|
| Balance at the beginning of the year | (408,790) | 240,096 |
| Deferred tax expense | | |
| - through unconsolidated profit and loss | (362,430) | (22,870) |
| - through unconsolidated other comprehensive loss | 71,798 | 9,805 |
| Adjusted against tax liability | - | (635,821) |
| Balance at the end of the year | <u>(699,422)</u> | <u>(408,790)</u> |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

21.3 DEFERRED LIABILITY - GRATUITY

The Company operates an unfunded gratuity scheme for employees who have completed the employment period of 5 years. Provision is created for the benefit of the scheme on the basis of actuarial valuations. Number of eligible employees covered in scheme are 298 (2016: 255).

The latest actuarial valuation of the scheme as at December 31, 2017 was carried out using the projected unit credit method, details of which as per the actuarial valuation are as follows:

| | Note | 2017 | 2016 |
|-------------------------------|--------|----------------|----------------|
| Deferred liability - gratuity | 21.3.1 | <u>188,825</u> | <u>135,791</u> |

21.3.1 Movement in liability recognized in unconsolidated balance sheet

| | | | |
|---|--------|----------------|----------------|
| Present value of defined benefit obligation as at the end of the year | 21.3.2 | <u>188,825</u> | <u>135,791</u> |
| Fair value of plan assets | | <u>-</u> | <u>-</u> |
| Balance sheet liability | | <u>188,825</u> | <u>135,791</u> |

21.3.2 Movement in liability recognized in unconsolidated balance sheet

| | | | |
|--|--------|-----------------|----------------|
| Balance at the beginning of the year | | <u>135,791</u> | <u>99,090</u> |
| Add: charge for the year | 21.3.4 | <u>35,261</u> | <u>27,508</u> |
| Less: payments to outgoing employees | | <u>(25,825)</u> | <u>(5,003)</u> |
| Remeasurements charged to other comprehensive income | | <u>43,598</u> | <u>14,196</u> |
| Balance at the end of the year | | <u>188,825</u> | <u>135,791</u> |

21.3.3 Movement in present value of the defined benefit obligation

| | | | |
|--|--|-----------------|----------------|
| Opening balance | | <u>135,791</u> | <u>99,090</u> |
| Current service cost | | <u>24,131</u> | <u>17,963</u> |
| Past service cost | | <u>248</u> | <u>-</u> |
| Interest cost | | <u>10,882</u> | <u>9,545</u> |
| Benefits paid during the year | | <u>(25,825)</u> | <u>(5,003)</u> |
| | | <u>145,227</u> | <u>121,595</u> |
| Remeasurement of actuarial losses - net of tax | | <u>30,519</u> | <u>9,795</u> |
| Impact of deferred tax | | <u>13,079</u> | <u>4,401</u> |
| | | <u>43,598</u> | <u>14,196</u> |
| Present value of defined benefit obligation at the end of the year | | <u>188,825</u> | <u>135,791</u> |

21.3.4 Expense recognized in the unconsolidated profit and loss account

| | | | |
|--|------|---------------|---------------|
| Current service cost | 32.1 | <u>24,131</u> | <u>17,963</u> |
| Past service cost | 32.1 | <u>248</u> | <u>-</u> |
| Net interest cost | 34 | <u>10,882</u> | <u>9,545</u> |
| Expense recognized in unconsolidated profit and loss account | | <u>35,261</u> | <u>27,508</u> |

21.3.5 Remeasurement recognized in unconsolidated statement of comprehensive income

| | | | |
|---|--|---------------|--------------|
| Remeasurement of actuarial losses on defined benefit liability - net of tax | | <u>30,519</u> | <u>9,795</u> |
|---|--|---------------|--------------|

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

2017 2016

21.3.6 Analysis of present value of defined benefit obligation

Split by vested / non - vested

(i) Vested benefits

(ii) Non-vested benefits

Split by benefits earned to date

(i) Present value of guaranteed benefits

(ii) Present value of benefits attributable to future salary increase

Expected distribution of timing of benefit payments

Time in years

Within first year from the end of financial year

Within second years from the end of financial year

Within third years from the end of financial year

Within fourth years from the end of financial year

Within five years from the end of financial year

Within six to ten years from the end of financial year

Sensitivity analysis on significant actuarial assumptions on present value of defined benefit obligation

Discount rate +1%

Discount rate -1%

Expected rate of salary increase +1%

Expected rate of salary increase -1%

Maturity profile of present value of defined benefit obligation

Weighted average duration of the present value of defined benefit obligation (time in years)

Key statistics

Average age (time in years)

Average service (time in years)

Average entry age (time in years)

Retirement assumption age (time in years)

Mortality rates

The mortality rates are provided by the State Life Insurance Corporation of Pakistan (SLIC).

21.3.7 Historical information of staff retirement benefits

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---------|---------|--------|--------|--------|
| Present value of defined benefit obligation | 188,825 | 135,791 | 99,090 | 71,057 | 47,054 |

21.3.8 The expected gratuity expense for the year ending December 31, 2018 works out to be Rs. 49.42 million.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

21.3.9 Actuarial assumptions

The following significant assumptions were used in the valuation carried out at the balance sheet date using the projected unit credit method:

| | 2017 % per annum | 2016 |
|---|---------------------|------|
| - Expected long-term rate of increase in salary level | 7.75 | 7.5 |
| - Discount rate | 7.75 | 7.5 |

Note **2017** 2016

22 TRADE AND OTHER PAYABLES

| | | | |
|---|------|-------------------|-------------------|
| Trade creditors | 22.1 | 25,112,678 | 21,658,817 |
| Advance from customers | | 4,608,668 | 4,253,932 |
| Payable to cartage contractors | | 3,054,943 | 2,445,673 |
| Dealers' and customers' security deposits | 22.2 | 254,680 | 170,000 |
| Accrued liabilities | | 11,220 | 6,153 |
| Other liabilities | | 1,279,184 | 688,183 |
| | | <u>34,321,373</u> | <u>29,222,758</u> |

22.1 This includes Rs.13,609 million (2016: Rs. 9,917 million) amount payable to M/s Vitol Dubai Limited (an associated company).

22.2 The security deposits are non-interest bearing and are refundable on termination of contracts.

Note **2017** 2016

23 MARK - UP AND PROFIT ACCRUED

| | | |
|---|----------------|---------------|
| Long-term financing | 40,172 | 41,471 |
| Short-term borrowings | 71,400 | 30,383 |
| Liabilities against assets subject to finance lease | 2,431 | 2,729 |
| Letter of credit | 3,255 | 16,602 |
| | <u>117,258</u> | <u>91,185</u> |

24 SHORT-TERM BORROWINGS

Borrowings from conventional banks - secured

| | | |
|---------------------------|------------------|------------------|
| National Bank of Pakistan | 1,500,000 | 500,000 |
| Bank of Punjab | 500,000 | - |
| Samba Bank Limited | 196,070 | 199,991 |
| Sindh Bank Limited | 132,463 | 329,562 |
| Summit Bank Limited | 44,515 | 300,076 |
| United Bank Limited | 24,560 | - |
| 24.1 | <u>2,397,608</u> | <u>1,329,629</u> |

Borrowings from Islamic bank - secured

| | | | |
|---------------------|------|-----------|-----------|
| Meezan Bank Limited | 24.1 | 3,000,000 | 2,200,000 |
|---------------------|------|-----------|-----------|

Borrowings from Non Banking Financial Institutions - secured

| | | | |
|-------------------------------------|------------------|------------------|---------|
| Pak Oman Investment Company Limited | | 100,000 | - |
| PAIR Investment Company Limited | | - | 360,000 |
| 24.2 | <u>100,000</u> | <u>360,000</u> | |
| 24.3 | <u>1,447,091</u> | <u>-</u> | |
| | <u>6,944,699</u> | <u>3,889,629</u> | |

Commercial Paper - unsecured

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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(Rupees in thousand)

24.1 These facilities were availed from various commercial banks aggregating to Rs. 7,700 million (2016: Rs. 3,800 million). The rates of mark-up ranges from 3 month KIBOR plus 1.25% to 6 month KIBOR plus 2.25% (2016: 3 month KIBOR plus 1.5% to 6 month KIBOR plus 2.25%). These arrangements are secured against hypothecation charge over the Company's present and future current assets with minimum 25% margin, pledge of Pakistan Refinery Limited shares, with minimum 40% margin, personal guarantee of Mr. Mumtaz Hasan Khan (Chairman), along with equitable registered mortgage charge over the property situated at The Forum, Suite No. 105-106, First Floor, Khayaban-e-Jami, Clifton, Karachi.

24.2 These loans have been obtained aggregating to Rs. 300 million (2016: Rs. 400 million). The rate of mark-up is 1 month KIBOR plus 1.8% (2016: 3 month KIBOR plus 2%). These are secured against hypothecation charge over the Company's present and future current assets.

| | Note | 2017 | 2016 |
|--|------|-----------|------|
| 24.3 Movement in Commercial Paper | | | |
| Discounted value | | 1,446,204 | - |
| Unwinding of discount | | 887 | - |
| Amortized cost | 24.4 | 1,447,091 | - |

24.4 This represents rated, privately placed, Shari'ah compliant, Commercial Paper (CP) amounting to Rs. 1,500 million issued to meet the working capital requirements of the Company. Bank Islami Pakistan Limited was the lead financial advisors and arrangers. The loan shall run for a period of one year covering two CP issues each having tenor of six months. The disbursement of second CP issue shall be subject to minimum two days clean-up period after complete adjustment of first CP issue. Instrument is unsecured, non-convertible and redeemable at maturity date in bullet payment.

| | Note | 2017 | 2016 |
|---|------|-----------|---------|
| 25 CURRENT PORTION OF NON-CURRENT LIABILITIES | | | |
| Current portion of long term financing | 19 | 1,007,479 | 599,079 |
| Current portion of deferred and other liabilities | 21.1 | 524,875 | - |
| Current portion of liabilities subject to finance lease | 20 | 110,538 | 148,387 |
| | | 1,642,892 | 747,466 |

26 TAXATION

| | | |
|--------------------|---------|---------|
| Sales tax payable | 609,883 | 169,112 |
| Income tax payable | 162,183 | 500,757 |
| | 772,066 | 669,869 |

27 CONTINGENCIES AND COMMITMENTS

27.1 Contingencies

As per the deliberations of the main committee of the Oil Companies Advisory Committee (OCAC) held in their meeting number MCM-168 dated September 20, 2007, the financial costs on outstanding Price Differential Claims (PDCs) should be worked and billed to the Government of Pakistan (GoP) through OCAC by the Oil Marketing Companies (OMCs) on a regular basis. Although the Company had billed Rs. 65.97 million to the GoP/ OCAC, the management had not accounted for its impact in these unconsolidated financial statements as the inflow of economic benefits, though probable, is not virtually certain.

27.2 Commitments

- (i) The facility for opening letters of credit acceptances as at December 31, 2017 amounted to Rs. 45,425 million (2016: Rs. 30,550 million) of which the amount remaining unutilized as at that date was Rs. 14,752 million (2016: Rs. 3,631 million).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | Note | 2017 | 2016 |
|---|------|--------------------|--------------------|
| (ii) Bank guarantees | | <u>350,268</u> | <u>135,480</u> |
| (iii) Commitments in respect of capital expenditure contracted for but not yet incurred are as follows: | | | |
| Property, plant and equipment | | <u>978,418</u> | <u>758,237</u> |
| (iv) Commitments for rental of assets under operating lease / ijarah | | | |
| Not later than one year | | 262,484 | 173,461 |
| Later than one year but not later than five years | | 913,557 | 642,427 |
| Later than five years | | 1,709,781 | 1,167,834 |
| | | <u>2,885,822</u> | <u>1,983,722</u> |
| 28 SALES - NET | | | |
| Gross sales inclusive of sales tax | | 215,924,271 | 129,296,958 |
| Less: sales discount | | (261,969) | (537,683) |
| | | <u>215,662,302</u> | <u>128,759,275</u> |
| 29 OTHER REVENUE | | | |
| Owned tank lorries | | 316,408 | 46,960 |
| Franchise fee | | 91,113 | 96,971 |
| Joining fee for petrol pump operators | | 56,650 | 55,349 |
| Non fuel retail and lubricants | | 36,289 | 8,307 |
| | | <u>500,460</u> | <u>207,587</u> |
| 30 COST OF PRODUCTS SOLD | | | |
| Opening stock of lubricants, raw and packing materials | | 394,986 | 304,470 |
| Raw and packing materials purchased | | 1,080,201 | 780,242 |
| Less: closing stock of lubricants, raw and packing materials | 9 | (422,386) | (394,986) |
| Lubricants, raw and packing materials consumed | | <u>1,052,801</u> | <u>689,726</u> |
| Opening stock - fuel | | 16,082,682 | 8,165,548 |
| Fuel purchased | 30.1 | 137,104,662 | 81,017,713 |
| Storage and handling charges | | 586,673 | 538,393 |
| Duties and levies | 30.2 | 30,158,559 | 20,256,971 |
| Less: closing stock - fuel | 9 | (18,134,720) | (16,082,682) |
| | | <u>165,797,856</u> | <u>93,895,943</u> |
| | | <u>166,850,657</u> | <u>94,585,669</u> |
| 30.1 This includes fuel purchased from local refineries and imports. Imports comprise 79% (2016: 77%) of total purchases from M/s Vitol Dubai Limited (an associated company). | | | |
| | | 2017 | 2016 |
| 30.2 Duties and levies | | | |
| Petroleum development levy | | 21,768,506 | 14,566,162 |
| Inland freight equalization margin | | 5,548,169 | 3,624,258 |
| Freight | | 2,841,884 | 2,066,551 |
| | | <u>30,158,559</u> | <u>20,256,971</u> |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | Note | 2017 | 2016 |
|---|------|------------------|------------------|
| 31 DISTRIBUTION AND MARKETING EXPENSES | | | |
| Salaries, wages and other benefits | 32.1 | 746,313 | 443,932 |
| Depreciation | 5.9 | 486,087 | 373,786 |
| Commission | | 227,932 | 194,043 |
| Traveling and conveyance | | 226,547 | 169,832 |
| Rent, rates and taxes | | 252,142 | 201,788 |
| Insurance | | 181,726 | 113,947 |
| Repairs and maintenance | | 152,922 | 54,658 |
| Fuel and power | | 99,777 | 21,448 |
| Advertising and publicity | | 98,287 | 75,237 |
| Ujrah payments | | 64,251 | 10,108 |
| Utilities | | 56,082 | 44,857 |
| Printing, communication and stationery | | 32,814 | 9,374 |
| Royalty | | 21,144 | 17,653 |
| Legal and professional charges | | 9,906 | 3,236 |
| Fees and subscription | | 9,764 | 11,072 |
| Miscellaneous | | 972 | 1,266 |
| | | <u>2,666,666</u> | <u>1,746,237</u> |

32 ADMINISTRATIVE EXPENSES

| | | | |
|---|------|----------------|----------------|
| Salaries, allowances and other benefits | 32.1 | 289,474 | 219,796 |
| Legal and professional charges | | 68,007 | 68,183 |
| Traveling and conveyance | | 39,952 | 34,717 |
| Fee and subscription | 32.2 | 39,861 | 22,932 |
| Insurance | | 31,800 | 21,711 |
| Repairs and maintenance | | 28,512 | 28,979 |
| Rent, rates and taxes | | 25,462 | 8,306 |
| Depreciation | 5.9 | 23,476 | 25,356 |
| Printing, communication and stationery | | 21,563 | 27,012 |
| Advertising and publicity | | 18,114 | 19,850 |
| Donation | 32.3 | 12,176 | 17,520 |
| Utilities | | 9,860 | 10,353 |
| Auditors' remuneration | 32.4 | 3,182 | 2,746 |
| Amortization | 6 | - | 1,522 |
| | | <u>611,439</u> | <u>508,983</u> |

32.1 Salaries and other benefits relating to distribution and administrative expense include:

| | Note | 2017 | 2016 |
|----------------------------------|--------|--------|--------|
| - Gratuity | 21.3.4 | 24,379 | 17,963 |
| - Contribution to provident fund | | 22,212 | 15,492 |

32.2 This includes Shariah audit fee amounting to Rs. 0.7 million (2016: Rs. 0.7 million) relating to Sukuk.

32.3 Donation includes amount of Rs. 0.88 million (2016: Rs. 0.5 million) paid to Layton Rahmatulla Benevolent Trust (LRBT), Mr. Najmus Saquib Hameed, director of the Company, who is also Chief Executive Officer of LRBT.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | Note | 2017 | 2016 |
|--|---|----------------|----------------|
| 32.4 Auditors' remuneration | | | |
| Statutory audit | | 1,455 | 1,265 |
| Half yearly review | | 483 | 420 |
| Certifications | | 600 | 500 |
| Consolidation | | 265 | 230 |
| Out of pocket expenses | | 379 | 331 |
| | | <u>3,182</u> | <u>2,746</u> |
| 33 OTHER INCOME | | | |
| Income from financial assets | | | |
| Profit on bank deposits | | | |
| - conventional banks | | 237,434 | 143,678 |
| - Islamic banks | | 41,619 | 21,355 |
| Dividend income | 33.1 | - | 13,407 |
| | | <u>279,053</u> | <u>178,440</u> |
| Income from non-financial assets | | | |
| Reversal of provision of Workers' Welfare Fund | | 97,228 | - |
| Gain on disposal of operating fixed assets | | 21,894 | 12,061 |
| Promotional marketing fee | | 7,497 | 2,641 |
| Sundries | 32.2 | 7,466 | 2,228 |
| Rental income | | 2,818 | 6,764 |
| Scrap sales | | 1,525 | 1,055 |
| | | <u>138,428</u> | <u>24,749</u> |
| | | <u>417,481</u> | <u>203,189</u> |
| 33.1 | This represents dividend received from investments in Pakistan Refinery Limited. | | |
| 33.2 | This includes interest income earned from Hascol Terminal Limited (an associated company) amounting to Rs. 2.4 million (2016: Nil) on advance against purchase of shares. | | |
| | Note | 2017 | 2016 |
| 34 FINANCE COST | | | |
| Short term borrowings | | 212,192 | 128,272 |
| Letter of credit | | 171,073 | 162,244 |
| Long term borrowings | | 113,531 | 92,440 |
| Assets obtained under finance lease | | 45,442 | 35,193 |
| Bank charges | | 29,665 | 14,469 |
| Interest cost of defined benefit obligation | 21.3.4 | 10,882 | 9,545 |
| | | <u>582,785</u> | <u>442,163</u> |
| 35 OTHER EXPENSES | | | |
| Provision against MENA Energy DMCC claim | | 449,750 | 600,000 |
| Provision against franchise income | 13.2 | 35,210 | 27,349 |
| Income tax penalty | 35.1 | 6,135 | - |
| Provision for Workers' Welfare Fund | | - | 46,423 |
| | | <u>491,095</u> | <u>673,772</u> |
| 35.1 | This represents amount of penalty paid to tax authorities on account of failure to deduct withholding tax on sales discount as per Division VIA part III of the first schedule of Income Tax Ordinance 2001. However, historically the tax authorities have reversed this penalty subsequently. | | |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | 2017 | 2016 |
|--|------------------|------------------|
| 36 TAXATION | | |
| Current | 764,662 | 700,869 |
| Prior | 130,359 | 28,610 |
| Deferred | 362,430 | 22,870 |
| | <u>1,257,451</u> | <u>752,349</u> |
| 36.1 Relationship between tax expense and accounting profit | | |
| Accounting profit before taxation | <u>2,658,699</u> | <u>1,967,975</u> |
| Tax at the applicable tax rate of 30% (2016: 31%) | 797,610 | 610,072 |
| Tax effect on income under final tax regime | (64,239) | (3,297) |
| Reversal of deferred tax asset - net | 362,430 | 22,870 |
| Prior year tax | 130,359 | 28,610 |
| Other adjustments | 31,291 | 94,094 |
| Tax expense for the year | <u>1,257,451</u> | <u>752,349</u> |
| 37 EARNINGS PER SHARE - BASIC AND DILUTED | | |
| Profit for the year | <u>1,401,248</u> | <u>1,215,626</u> |
| | 2017 | Restated 2016 |
| Weighted average number of ordinary shares (in thousand) | <u>130,953</u> | <u>129,199</u> |
| Earning per share - basic (Rupees) | <u>10.70</u> | <u>9.41</u> |

There is no dilutive effect on basic earning per share as the Company has no potential ordinary shares outstanding at year end.

38 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

| | 2017 | | | 2016 | | |
|-----------------------------------|-----------------|---------------|----------------|-----------------|---------------|----------------|
| | Chief Executive | Directors | Executives | Chief Executive | Directors | Executives |
| Director's fee | - | 13,400 | - | - | 6,775 | - |
| Managerial remuneration | 34,769 | 31,894 | 408,023 | 21,844 | 36,450 | 305,608 |
| Cost of living allowance | 3,863 | 3,544 | 47,727 | 4,241 | 4,050 | 54,309 |
| Reimbursement of medical expenses | 2,012 | 2,475 | 22,871 | 3,737 | 1,100 | 17,365 |
| Bonus | 18,563 | - | 81,564 | 6,521 | 13,500 | 25,449 |
| Retirement benefits | 1,910 | 26,824 | 17,884 | 1,249 | 2,085 | 12,158 |
| | <u>61,117</u> | <u>78,137</u> | <u>578,069</u> | <u>37,592</u> | <u>63,960</u> | <u>414,889</u> |
| Number of persons | <u>2</u> | <u>7</u> | <u>263</u> | <u>1</u> | <u>6</u> | <u>202</u> |

38.1 The Chief Executive Officer and certain executives are also provided with free use of Company maintained cars and cellular connections. In addition, the Chief Executive Officer is provided with free security services in accordance with the terms of employment.

39 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprises of associated undertakings, directors, major shareholders, key management personnel, entities over which the directors are able to exercise influence, entities under common directorship and staff retirement fund.

Significant transactions with related parties, other than those disclosed elsewhere in these unconsolidated financial statements, are as follows:

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | Note | 2017 | 2016 |
|--|---------------------------------|--------------------|---------------------|
| Transactions with related parties | | | |
| Nature of relationship | Nature of transaction | | |
| Other related parties | Consultancy services | 11,400 | 18,550 |
| Associated companies | | | |
| Hascol Terminals Limited | Business support service | 53,346 | - |
| Hascol Terminals Limited | Advance against issue of shares | 151,123 | - |
| Hascol Lubricants (Private) Limited | Advance against issue of shares | 2,013 | - |
| VAS LNG (Private) Limited | Advance against issue of shares | 1,023 | - |
| VAS LNG (Private) Limited | Investments | 3,000 | - |
| 40 CASH GENERATED FROM OPERATIONS | | | |
| Profit before taxation | | 2,658,699 | 1,967,975 |
| Adjustment for: | | | |
| Depreciation and amortization | 5.9 | 509,563 | 400,664 |
| Provision against franchise income | 13.2 | 35,210 | 27,349 |
| Provision for gratuity | 21.3.4 | 35,261 | 27,508 |
| Profit on bank deposits | 33 | (279,053) | (165,033) |
| Dividend income | 33 | - | (13,407) |
| (Reversal) / provision for Workers' Welfare Fund | | (97,228) | 46,423 |
| Provision against MENA Energy DMCC claim | 35 | 449,750 | 600,000 |
| Exchange loss / (gain) - unrealised | | 308,204 | (15,572) |
| Gain on disposal of operating fixed assets | 33 | (21,894) | (12,061) |
| Finance cost | 34 | 582,785 | 442,163 |
| Changes in working capital | 40.1 | (1,792,630) | (17,864) |
| | | 2,388,667 | 3,288,145 |
| 40.1 Changes in working capital | | | |
| Current assets | | | |
| Stock-in-trade | | (2,079,438) | (8,007,650) |
| Trade debts | | (3,646,937) | (3,607,686) |
| Advances | | 72,048 | (102,807) |
| Deposits and prepayments | | (9,664) | (314,021) |
| Other receivables | | (1,016,278) | (4,431) |
| | | (6,680,269) | (12,036,595) |
| Current liabilities | | | |
| Trade and other payables | | 4,887,639 | 12,018,731 |
| Changes in working capital | | (1,792,630) | (17,864) |
| 41 CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | 15 | 9,628,057 | 7,821,070 |
| Less: term deposit receipt | 15 | (60,000) | (60,000) |
| | | 9,568,057 | 7,761,070 |
| Short-term borrowings | 24 | (6,944,699) | (3,889,629) |
| Add: commercial paper | 24 | 1,447,091 | - |
| | | (5,497,608) | (3,889,629) |
| | | 4,070,449 | 3,871,441 |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

42 OPERATING SEGMENTS

These unconsolidated financial statements have been prepared on the basis of a single reportable segment.

- Sales from petroleum products represents 99.2 % (2016: 99.7%) of total revenues of the Company.
- Out of total sales of the Company 99.1 % (2016: 99.1 %) related to customers in Pakistan.
- All non-current assets of the Company as at December 31, 2017 are located in Pakistan.

The Company sells its product to dealers, government agencies, autonomous bodies, independent power projects and other corporate customers. Sales to ten major customers of the Company are around 41.1% during the year ended December 31, 2017 (2016: 28%).

| | Note | 2017 | 2016 |
|---|------|-------------------|-------------------|
| 43 FINANCIAL INSTRUMENTS BY CATEGORY | | | |
| Financial assets | | | |
| Available for sale | | | |
| Long term investments | 7 | 1,896,518 | 1,886,977 |
| At amortized cost | | | |
| Deposits | | 334,808 | 314,444 |
| Trade debts | 10 | 11,518,218 | 7,871,281 |
| Advances | 11 | 135,342 | 251,697 |
| Other receivables | 13 | 2,161,031 | 1,144,753 |
| Mark-up and profit accrued | 14 | 57,398 | 35,816 |
| Cash and bank balances | 15 | 9,628,057 | 7,821,070 |
| | | <u>23,834,854</u> | <u>17,439,061</u> |
| Total financial assets | | <u>25,731,372</u> | <u>19,326,038</u> |
| Financial liabilities | | | |
| At amortized cost | | | |
| Long-term financing | 19 | 3,247,642 | 2,906,828 |
| Other liabilities | | 1,049,750 | 600,000 |
| Trade and other payables | 22 | 34,310,153 | 29,216,605 |
| Mark-up and profit accrued | 23 | 117,258 | 91,185 |
| Short-term borrowings | 24 | 6,944,699 | 3,889,629 |
| Total financial liabilities | | <u>45,669,502</u> | <u>36,704,247</u> |

44 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

a) Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the unconsolidated balance sheet are as follows:

| | 2017 | | 2016 | |
|----------------------------|-------------------|-------------------|-------------------|-------------------|
| | Carrying amount | Fair Value | Carrying amount | Fair Value |
| Financial assets | | | | |
| Long term investments | 1,896,518 | 1,896,518 | 1,886,977 | 1,886,977 |
| Deposits | 334,808 | 334,808 | 314,444 | 314,444 |
| Trade debts | 11,518,218 | 11,518,218 | 7,871,281 | 7,871,281 |
| Advances | 135,342 | 135,342 | 251,697 | 251,697 |
| Other receivables | 2,161,031 | 2,161,031 | 1,144,753 | 1,144,753 |
| Mark-up and profit accrued | 57,398 | 57,398 | 35,816 | 35,816 |
| Cash and bank balances | 9,628,057 | 9,628,057 | 7,821,070 | 7,821,070 |
| | <u>25,731,372</u> | <u>25,731,372</u> | <u>19,326,038</u> | <u>19,326,038</u> |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | 2017 | | 2016 | |
|----------------------------|-------------------|-------------------|-------------------|-------------------|
| | Carrying amount | Fair Value | Carrying amount | Fair Value |
| Financial Liability | | | | |
| Long-term financing | 3,247,642 | 3,247,642 | 2,906,828 | 2,906,828 |
| Other liabilities | 1,049,750 | 1,049,750 | 600,000 | 600,000 |
| Trade and other payables | 34,310,153 | 34,310,153 | 29,216,605 | 29,216,605 |
| Mark-up and profit accrued | 117,258 | 117,258 | 91,185 | 91,185 |
| Short-term borrowings | 6,944,699 | 6,944,699 | 3,889,629 | 3,889,629 |
| | 45,669,502 | 45,669,502 | 36,704,247 | 36,704,247 |

b) Valuation of financial instruments

The Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market.

Level 2: Valuation techniques based on observable inputs.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data.

Fair values of financial assets that are traded in active markets are based on quoted market prices. For all other financial instruments the Company determines fair values using valuation techniques unless the instruments do not have a market / quoted price in an active market and whose fair value cannot be reliably measured.

Valuation techniques used by the Company include discounted cash flow model. Assumptions and inputs used in valuation techniques includes risk-free rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the balance sheet date that would have been determined by market participants acting at arm's length.

Valuation models for valuing securities for which there is no active market requires significant unobservable inputs and a higher degree of management judgement and estimation in the determination of fair value. Management judgements and estimations are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued and selection of appropriate discount rates.

c) Financial assets

| | Carrying value | Level 1 | Level 2 | Level 3 | Total |
|-----------------------|----------------|-----------|---------|---------|-----------|
| 2017 | | | | | |
| Long term investments | 1,896,518 | 1,521,518 | 375,000 | - | 1,896,518 |
| 2016 | | | | | |
| Long term investments | 1,886,977 | 1,886,977 | - | - | 1,886,977 |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

d) Non-financial assets

2017

| | Carrying value | Level 1 | Level 2 | Level 3 | Total |
|--|------------------|----------|----------|------------------|------------------|
| Building on lease hold land | | | | | |
| - Office and depots building | 2,464,822 | - | - | 2,464,822 | 2,464,822 |
| - Pump building | 1,552,314 | - | - | 1,552,314 | 1,552,314 |
| Tanks and pipelines | 2,161,249 | - | - | 2,161,249 | 2,161,249 |
| Dispensing pumps | 706,492 | - | - | 706,492 | 706,492 |
| Plant and machinery | 303,547 | - | - | 303,547 | 303,547 |
| Electrical, mechanical and fire fighting equipment | 1,035,584 | - | - | 1,035,584 | 1,035,584 |
| | <u>8,224,008</u> | <u>-</u> | <u>-</u> | <u>8,224,008</u> | <u>8,224,008</u> |

2016

| | | | | | |
|--|------------------|----------|----------|------------------|------------------|
| Building on lease hold land | | | | | |
| - Office and depots building | 920,389 | - | - | 920,389 | 920,389 |
| - Pump building | 1,427,167 | - | - | 1,427,167 | 1,427,167 |
| Tanks and pipelines | 865,493 | - | - | 865,493 | 865,493 |
| Dispensing pumps | 745,619 | - | - | 745,619 | 745,619 |
| Plant and machinery | 242,751 | - | - | 242,751 | 242,751 |
| Electrical, mechanical and fire fighting equipment | 535,554 | - | - | 535,554 | 535,554 |
| | <u>4,736,973</u> | <u>-</u> | <u>-</u> | <u>4,736,973</u> | <u>4,736,973</u> |

45 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

Note

| | |
|--|--------|
| - Market risk | 45.1.1 |
| - Credit risk and concentration of credit risk | 45.1.2 |
| - Liquidity risk | 45.1.3 |

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring any increase in risk, and the Company's management of capital.

45.1 Financial risk management

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the Company's activities. The Company through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board oversee how management monitors compliance with the Company's risk management policies and procedures, and review the adequacy of risk management framework in relation to the risks faced by the Company.

45.1.1 Market risk

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating, financing activities and investing activities. The objective of market risk management is to manage and control market risk exposures within an acceptable range. The market risk includes:

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

(a) Currency risk

Currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company imports petroleum product and is thus exposed to currency risk in respect to foreign creditors, which at the year end amount to USD 129.67 million (2016: USD 94.62 million) having PKR equivalent amount of Rs. 13,333.70 million (2016: Rs. 9,916.65 million). The average rates applied during the year is Rs. 107.73 per USD (2016: Rs. 104.92 per USD) and the spot rate as at December 31, 2017 is Rs. 110.50 per USD (2016: Rs. 104.80 per USD).

The Company manages its currency risk by close monitoring of currency markets. Under regulatory requirements, the Company cannot hedge its currency risk exposure. Consequently, the Company recorded exchange loss amounting to Rs. 795.77 million (2016: exchange gain amounting to Rs. 5.83 million) during the year.

Sensitivity analysis

As at December 31, 2017, if the Pakistani Rupee had weakened/strengthened by 5% against USD with all other variables held constant, profit for the year would have been lower/higher by Rs. 667 million (2016: Rs. 496 million).

(b) Interest rate risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate exposure arises due to long-term financing and short term borrowings. At the balance sheet date the interest rate profile of the Company's mark-up bearing financial instruments is summarized as follows:

Cash flow sensitivity for variable rate instruments

A change of 100 basis points (bps) in interest rates at the reporting date would effect on profit or loss before tax is shown below. This analysis assumes that all other variables remain constant.

| Cash flow sensitivity of variable rate instruments | Profit and loss | | Equity | |
|--|------------------|------------------|------------------|------------------|
| | 100 bps increase | 100 bps decrease | 100 bps increase | 100 bps decrease |
| (Expense) / income | | | | |
| As at December 31, 2017 | (6,048) | 6,048 | (4,234) | 4,234 |
| As at December 31, 2016 | (5,654) | 5,654 | (3,901) | 3,901 |

(b) Interest / profit rate risk (continued)

| 2017 | Effective yield/ interest /profit rate % (per annum) | Exposed to yield/interest/profit risk | | | Non-interest/profit bearing | | | Total |
|------------------------------|--|---------------------------------------|-------------------------|-------------|-----------------------------|-------------------------|--------------|--------------|
| | | Maturity up to one year | Maturity after one year | Sub-Total | Maturity up to one year | Maturity after one year | Sub-Total | |
| Financial assets | (a) | | | | | | | |
| Long term investments | | - | - | - | - | 1,896,518 | 1,896,518 | 1,896,518 |
| Deposits | | - | - | - | 3,271 | 331,537 | 334,808 | 334,808 |
| Trade debts | | - | - | - | 11,518,218 | - | 11,518,218 | 11,518,218 |
| Advances | | - | - | - | 135,342 | - | 135,342 | 135,342 |
| Other receivables | | - | - | - | 2,161,031 | - | 2,161,031 | 2,161,031 |
| Mark-up and profit accrued | | - | - | - | 57,398 | - | 57,398 | 57,398 |
| Cash and bank balances | 3.75-5.5 | 8,640,350 | 60,000 | 8,700,350 | 927,707 | - | 927,707 | 9,628,057 |
| | | 8,640,350 | 60,000 | 8,700,350 | 14,802,967 | 2,228,055 | 17,031,022 | 25,731,372 |
| Financial liabilities | (b) | | | | | | | |
| Long term finances | 7.95-10.15 | 1,007,479 | 2,240,163 | 3,247,642 | - | - | - | 3,247,642 |
| Other liabilities | | - | - | - | 524,875 | 524,875 | 1,049,750 | 1,049,750 |
| Trade and other payables | | - | - | - | 34,310,153 | - | 34,310,153 | 34,310,153 |
| Mark-up and profit accrued | | - | - | - | 117,258 | - | 117,258 | 117,258 |
| Short-term borrowings | 7.39-9.12 | 6,944,699 | - | 6,944,699 | - | - | - | 6,944,699 |
| | | 7,952,178 | 2,240,163 | 10,192,341 | 34,952,286 | 524,875 | 35,477,161 | 45,669,502 |
| On balance sheet gap | (a)-(b) | 688,172 | (2,180,163) | (1,491,991) | (20,149,319) | 1,703,180 | (18,446,139) | (19,938,130) |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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(Rupees in thousand)

| 2016 | Effective yield/ interest /profit rate % (per annum) | Exposed to yield/interest/profit risk | | | Non-interest/profit bearing | | | Total |
|------------------------------|--|---------------------------------------|-------------------------|------------------|-----------------------------|-------------------------|---------------------|---------------------|
| | | Maturity up to one year | Maturity after one year | Sub-Total | Maturity up to one year | Maturity after one year | Sub-Total | |
| Financial assets | (a) | | | | | | | |
| Long term investments | - | - | - | - | - | 1,886,977 | 1,886,977 | 1,886,977 |
| Deposits | - | - | - | - | 25,562 | 288,882 | 314,444 | 314,444 |
| Trade debts | - | - | - | - | 7,871,281 | - | 7,871,281 | 7,871,281 |
| Advances | - | - | - | - | 251,697 | - | 251,697 | 251,697 |
| Other receivables | - | - | - | - | 1,144,753 | - | 1,144,753 | 1,144,753 |
| Mark-up and profit accrued | - | - | - | - | 35,816 | - | 35,816 | 35,816 |
| Cash and bank balances | 3.75-6 | 6,349,149 | 60,000 | 6,409,149 | 1,411,921 | - | 1,411,921 | 7,821,070 |
| | | <u>6,349,149</u> | <u>60,000</u> | <u>6,409,149</u> | <u>10,741,030</u> | <u>2,175,859</u> | <u>12,916,889</u> | <u>19,326,038</u> |
| Financial liabilities | (b) | | | | | | | |
| Long term finances | 7.95-10.15 | 599,079 | 2,307,749 | 2,906,828 | - | - | - | 2,906,828 |
| Other liabilities | - | - | - | - | 600,000 | - | 600,000 | 600,000 |
| Trade and other payables | - | - | - | - | 29,216,605 | - | 29,216,605 | 29,216,605 |
| Mark-up accrued | - | - | - | - | 91,185 | - | 91,185 | 91,185 |
| Short-term borrowings | 8.15-9.65 | 3,889,629 | - | 3,889,629 | - | - | - | 3,889,629 |
| | | <u>4,488,708</u> | <u>2,307,749</u> | <u>6,796,457</u> | <u>29,907,790</u> | <u>-</u> | <u>29,907,790</u> | <u>36,704,247</u> |
| On balance sheet gap | (a)-(b) | <u>1,860,441</u> | <u>(2,247,749)</u> | <u>(387,308)</u> | <u>(19,166,760)</u> | <u>2,175,859</u> | <u>(16,990,901)</u> | <u>(17,378,209)</u> |

(c) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/mark-up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instruments or its issuers, or factors affecting all or similar financial instruments traded in the market. The Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 1,522 million (2016: Rs. 1,887 million) at the balance sheet date.

The Company manages price risk by monitoring exposure in quoted equity securities and implementing strict discipline in internal risk management and investment policies.

The value of investment subject to equity price risk are, in almost all instance, based on quoted market price as of the reporting date except for unquoted investments which are carried at cost. Market prices are subject to fluctuation and consequently the amount realized as a result of subsequent sale of an investment may differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investment and general market condition. Furthermore, the amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

Sensitivity analysis

The table below summarizes the Company's equity price risk as of December 31, 2017 and 2016 and shows the effects of a hypothetical 30% increase and a 30% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Accordingly, the sensitivity analysis prepared is not necessarily indication of the effect on Company's net assets of future movement in the level of PSX 100 index.

| | Fair value | Hypothetical price change at 30% | Estimated fair value hypothetical after change in price | Hypothetical increase / (decrease) in shareholders equity | Hypothetical increase / (decrease) in profit / (loss) |
|--------------------------|------------------|----------------------------------|---|---|---|
| December 31, 2017 | 1,521,518 | Increase | 1,977,973 | 456,455 | 456,455 |
| | | Decrease | 1,065,063 | (456,455) | (456,455) |
| December 31, 2016 | 1,886,977 | Increase | 2,453,070 | 566,093 | 566,093 |
| | | Decrease | 1,320,884 | (566,093) | (566,093) |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

45.1.2 Credit risk and concentration of credit risk

The credit quality of receivables can be assessed with reference to the historical performance with no or some defaults in recent history. The Company manages credit risk of receivables through the monitoring of credit exposures, limiting transactions with specific customers and continuous assessment of credit worthiness of its customers.

The carrying values of financial assets which are neither past due nor impaired are as under:

| | Note | 2017 | 2016 |
|----------------------------|------|-------------------|-------------------|
| Long term investments | 7 | 1,896,518 | 1,886,977 |
| Deposits | | 334,808 | 314,444 |
| Trade debts - unsecured | 10 | 7,859,974 | 5,728,745 |
| Advances | 11 | 135,342 | 251,697 |
| Other receivables | 13 | 2,161,031 | 1,144,753 |
| Mark-up and profit accrued | 14 | 57,398 | 35,816 |
| Bank balances | 15 | 9,627,220 | 7,819,341 |
| | | <u>22,072,291</u> | <u>17,181,773</u> |

Aging analysis of trade debts:

| | 2017 | | 2016 | |
|-----------------------|-------------------|--------------|------------------|--------------|
| | Gross | Impaired | Gross | Impaired |
| Past due 1-30 days | 10,582,457 | - | 7,152,670 | - |
| Past due 31-90 days | 935,761 | - | 554,242 | - |
| Past due 91-180 days | - | - | 149,570 | - |
| Past due 181-365 days | - | - | 14,799 | - |
| Over 5 years | 7,973 | 7,973 | 7,973 | 7,973 |
| | <u>11,526,191</u> | <u>7,973</u> | <u>7,879,254</u> | <u>7,973</u> |

The credit risk for bank balances are considered to be negligible, since the counterparties are reputable banks and institutions with high quality external credit ratings. The credit quality of bank balances that are neither past due nor impaired can be assessed with reference to external credit ratings as follows:

Islamic Banks

| | Rating Agency | Short term | Long term |
|---------------------------------|---------------|------------|-----------|
| Al Baraka Bank Pakistan Limited | PACRA | A1 | A |
| Bank Islami Pakistan Limited | PACRA | A1 | A+ |
| Meezan Bank Limited | JCR- VIS | A-1+ | AA |
| MCB Islamic Bank Limited | PACRA | A1 | A |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| Conventional banks | Rating Agency | Short term | Long term |
|---|---------------|------------|-----------|
| Industrial and Commercial Bank of China | Moody's | P-1 | A2 |
| Allied Bank Limited | PACRA | A1+ | AA+ |
| Askari Bank Limited | PACRA | A1+ | AA+ |
| Bank Al Falah Limited | PACRA | A1+ | AA+ |
| Bank Al Habib Limited | PACRA | A1+ | AA+ |
| Bank of Khyber | PACRA | A-1 | A |
| Bank of Punjab | PACRA | A1+ | AA |
| Faysal Bank Limited | PACRA | A1+ | AA |
| First Women Bank Limited | PACRA | A2 | A- |
| MCB Bank Limited | PACRA | A1+ | AAA |
| National Bank of Pakistan | PACRA | A1+ | AAA |
| Habib Metropolitan Bank Limited | PACRA | A1+ | AA+ |
| Soneri Bank Limited | PACRA | A1+ | AA- |
| PAIR Investment Company Limited | PACRA | A1+ | AA |
| Habib Bank Limited | JCR- VIS | A-1+ | AAA |
| SAMBA Bank Limited | JCR- VIS | A-1 | AA |
| Silk Bank Limited | JCR- VIS | A-2 | A- |
| Sindh Bank Limited | JCR- VIS | A-1+ | AA |
| Summit Bank Limited | JCR- VIS | A-1 | A- |
| United Bank Limited | JCR- VIS | A-1+ | AAA |
| Pak China Investment Company Limited | JCR- VIS | A-1+ | AAA |
| Pak Oman Investment Company Limited | JCR- VIS | A-1+ | AA+ |

45.1.3 Liquidity risk

Liquidity risk reflects the Company's inability of raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customers. The Company's financial liabilities have contractual maturities as summarized below:

| | Within one year | Over one year | Total |
|---------------------------------------|-------------------|------------------|-------------------|
| 2017 | | | |
| Long-term finances - secured | 1,007,479 | 2,240,163 | 3,247,642 |
| Other liabilities | 524,875 | 524,875 | 1,049,750 |
| Trade and other payables | 6,944,699 | - | 6,944,699 |
| Mark-up accrued | 117,258 | - | 117,258 |
| Short-term running finances - secured | 6,944,699 | - | 6,944,699 |
| | <u>15,539,010</u> | <u>2,765,038</u> | <u>18,304,048</u> |
| 2016 | | | |
| Long term finances | 599,079 | 2,307,749 | 2,906,828 |
| Other liabilities | 600,000 | - | 600,000 |
| Trade and other payables | 29,216,605 | - | 29,216,605 |
| Mark-up accrued | 91,185 | - | 91,185 |
| Short-term borrowings | 3,889,629 | - | 3,889,629 |
| | <u>34,396,498</u> | <u>2,307,749</u> | <u>36,704,247</u> |

46 CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board's policy is to maintain a strong capital base so as to maintain investors', creditors' and market's confidence and to sustain future development of the business, safeguard the Company's ability to continue as going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board monitors the return on capital, which the Company defines as net profit/(loss) after tax divided by total shareholders' equity. The Board also monitor the level of dividend to ordinary shareholders subject to the availability of funds.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

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

| | Note | 2017 | 2016 |
|--|------|-------------|-------------|
| Total interest bearing debt | | 10,680,482 | 7,416,575 |
| Trade and other payables | 22 | 34,321,373 | 29,222,758 |
| Mark-up and profit accrued | 23 | 117,258 | 91,185 |
| Less: cash and bank balances | 15 | (9,628,057) | (7,821,070) |
| Excess of net cash over debt / net debt | | 35,491,056 | 28,909,448 |
| Total shareholders' equity and revaluation surplus | | 10,266,036 | 6,105,018 |
| Net equity | | 45,757,092 | 35,014,466 |
| Gearing ratio | | 77.56% | 82.56% |

47 EMPLOYEES PROVIDENT FUND

The Company operates approved provident fund for its eligible employees. Details of assets and investments of the fund is as follows:

| | Note | 2017 | 2016 |
|--------------------------------|------|---------|--------|
| Size of fund - total assets | | 99,071 | 74,543 |
| Number of members | | 295 | 260 |
| Cost of investments made | | 101,727 | 70,018 |
| Percentage of investments made | | 103% | 94% |
| Fair value of investments | 47.1 | 100,695 | 72,406 |

47.1 The break-up of fair value of investments are as follows:

| | 2017 | | 2016 | |
|-----------------------------|-------------|-------------------------------|-------------|-------------------------------|
| | Investments | Percentage of investment Made | Investments | Percentage of investment Made |
| Saving bank account | 67,043 | 66 | 55,289 | 76 |
| Regular income certificates | 17,919 | 18 | 17,117 | 24 |
| Mutual fund | 15,733 | 16 | - | - |
| | 100,695 | 100 | 72,406 | 100 |

47.2 Investments out of provident fund have been made in accordance with the provisions of section 218 of Companies Act, 2017 and applicable rules.

48 DISCLOSURE REQUIREMENTS FOR ALL SHARES ISLAMIC INDEX

Following information has been disclosed with reference to circular no. 14 of 2016 dated April 21, 2016, issued by the Securities and Exchange Commission of Pakistan relating to "All Shares Islamic Index".

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| S.no | Description | Explanation |
|--------|---|---|
| (i) | Loans and advances | Non-interest bearing as disclosed in Note 19 and 24. |
| (ii) | Deposits | Non-interest bearing as disclosed in Note 8 and 12. |
| (iii) | Segment revenue | Disclosed in note 42. |
| (iv) | Bank balances | Placed under interest arrangement and Shariah permissible arrangement as disclosed in note 15. |
| (v) | Income on bank deposits | Placed under interest arrangement and Shariah permissible arrangement as disclosed in note 33. |
| (vi) | Gain/(loss) on disposal of available-for-sale investments | Not applicable during the year. |
| (vii) | Dividend income | Disclosed in note 33.1. |
| (viii) | All sources of income | Disclosed in note 28, 29 and 33. |
| (ix) | Exchange gain | Earned from actual currency. |
| (x) | Relationship with banks having Islamic windows | Following is the list of banks with which the Company has a relationship with Islamic window of operations: |

| S.no | Names of Islamic bank |
|------|------------------------------------|
| 1 | Al Baraka Bank (Pakistan) Limited; |
| 2 | Bank Islami Pakistan Limited; |
| 3 | Meezan Bank Limited and |
| 4 | MCB Islamic Bank Limited |

49 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purpose of comparison and to reflect the substance of the transactions. Following major reclassifications have been made during the year:

| Reclassified from | Reclassified to | Note | Amount |
|---|--|-------------|-------------|
| Deposits and prepayments | Mark-up and profit accrued | 14 | 35,816 |
| Current portion of long term financing | Current portion of non-current liabilities | 25 | 599,079 |
| Current portion of liabilities subject to finance lease | Current portion of non-current liabilities | 25 | 148,387 |
| Trade and other payables | Deferred and other liabilities | 21 | 600,000 |
| Taxation | Deferred taxation - deductible temporary expenses | 21.2 | 186,000 |
| Bank balances - in saving accounts | Term deposit receipt | 15 | 60,000 |
| Administrative expenses - ujrah payments | Distribution and marketing expenses - ujrah payments | 31 | 10,108 |
| Administrative expenses - salaries, allowances and other benefits | Finance cost - interest cost on defined benefit obligation | 34 | 9,545 |
| Distribution and marketing - provision against franchise income | Other expenses - provision against franchise income | 35 | 27,349 |
| Other income - sundries | Other revenue - non fuel retail and lubricants | 29 | 8,307 |
| Deposits and prepayments | Other receivables | 13 | 1,144,753 |
| | | 2017 | 2016 |

50 NUMBER OF EMPLOYEES

Total number of employees as at year end
Average number of employees during the year

| | |
|-----|-----|
| 755 | 519 |
| 611 | 457 |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

51 EVENTS AFTER THE BALANCE SHEET DATE


The Board of Directors in its meeting held on April 3rd, 2018 has proposed a cash dividend of Rs. 3.50 per share for the year ended December 31, 2017 for approval of the members at the Annual General Meeting to be held on April 27th, 2018. These unconsolidated financial statements do not include the effect of the proposed cash dividend which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2018.

52 DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements have been authorized for issue on 3rd April 2018 by the Board of Directors of the Company.



Saleem Butt
Chief Executive Officer
& Director



Khurram Shahzad Venjhar
Chief Financial Officer



Abdul Aziz Khalid
Director





Audited Consolidated Financial Statements

for the year ended December 31, 2017







AUDITORS' REPORT TO THE MEMBERS

GRANT THORNTON ANJUM RAHMAN

1st & 3rd Floor,
Modern Motors House
Beaumont Road,
Karachi 75530

T +92 021 3567 2951-56
F +92 021 3568 8834
www.gtpak.com

We have audited the annexed consolidated financial statements comprising of consolidated balance sheet of **Hascol Petroleum Limited** (the Holding Company) and its subsidiary company, collectively referred as "the Group" as at December 31, 2017 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated cash flow statement together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Hascol Petroleum Limited and its subsidiary company. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of **Hascol Petroleum Limited** and its subsidiary company as at December 31, 2017 and the result of their operations for the year then ended.

Place: Karachi

Date: 03 APR 2018

Grant Thornton Anjum Rahman
Grant Thornton Anjum Rahman
Chartered Accountants
Muhammad Shaukat Naseeb
Engagement Partner

CONSOLIDATED BALANCE SHEET


AS AT DECEMBER 31, 2017

(Rupees in thousand)

| | Note | 2017 | 2016 |
|---|------|-------------------|-------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 6 | 13,680,349 | 9,424,264 |
| Intangible asset | 7 | - | - |
| Long-term investments | 8 | 1,898,263 | 1,886,977 |
| Long-term deposits | 9 | 331,537 | 289,632 |
| Total non-current assets | | 15,910,149 | 11,600,873 |
| Current assets | | | |
| Stock-in-trade | 10 | 18,557,106 | 16,477,668 |
| Trade debts | 11 | 11,518,218 | 7,871,281 |
| Advances | 12 | 181,365 | 44,605 |
| Deposits and prepayments | 13 | 80,633 | 109,755 |
| Other receivables | 14 | 2,161,031 | 1,153,880 |
| Mark-up and profit accrued | 15 | 57,398 | 35,816 |
| Cash and bank balances | 16 | 9,628,513 | 7,826,147 |
| Total current assets | | 42,184,264 | 33,519,152 |
| TOTAL ASSETS | | 58,094,413 | 45,120,025 |
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | | | |
| Share capital | 17 | 1,448,150 | 1,206,792 |
| Reserves | 18 | 7,789,623 | 3,746,665 |
| Equity attributable to owners of the Holding Company | | 9,237,773 | 4,953,457 |
| Non - controlling interest | 19 | - | 469,714 |
| Total shareholders' equity | | 9,237,773 | 5,423,171 |
| Surplus on revaluation of operating fixed assets - net of tax | 20 | 1,025,789 | 1,142,880 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Long-term financing | 21 | 2,240,163 | 2,307,749 |
| Liabilities against assets subject to finance lease | 22 | 377,603 | 471,731 |
| Deferred and other liabilities | 23 | 1,413,122 | 1,144,581 |
| Total non-current liabilities | | 4,030,888 | 3,924,061 |
| Current liabilities | | | |
| Trade and other payables | 24 | 34,323,048 | 29,234,263 |
| Mark-up and profit accrued | 25 | 117,258 | 91,185 |
| Short-term borrowings | 26 | 6,944,699 | 3,889,629 |
| Current portion of non-current liabilities | 27 | 1,642,892 | 747,466 |
| Taxation | 28 | 772,066 | 667,370 |
| Total current liabilities | | 43,799,963 | 34,629,913 |
| TOTAL LIABILITIES | | 47,830,851 | 38,553,974 |
| TOTAL EQUITY AND LIABILITIES | | 58,094,413 | 45,120,025 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 29 | | |

The annexed notes 1 to 55 form an integral part of these consolidated financial statements.


Saleem Butt
 Chief Executive Officer
 & Director


Khurram Shahzad Venjhar
 Chief Financial Officer


Abdul Aziz Khalid
 Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT


FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | Note | 2017 | 2016 |
|---|-------|--------------------|--------------------|
| Sales - net | 30 | 215,662,302 | 128,759,275 |
| Less: sales tax | | (41,923,129) | (29,251,081) |
| Net sales | | 173,739,173 | 99,508,194 |
| Other revenue | 31 | 500,460 | 207,587 |
| Net revenue | | 174,239,633 | 99,715,781 |
| Cost of products sold | 32 | (166,850,657) | (94,585,669) |
| Gross profit | | 7,388,976 | 5,130,112 |
| Operating expenses | | | |
| Distribution and marketing | 33 | (2,666,666) | (1,746,237) |
| Administrative | 34 | (683,341) | (521,333) |
| | | (3,350,007) | (2,267,570) |
| Other income | 35 | 417,481 | 203,189 |
| Operating profit | | 4,456,450 | 3,065,731 |
| Finance cost | 36 | (582,785) | (442,163) |
| Other expenses | 37 | (491,095) | (673,772) |
| Exchange (loss) / gain - net | | (795,773) | 5,829 |
| Share of Loss of associate | 8.1.2 | (1,255) | - |
| | | (1,870,908) | (1,110,106) |
| Profit before taxation | | 2,585,542 | 1,955,625 |
| Taxation | 38 | (1,257,451) | (752,349) |
| Profit for the year | | 1,328,091 | 1,203,276 |
| Profit for the year from continued operations | | 1,399,831 | 1,203,276 |
| Loss for the year from discontinued operations | | (71,740) | - |
| | | 1,328,091 | 1,203,276 |
| Profit / (loss) attributable to: | | | |
| Owners of the Holding Company | | | |
| - continued operations | | 1,399,831 | 1,207,851 |
| - discontinued operations | 19.2 | (44,837) | - |
| | | 1,354,994 | 1,207,851 |
| Non - controlling interests | | | |
| - continued operations | | - | - |
| - discontinued operations | 19.2 | (26,903) | (4,575) |
| | | (26,903) | (4,575) |
| | | 1,328,091 | 1,203,276 |
| Basic and diluted earning / (loss) per share | 39 | | Restated |
| - continued operation (Rupees) | | 10.69 | 9.31 |
| - discontinued operation (Rupees) | | (0.55) | - |

The annexed notes 1 to 55 form an integral part of these consolidated financial statements.


Saleem Butt
 Chief Executive Officer
 & Director


Khurram Shahzad Venjhar
 Chief Financial Officer


Abdul Aziz Khalid
 Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME


FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | Note | 2017 | 2016 |
|--|--------|------------------|------------------|
| Profit for the year | | 1,328,091 | 1,203,276 |
| Other comprehensive loss | | | |
| <i>Items that will not be reclassified to consolidated profit and loss account</i> | | | |
| Remeasurement of actuarial losses on defined benefit obligation - net of tax | 23.3.5 | (30,519) | (9,795) |
| <i>Items that may be reclassified subsequently to consolidated profit and loss account</i> | | | |
| Unrealized loss on remeasurement of available-for-sale investments - net of tax | | (302,341) | (59,791) |
| | | (332,860) | (69,586) |
| Total comprehensive income | | 995,231 | 1,133,690 |
| Total comprehensive income / (loss) attributable to: | | | |
| Equity holders of the Holding Company | | 1,022,134 | 1,138,265 |
| Non - controlling interests | 19.2 | (26,903) | (4,575) |
| | | 995,231 | 1,133,690 |

The annexed notes 1 to 55 form an integral part of these consolidated financial statements.


Saleem Butt
Chief Executive Officer
& Director


Khurram Shahzad Venjhar
Chief Financial Officer


Abdul Aziz Khalid
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY


FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | Share Capital | Share premium | Capital reserves Suplus on re-measurement of available for sale investment to fair value | Revenue reserve Unappropriated profit | Sub Total | Non controlling interest | Total shareholders' equity |
|---|------------------|------------------|---|--|------------------|--------------------------|----------------------------|
| Balance as at January 01, 2016 | 1,206,792 | 1,070,828 | 684,721 | 1,565,856 | 4,528,197 | - | 4,528,197 |
| Total comprehensive income / (loss) for the year | | | | | | | |
| Profit / (loss) for the year | - | - | - | 1,207,851 | 1,207,851 | (4,575) | 1,203,276 |
| Other comprehensive income / (loss) | | | | | | | |
| Remeasurement of actuarial losses on defined benefit obligation - net of tax | - | - | - | (9,795) | (9,795) | - | (9,795) |
| Unrealized loss due to change in fair value of long-term investments - net of tax | - | - | (59,791) | - | (59,791) | - | (59,791) |
| Total comprehensive income / (loss) | - | - | (59,791) | 1,198,056 | 1,138,265 | (4,575) | 1,133,690 |
| Transferred from surplus on revaluation of operating fixed assets on account of incremental depreciation - net of tax | - | - | - | 131,749 | 131,749 | - | 131,749 |
| | - | - | (59,791) | 1,329,805 | 1,270,014 | (4,575) | 1,265,439 |
| Transactions with owners recognized directly in equity | | | | | | | |
| Final dividend at Rs. 3.50 per share - December 2015 | - | - | - | (422,377) | (422,377) | - | (422,377) |
| Interim dividend at Rs. 3.50 per share - June 2016 | - | - | - | (422,377) | (422,377) | - | (422,377) |
| Consideration of acquisition of subsidiary | - | - | - | - | - | 474,289 | 474,289 |
| Total transactions with owners recognized directly in equity | - | - | - | (844,754) | (844,754) | 474,289 | (370,465) |
| Balance as at December 31, 2016 | <u>1,206,792</u> | <u>1,070,828</u> | <u>624,930</u> | <u>2,050,907</u> | <u>4,953,457</u> | <u>469,714</u> | <u>5,423,171</u> |
| Balance as at January 01, 2017 | 1,206,792 | 1,070,828 | 624,930 | 2,050,907 | 4,953,457 | 469,714 | 5,423,171 |
| Total comprehensive income for the year | | | | | | | |
| Profit / (loss) for the year | - | - | - | 1,354,994 | 1,354,994 | (26,903) | 1,328,091 |
| Other comprehensive loss | | | | | | | |
| Remeasurement of actuarial losses on defined benefit obligation - net of tax | - | - | - | (30,519) | (30,519) | - | (30,519) |
| Unrealized loss due to change in fair value of long-term investments - net of tax | - | - | (302,341) | - | (302,341) | - | (302,341) |
| Total comprehensive income | - | - | (302,341) | 1,324,475 | 1,022,134 | (26,903) | 995,231 |
| Transferred from surplus on revaluation of operating fixed assets on account of incremental depreciation - net of tax | - | - | - | 117,091 | 117,091 | - | 117,091 |
| | - | - | (302,341) | 1,441,566 | 1,139,225 | (26,903) | 1,112,322 |
| Transactions with owners | | | | | | | |
| Right issue 20% @ Rs. 165/- per share - September 2017 | 241,358 | 3,741,055 | - | - | 3,982,413 | - | 3,982,413 |
| Issuance cost | - | (45,029) | - | - | (45,029) | - | (45,029) |
| | 241,358 | 3,696,026 | - | - | 3,937,384 | - | 3,937,384 |
| Final dividend at Rs. 3.50 per share - December 2016 | - | - | - | (422,377) | (422,377) | - | (422,377) |
| Interim dividend at Rs. 3.50 per share - June 2017 | - | - | - | (422,377) | (422,377) | - | (422,377) |
| Changes in ownership structure in subsidiaries | - | - | - | 52,461 | 52,461 | - | 52,461 |
| Disposal of non-controlling interest | - | - | - | - | - | (442,811) | (442,811) |
| | - | - | - | (792,293) | (792,293) | (442,811) | (1,235,104) |
| Total transactions with owners | 241,358 | 3,696,026 | - | (792,293) | 3,145,091 | (442,811) | 2,702,280 |
| Balance as at December 31, 2017 | <u>1,448,150</u> | <u>4,766,854</u> | <u>322,589</u> | <u>2,700,180</u> | <u>9,237,773</u> | <u>-</u> | <u>9,237,773</u> |

The annexed notes 1 to 55 form an integral part of these consolidated financial statements.


Saleem Butt
 Chief Executive Officer
 & Director


Khurram Shahzad Venjhar
 Chief Financial Officer


Abdul Aziz Khalid
 Director

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2017


(Rupees in thousand)

| | Note | 2017 | 2016 |
|--|--------|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 43 | 2,388,667 | 3,485,768 |
| Finance cost paid | | (555,825) | (405,739) |
| Profit received on bank deposits | | 257,471 | 129,217 |
| Taxes paid | | (788,425) | (604,486) |
| Gratuity paid | 23.3.2 | (25,825) | (5,003) |
| Net cash generated from operating activities | | 1,276,063 | 2,599,757 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Capital expenditure incurred | 6.4 | (5,693,170) | (3,599,189) |
| Proceeds from disposal of property, plant and equipment | | 214,099 | 65,711 |
| Dividend received | | - | 13,407 |
| Discontinued operations of subsidiary | | (4,621) | - |
| Long-term investment made during the year | | (303,000) | - |
| Long-term deposits paid | | (42,655) | (61,731) |
| Net cash used in investing activities | | (5,829,347) | (3,581,802) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Lease liability (repaid) / obtained - net | | (131,977) | 194,591 |
| Contribution of non-controlling interest in subsidiary company | | - | 474,289 |
| Proceeds from issue of shares - net of transaction cost | | 3,937,384 | - |
| Dividend paid | | (844,754) | (844,754) |
| Proceeds from issue of commercial paper | 26.3 | 1,446,204 | - |
| Long-term finance obtained - net | | 340,814 | 2,435,489 |
| Net cash generated from financing activities | | 4,747,671 | 2,259,615 |
| Net increase in cash and cash equivalents | | 194,387 | 1,277,570 |
| Cash and cash equivalents at beginning of the year | | 3,876,518 | 2,598,948 |
| Cash and cash equivalents at end of the year | 44 | 4,070,905 | 3,876,518 |

The annexed notes 1 to 55 form an integral part of these consolidated financial statements.



Saleem Butt
Chief Executive Officer
& Director



Khurram Shahzad Venjhar
Chief Financial Officer



Abdul Aziz Khalid
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 The Group consists of:

| Name of the Company | Status in the Group | Percentage of holding |
|---------------------------------------|---------------------|-----------------------|
| Hascol Petroleum Limited | Holding Company | - |
| Hascombe Lubricants (Private) Limited | Subsidiary Company | 100% |

- Hascol Petroleum Limited

Hascol Petroleum Limited (the Holding Company) was incorporated in Pakistan as a private limited Company on March 28, 2001. On September 12, 2007 the Holding Company was converted into a public unlisted Company and on May 12, 2014 the Holding Company got listed on the Pakistan Stock Exchange. The registered office of the Holding Company is situated at Suite No. 105-106, The Forum, Khayaban-e-Jami, Clifton, Karachi.

The Holding Company is engaged in the business of procurement, storage and marketing of petroleum and related products, for which the Holding Company obtained oil marketing license from Ministry of Petroleum and Natural Resources in the year 2005.

- Hascombe Lubricants (Private) Limited

Hascombe Lubricants (Private) Limited (the Subsidiary Company) was incorporated on December 27, 2001 as a private limited company under the Companies Ordinance, 1984. The registered office of the Subsidiary Company is situated at Suite No. 105-106, The Forum, Khayaban-e-Jami, Clifton, Karachi. Principal activity of the Subsidiary Company was marketing and selling imported and locally produced automobile and industrial lubricants. The company is a wholly owned subsidiary of Hascol Petroleum Limited.

1.2 The Subsidiary Company has ceased to be as a going concern and therefore the financial statements of the Subsidiary Company have not been prepared on a going concern basis.

2 BASIS OF CONSOLIDATION

The consolidated financial statements includes the financial statement of Holding Company and its subsidiary, comprising together 'the Group'. Control is achieved when the Holding Company:

- has a power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Holding Company reassesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of controls listed above.

Consolidation of a subsidiary begins when the Holding Company obtains control over the subsidiary and ceases when the Holding Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed-off during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Holding Company gains control until the date when the Holding Company ceases to control the subsidiary. These consolidated financial statements include Hascol Petroleum Limited and all companies in which it directly or indirectly controls beneficially owns or holds more than 50% of the voting securities or otherwise as power to elect and appoint more than 50% of its directors (the Subsidiary).

Profit or loss and each component of other comprehensive income are attributed to the owners of the Holding Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Holding Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Group's accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

The assets, liabilities, income and expenses of the subsidiaries have been consolidated on a line by line basis and the carrying value of the investment held by the Holding Company has been eliminated against corresponding Holding in subsidiaries' shareholders' equity in the consolidated financial statements. All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.1 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Holding Company.

2.2 Loss of control

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed off the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2.3 Non-controlling interests

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

The Group treats transaction with non-controlling interest as that do not results in loss of control as an equity transaction with owner of the Group. The difference between the fair value of consideration paid and relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gain and loss on disposal to non-controlling interest is recorded directly in equity.

2.4 Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

2.5 Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3 BASIS OF PREPARATION

3.1 Statement of compliance

The Companies Ordinance, 1984 was repealed by enactment of the Companies Act, 2017 (the Act) on May 30, 2017. Securities & Exchange Commission of Pakistan (SECP) vide its Circular No. 17 of 2017 has communicated its decision that the companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. In continuation to the above mentioned circular, SECP in view of the difficulties faced by the companies to comply with the provisions of the Act, has advised vide Circular No. 23 of 2017 that the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Furthermore, the Institute of Chartered Accountants of Pakistan (ICAP) has obtained clarification from the SECP in this regard, as per which the preparation of financial statements in accordance with the repealed Companies Ordinance, 1984 covers interim financial statements of the companies for the period ending on or before December 31, 2017.

These consolidated financial statements have been prepared in accordance with the Approved Accounting Standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by ICAP as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued there under differ with the requirements of IFRS and IFAS, the requirements of the Companies Ordinance, 1984 and said directives shall prevail.

3.2 Accounting convention

These consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

| Items | Measurement basis |
|-------------------------------|---|
| Available for sale investment | Fair value |
| Net defined benefit liability | Present value of the defined benefit obligation |
| Property, plant and equipment | Revalued amounts |
| Monetary Liabilities | Spot exchange rate |

In these consolidated financial statements, except for the consolidated statement of cash flows, all the transactions have been accounted for on an accrual basis.

3.3 Functional and presentation currency

These consolidated financial statements are presented in Pakistani Rupees which is also the Group's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise stated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

3.4 Standards, Amendments and Interpretations to Approved Accounting Standards

3.4.1 Standards, amendments and interpretations to the published standards that are relevant to the Group and adopted in the current year

The Group has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current year.

| Amendments | Effective Date |
|--|-----------------|
| IAS 7 - Disclosure Initiative (Amendments to IAS 7) | January 1, 2017 |
| IAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12) | January 1, 2017 |
| IFRS 12 - Annual Improvements to IFRS 2014-2016 | January 1, 2017 |

Adoption of the above revisions, amendments and interpretations of the standards have no significant effect on the amounts for the year ended December 31, 2017 and 2016.

3.4.2 Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Group

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

| Standards and amendments | Effective date (Annual periods beginning on or after) |
|---|---|
| IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) | Postponed |
| IFRS 2 - Classification and Measurement of Share-based Payment Transaction (Amendments to IFRS 2) | January 1, 2018 |
| IFRS 1 and IAS 28 - Annual Improvements to IFRSs 2014-2016 | January 1, 2018 |
| IAS 40 - Transfers of Investment Property (Amendments to IAS 40) | January 1, 2018 |
| IFRS 15 - Revenue from Contracts with Customers | July 1, 2018 |
| IFRS 9 - Financial Instruments | July 1, 2018 |
| IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) | January 1, 2019 |
| IFRS 9 - Prepayment Features with Negative Compensation (Amendments to IFRS 9) | January 1, 2019 |
| Annual Improvements to IFRSs 2015 - 2017 Cycle | January 1, 2019 |

Interpretation

| | |
|--|-----------------|
| IFRIC 22 - Foreign Currency Transactions and Advance Consideration | January 1, 2018 |
| IFRIC 23 - Uncertainty over Income Tax Treatments | January 1, 2019 |

The Group is in the process of assessing the impact of these standards, amendments and interpretations to the published standards on the consolidated financial statements.

3.4.3 Standards, amendments and interpretations to the published standards that are not yet notified by the SECP

Following new standards have been issued by the IASB which are yet to be notified by SECP for the purpose of applicability in Pakistan.

| Standards | IASB effective date (Annual periods beginning on or after) |
|--|--|
| IFRS 14 - Regulatory Deferral Accounts | January 1, 2016 |
| IFRS 16 - Leases | January 1, 2019 |
| IFRS 17 - Insurance Contracts | January 1, 2021 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

4 CRITICAL ASSUMPTIONS, ESTIMATES AND MEASUREMENT UNCERTAINTY

The preparation of consolidated financial statements are in conformity with approved accounting standards, as applicable in Pakistan, requires management to make estimates, assumptions and use judgments that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Accounting policies in respect of judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the consolidated financial statements, estimates and assumptions with significant risk of material adjustments in the future period are included in the following notes:

| | Note |
|---|-------------|
| a) Depreciation method, rates and useful life of operating fixed assets | 5.1 |
| b) Revaluation of operating fixed assets | 5.1.2 |
| c) Amortization method, rates and useful life of intangible assets | 5.2 |
| d) Estimate of fair value of investments available for sale | 5.3 |
| e) Impairment of financial assets | 5.3 |
| f) Net realizable value of stock-in-trade | 5.14 |
| g) Recoverable amount and impairment of non-financial assets | 5.15 |
| h) Provisions and contingencies | 5.18 |
| i) Provision for taxation | 5.22 |
| j) Present value of defined benefit obligation | 5.24 |

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

5 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

5.1 Property, plant and equipment

5.1.1 Initial recognition

(a) Operating fixed assets

An item of property, plant and equipment is initially recognized at cost.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Operating fixed assets under construction are disclosed as capital work in progress (CWIP). The cost of self constructed asset includes the cost of materials, fixed labour and any other cost directly attributable to bring the asset into service for its intended use, including where applicable, the cost of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

The assets which are available for intended use are capitalized as operating fixed assets. While assets under construction are capitalized to CWIP.

The Group accounts for operating fixed assets acquired under finance leases by recording the assets and the related liabilities. These amounts are determined at the inception of lease, on the basis of lower of fair value of the leased assets and the present value of minimum lease payments. Financial charges are allocated to the accounting period in a manner so as to provide a constant rate of charge on the outstanding liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(b) Capital work-in-progress

CWIP is stated at cost less accumulated impairment losses, if any. All expenditure in connection with specific assets incurred during construction/installation period are carried to CWIP. These expenditures are transferred to operating fixed assets as and when these are available for intended use.

5.1.2 Measurement subsequent to initial recognition

(a) Carried using revaluation model

Following operating assets both owned and leased are subsequently measured under revaluation model (i.e. fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses).

- Building on lease hold land;
- Tanks and pipelines;
- Dispensing pumps;
- Plant and machinery; and
- Electrical, mechanical and fire fighting equipment.

Fair value is determined by external professional valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

(b) Carried using cost model

Fixed assets other than those mentioned above are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation

Depreciation on operating fixed assets is charged to consolidated profit and loss account by applying the straight-line method whereby the cost/revalued amount of operating fixed assets is charged-off over its remaining useful life. Same basis and estimates for depreciation are applied to owned assets and assets acquired under finance lease.

Depreciation is charged on straight line method from the month in which an asset is available for intended use, while no depreciation is charged from the month in which the asset is disposed-off. Depreciation is provided at the rates as disclosed in note 6.1.

Depreciation method, useful lives and residual values are reviewed at each reporting year and adjusted, if applicable. CWIP is not depreciated.

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

Gain and loss on disposal of operating fixed assets is included in the consolidated profit and loss account in the year of disposal.

Surplus on revaluation of fixed assets

The surplus arising on revaluation of fixed assets is credited to the "Surplus on revaluation of fixed assets" shown below equity in the consolidated balance sheet. Accordingly, the Group has adopted the following accounting treatment of depreciation on revalued assets, keeping in view the requirement of SECP SRO 45(1)/2003 dated January 13, 2003:

- depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the consolidated profit and loss account; and
- an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on revaluation of fixed assets account" to unappropriated profits through consolidated statement of changes in equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

Borrowing cost

Borrowing costs directly attributable to the acquisition, construction and production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

5.2 Intangible assets - computer software

These are recorded initially at cost and subsequently carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets having finite useful lives are stated at cost less accumulated amortization and accumulated impairment losses, if any. Such intangible assets are amortized over their estimated useful lives using the straight line method.

Amortization on addition and deletion of intangible assets is charged in proportion to the period of use. The useful life and amortization method is reviewed and adjusted, if appropriate, at the balance sheet date. Intangible assets having indefinite useful life are not amortized and stated at cost less impairment losses, if any.

5.3 Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction cost that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of financial assets or financial liabilities, as appropriate, on initial recognition.

Regular purchases and sales of financial assets are recognized on the trade date i.e. the date on which the Group commits to purchase or sell the asset.

Classification and subsequent measurement of financial assets

For the purpose of classification and subsequent measurement of financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- loans and receivables; and
- available for sale.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The loan and receivables include trade debts, advances, deposits, markup or profit accrued, other receivables and cash and bank balances.

Available for sale

Available for sale (AFS) financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed equity securities held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Group also have investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to changes in market rate of the equity securities and dividends on AFS equity investments are recognized in consolidated profit or loss account. Other changes in the carrying amount of AFS financial assets are recognized in consolidated other comprehensive income and accumulated under the heading of fair value reserve. When the investment is disposed-off or is determined to be impaired, the cumulative gain or loss previously recognized in consolidated comprehensive income is reclassified to consolidated profit and loss account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

Dividends on AFS equity instruments are recognized in consolidated profit and loss account when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in consolidated profit and loss account.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through consolidated profit and loss account to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in consolidated profit and loss account are not reversed through consolidated profit and loss account. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of AFS debt securities, impairment losses are subsequently reversed through consolidated profit and loss account if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

Derecognition of financial assets

The Group derecognizes a financial assets when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred assets, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial assets in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in consolidated other comprehensive income and accumulated in equity is recognized in consolidated profit and loss account.

On derecognition of financial asset other than in its entirety (e.g. when the Group retains an option to re-purchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continue to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in consolidated other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Classification and subsequent measurement of financial liabilities

Financial liabilities are measured subsequently at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. All interest-related charges, if applicable, changes in an instrument's fair value that are reported in consolidated profit and loss account are included within finance costs.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in consolidated profit and loss account.

5.4 Off setting of financial assets and financial liabilities

Financial assets and liabilities are off-set and the net amount is reported in the consolidated balance sheet if the Group has a legally enforceable right to off-set the transactions and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.5 Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definition of a financial liability and equity instrument.

5.6 Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received. Transaction costs directly attributable to the issue of ordinary share are recognized as deduction from equity.

5.7 Share premium reserves

Share premium is recorded on issue of shares in accordance with the requirements of section 83 of the Companies Act, 2017 and Rule 5 of the Companies (Issue of Capital) Rules, 1996 amendment pursuant of S.R.O 34 (I)/2016 dated 19th January 2016. The premium is available for use as per section 81 of the Companies Act, 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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5.8 Dividend distribution

Final dividend distribution to the Group's shareholders is recognized as a liability in the consolidated balance sheet in the period in which the dividends are approved, while interim dividend distributions are recognized in the period in which the dividends are declared by the Board of Directors. However, if these are approved after the reporting period but before the consolidated financial statements are authorized for issue, they are disclosed in the notes to the consolidated financial statements.

5.9 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

5.10 Investment in associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but also neither has control nor joint control over those policies.

When necessary the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS-36 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use and fair value less cost of disposal) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS-36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group transacts with an associate gain and loss resulting from the transactions with the associate is recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

5.11 Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

5.12 Trade debts and other receivables

Trade debts and other receivables are recognized initially at invoice value, which approximates fair value, and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade debts and other receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of the receivable. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the trade debt is impaired. The amount of provision is charged to consolidated profit and loss account. Trade debts and other receivables considered irrecoverable are written-off.

Exchange gains and losses arising on translation in respect of trade debts and other receivables in foreign currency are added to the carrying amount of the respective receivables.

5.13 Advance and deposits

These are stated at cost less provision for doubtful balances, if any. Deposits represent security deposits from dealers by virtue of agreement and are interest free. These are repayable on cancellation on dealership contract with dealers.

5.14 Stock-in-trade

Stock-in-trade is valued at the lower of cost and net realizable value.

Cost is determined as follows:

- Stock-in-transit is valued at cost comprising invoice value plus other charges incurred thereon.
- The cost of stock in trade is determined on moving weighted average basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

Provision is made for obsolete/slow moving stocks where necessary and recognized in the consolidated profit and loss account. Net realizable value represents the estimated selling price in the ordinary course of business less estimated costs necessary in order to make the sale.

5.15 Impairment of non financial assets

The carrying amounts of non financial assets, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the consolidated profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

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

5.16 Term deposit receipts (TDRs)

These represent placement in TDRs with financial institution having tenure of one year.

5.17 Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated balance sheet at cost. For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash in hand, demand deposit, bank balances, short term borrowings and other items of current assets and current liabilities which qualify as cash equivalents.

5.18 Provisions and contingent liabilities

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

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are only disclosed and not recognized as liability in the consolidated balance sheet.

5.19 Commitments

Commitments are disclosed in the consolidated financial statements at committed amount.

5.20 Leases

Finance leases

Leases in terms of which the Group has substantially all the risks and rewards of ownership are classified as finance leases. Assets obtained under finance lease are accounted for in accordance with policy stated in note 5.1.

The related rental obligations, net of finance costs are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to consolidated profit and loss account over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated profit and loss account on a straight-line basis over the period of lease. In the event lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight line basis except where another systematic basis is more representative of the time pattern in which economic benefit from the leased assets are consumed.

Ijarah

Leased assets which are obtained under Ijarah agreement are not recognized in the Group's consolidated balance sheet and are treated as operating lease based on IFAS 2 issued by the ICAP and notified by SECP vide S.R.O. 43(1) / 2007 dated 22 May 2007. Ujrah payments made under an Ijarah are charged to the consolidated profit and loss account on a straight line basis over the Ijarah term unless another systematic basis is representative of time pattern of the user's benefit even if the payment are not on that basis.

5.21 Foreign currency translations

Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rates of exchange prevailing at the balance sheet date. Transactions denominated in foreign currencies are converted into Pakistani Rupees at the rates of exchange prevailing at the transaction date. Exchange gains or losses are taken to the consolidated profit and loss account. At the end of each reporting period, monetary amount denominated in foreign currencies are re-translated at the rates prevailing at that date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

5.22 Taxation

Taxation for the year comprises current and deferred tax. Taxation is recognized in the consolidated profit and loss account except to the extent that it relates to items recognized outside consolidated profit and loss account (whether in consolidated other comprehensive income or directly in equity), if any, in which case the tax amounts are recognized outside consolidated profit and loss account.

- Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of prior years.

- Deferred

Deferred tax is provided for using the consolidated balance sheet method providing the temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date. Deferred tax asset is recognized only to the extent that it is probable that the future taxable profits will be available and credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on the tax rates that have been enacted. The Group takes into account the current income tax laws and decisions taken by the taxation authorities.

Deferred tax is charged or credited in the consolidated profit and loss account, except in the case of items credited or charged to equity or statement of other comprehensive income, in which case it is included in equity or statement of other comprehensive income as the case may be.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

5.23 Revenue recognition

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

Operating revenue

- Sales are recorded when significant risks and rewards of ownership of the goods have passed to the customers which coincides with dispatch of goods to customers.
- Non-fuel retail income and other revenue (including license fee) is recognized on an accrual basis.
- Handling, storage and other services income is recognized when the services have been rendered.

Other income

- Dividend income is recognized when the Group's right to receive the dividend is established.
- Return on bank deposits is recognized when it is probable that the economic benefits will flow to the entity and the amount of income can be measured reliably. Interest income is accrued on a timely basis by reference to the principal outstanding and at the effective interest rate applicable.
- Rental income from operating leases is recognized on a straight line basis over the terms of the relevant lease. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amounts of the leased assets and recognized on a straight line basis over the leased term.

5.24 Retirement and other service benefits

Unfunded gratuity scheme

The Group operates an unapproved and unfunded gratuity scheme covering all its permanent employees who have completed the qualifying period under the scheme. The scheme is administered by the trustees and contribution therein are made in accordance with actuarial recommendations.

The valuation in this regard is carried using the Projected Unit Credit Method with actuarial valuation being carried out at the end of each annual reporting period. Remeasurement of the defined benefit liability, which comprises of actuarial gain and losses are recognized in the comprehensive income based on actuarial gain and losses.

The Group determine the net interest expense / (income) on the net defined benefit liability / (asset) for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual year to the net defined benefit liability / (asset), taking into account and change in the net defined benefit liability / (asset) during the year as result of contribution and benefit payments. Net interest expense, current service cost and past service cost related to defined benefit plans are recognized in the consolidated profit and loss account.

Contributory provident fund

The Group operates an approved contributory provident fund for all its permanent employees. The contribution to the fund is made by the Group as well as the employees at the rate of 5.72% of the basic salary.

5.25 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as management that makes strategic decisions. The management has determined that the Group has a single reportable segment as the Board of Directors view the Group's operations as one reportable segment.

5.26 Related party transactions

All transactions with related parties are carried out by the Group at arm's length price using the comparable uncontrolled valuation method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

6 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets
Capital work-in-progress

6.1 Operating fixed assets

| Note | 2017 | 2016 |
|------|------------|-----------|
| 6.1 | 9,869,027 | 5,834,477 |
| 6.2 | 3,811,322 | 3,589,787 |
| | 13,680,349 | 9,424,264 |

| | Owned assets | | | | | Leased assets | | | | |
|-------------------------------------|-----------------|-----------------------------|---------------------|-----------------|---------------------|--|--|--------------|------------|----------------------|
| | Land lease hold | Building on lease hold land | Tanks and pipelines | Disposing pumps | Plant and machinery | Electrical, mechanical and fire fighting equipment | Furniture, office equipment and other assets | Tank lorries | Motor cars | Computer auxiliaries |
| At January 1, 2017 | | | | | | | | | | |
| Cost / revalued amount | 651,498 | 1,050,270 | 1,360,952 | 764,904 | 81,231 | 594,001 | 142,943 | 16,247 | 57,871 | 52,811 |
| Accumulated depreciation | - | (129,881) | (144,557) | (60,462) | (8,476) | (95,457) | (62,158) | (2,118) | (9,766) | (35,735) |
| Net book value | 651,498 | 920,389 | 1,216,395 | 704,442 | 72,755 | 498,544 | 80,785 | 14,129 | 48,105 | 19,076 |
| Year ended December 31, 2017 | | | | | | | | | | |
| Opening net book value | 651,498 | 920,389 | 1,216,395 | 704,442 | 72,755 | 498,544 | 80,785 | 14,129 | 48,105 | 19,076 |
| Addition / transfer from CWIP | 857,520 | 1,608,596 | 226,179 | 1,358,026 | 78,379 | 554,514 | 26,934 | 309,242 | 75,129 | 16,949 |
| Revaluation | - | - | - | - | - | - | - | - | - | - |
| Disposals | | | | | | | | | | |
| Cost | - | - | - | - | - | - | - | - | - | - |
| Accumulated depreciation | - | - | - | - | - | - | - | - | - | - |
| Discontinued Operations** | | | | | | | | | | |
| Cost | (619,941) | - | - | - | - | - | (3,838) | - | (7,165) | - |
| Accumulated depreciation | (619,941) | - | - | - | - | - | 439 | - | 1,009 | - |
| Depreciation charge | - | (64,163) | (81,277) | (48,487) | (5,964) | (72,014) | (3,499) | (6,156) | (6,156) | (10,293) |
| Residual Value | - | - | - | - | - | - | - | - | - | - |
| Closing net book value | 889,077 | 2,464,822 | 1,361,297 | 2,013,981 | 145,770 | 981,044 | 81,944 | 190,236 | 37,807 | 25,732 |
| At December 31, 2017 | | | | | | | | | | |
| Cost / revalued amount | 889,077 | 2,658,866 | 1,587,131 | 2,122,930 | 159,610 | 1,145,515 | 165,939 | 198,592 | 56,376 | 69,760 |
| Accumulated depreciation | - | (194,044) | (225,834) | (108,949) | (13,840) | (167,471) | (83,995) | (8,356) | (18,569) | (44,028) |
| Net book value | 889,077 | 2,464,822 | 1,361,297 | 2,013,981 | 145,770 | 981,044 | 81,944 | 190,236 | 37,807 | 25,732 |
| Depreciation rate - % | | | | | | | | | | |
| At January 1, 2016 | - | 969,929 | 1,020,617 | 579,307 | 52,311 | 426,135 | 73,320 | - | 10,448 | 34,463 |
| Cost / revalued amount | - | (70,312) | (76,143) | (30,113) | (27,125) | (3,444) | (50,884) | - | (6,778) | (24,360) |
| Accumulated depreciation | - | 899,617 | 944,474 | 549,194 | 48,867 | 388,519 | 22,436 | - | 3,670 | 10,103 |
| Net book value | - | - | - | - | - | - | - | - | - | - |
| Year ended December 31, 2016 | - | 899,617 | 944,474 | 549,194 | 48,867 | 388,519 | 22,436 | - | 3,670 | 10,103 |
| Opening net book value | - | 80,341 | 340,335 | 185,597 | 22,117 | 167,866 | 69,623 | 16,247 | 50,630 | 18,408 |
| Addition / transfer from CWIP | - | - | - | - | - | - | - | - | - | - |
| Revaluation | - | - | - | - | - | - | - | - | - | - |
| Disposals / transfers | - | - | - | - | - | - | - | - | - | - |
| Cost | - | - | - | - | - | - | - | - | - | - |
| Accumulated depreciation | - | - | - | - | - | - | - | - | - | - |
| Depreciation charge for the year | - | (59,569) | (68,414) | (30,349) | (23,103) | (5,032) | (58,141) | (2,118) | (5,521) | (9,425) |
| Residual Value | - | - | - | - | - | - | - | - | - | - |
| Closing net book value | 651,498 | 920,389 | 1,216,395 | 704,442 | 72,755 | 498,544 | 80,785 | 14,129 | 48,105 | 19,076 |
| At December 31, 2016 | | | | | | | | | | |
| Cost / revalued amount | 651,498 | 1,050,270 | 1,360,952 | 764,904 | 81,231 | 594,001 | 142,943 | 16,247 | 57,871 | 52,811 |
| Accumulated depreciation | - | (129,881) | (144,557) | (60,462) | (8,476) | (95,457) | (62,158) | (2,118) | (9,766) | (35,735) |
| Net book value | 651,498 | 920,389 | 1,216,395 | 704,442 | 72,755 | 498,544 | 80,785 | 14,129 | 48,105 | 19,076 |
| Depreciation rate - % | | | | | | | | | | |
| At January 1, 2015 | - | - | - | - | - | - | - | - | - | - |
| Cost / revalued amount | - | - | - | - | - | - | - | - | - | - |
| Accumulated depreciation | - | - | - | - | - | - | - | - | - | - |
| Depreciation charge for the year | - | - | - | - | - | - | - | - | - | - |
| Residual Value | - | - | - | - | - | - | - | - | - | - |
| Closing net book value | 651,498 | 920,389 | 1,216,395 | 704,442 | 72,755 | 498,544 | 80,785 | 14,129 | 48,105 | 19,076 |

* Running finance facility from Summit Bank Limited is secured on office building for the value of Rs. 500 million. (2016: Rs. 500 million).

** This relates to operating fixed assets of subsidiary company, disposed off during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Rupees in thousand)

| | Note | 2017 | 2016 |
|--|------|------------------|------------------|
| 6.2 Capital work-in-progress | | | |
| Office building | | 1,505,203 | 1,601,993 |
| Tanks and pipelines | | 697,086 | 651,247 |
| Pump building | | 435,325 | 250,137 |
| Electrical, mechanical and fire fighting equipment | | 304,894 | 475,424 |
| Tank lorries | | 260,357 | - |
| Advances to contractors | | 232,592 | 203,263 |
| Dispensing pumps | | 160,087 | 96,357 |
| Furniture, office equipment and other assets | | 155,567 | 108,948 |
| Plant and machinery | | 25,697 | 22,319 |
| Borrowing cost capitalized | 6.3 | 22,035 | 123,214 |
| Computer auxiliaries | | 12,479 | 7,045 |
| Other ancillary cost | | - | 4,587 |
| Advance to Port Qasim Authority | | - | 44,187 |
| Lease-hold improvements | | - | 1,066 |
| | 6.4 | <u>3,811,322</u> | <u>3,589,787</u> |

6.3 During the year additions amounting to Rs. 5,693.17 million (2016: 3,599.19 million) have been made in capital work-in-progress. This also includes borrowing cost capitalized during the year at rates ranging from 7.45% - 9.15% (2016: 7.36% - 9.59%).

| | Note | 2017 | 2016 |
|---|------|------------------|----------------|
| 6.4 This include amount related to discontinued operations which are as follows; | | | |
| Opening balance | | 115,376 | - |
| Additions during the year | | 2,073,221 | 115,376 |
| Transferred to operating assets | | (11,103) | - |
| | | <u>2,062,118</u> | <u>115,376</u> |
| Assets of subsidiary disposed off | | (2,177,494) | - |
| Closing balance | | <u>-</u> | <u>115,376</u> |

6.5 Due to large number of dealers, it is impracticable to disclose the name of each person having possession of operating fixed assets, as required under Paragraph 5 of Part I of the 4th Schedule to the Companies Ordinance, 1984.

Operating fixed assets held by dealers of retail outlets of the Holding Company are tanks and pipelines, dispensing pumps, plant and machinery, electrical, mechanical and fire fighting equipments. These assets are not in possession of the Holding Company as these have been provided to dealers of retail outlets to facilitate them to promote and sell the Holding Company's products.

6.6 Change in accounting estimates

In accordance with its policy, the Holding Company reviews the estimated useful lives of its operating fixed assets on an ongoing basis. This review indicated that the actual lives of tank lorries were more than the estimated useful lives used for depreciation purposes in the Holding Company's consolidated financial statements. As a result, effective January 01, 2017, the Holding Company changed its estimates of the useful lives of its tank lorries to better reflect the estimated periods during which these assets will remain in service. Due to change in estimated useful lives the depreciation rate has been revised from 20% to 10%.

Effect of the change in estimate on depreciation expense and profit for the year is shown below:

| | Based at previous rate | Based at current rate | (Decreased) /increased by |
|--------------------------------|---------------------------|--------------------------|------------------------------|
| Change in depreciation expense | 83,752 | 41,876 | (41,876) |
| Change in profit for the year | | | <u>41,876</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Rupees in thousand)

6.7 In 2012, the Holding Company carried out revaluation of petrol pumps through an independent valuer. Revalued amount of assets was Rs. 1,172 million, resulting in surplus (net of deferred tax) amount to Rs. 387 million. Further, during 2015 the Holding Company carried out revaluation of depots and petrol pumps through an independent valuer. Revalued amount of assets was Rs. 4,154 million, resulting in surplus (net of deferred tax) amounting to Rs. 1,006 million.

6.8 Had there been no revaluation, the written down value of the following assets in the consolidated balance sheet would have been as follows:

| | Cost | Accumulated depreciation | Written down value 2017 | 2016 |
|---|------------------|--------------------------|----------------------------|------------------|
| Owned Assets | | | | |
| Building on lease hold land: | | | | |
| - Pump building | 880,921 | 197,677 | 683,244 | 727,290 |
| - Dispensing units | 61,613 | 15,275 | 46,338 | 50,448 |
| Plant and machinery | 19,767 | 5,345 | 14,422 | 15,410 |
| Tanks and pipelines | 312,423 | 50,019 | 262,404 | 278,025 |
| Electrical mechanical and fire fighting equipment | 224,202 | 67,699 | 156,503 | 178,923 |
| Leased Assets | | | | |
| Pump building | 166,399 | 83,331 | 83,068 | 91,388 |
| Dispensing units | 137,419 | 87,400 | 50,019 | 59,185 |
| Plant and machinery | 66,850 | 32,637 | 34,213 | 37,556 |
| Tanks and pipelines | 90,260 | 48,011 | 42,249 | 46,762 |
| Electrical mechanical and fire fighting equipment | 14,351 | 6,634 | 7,717 | 9,152 |
| | <u>1,974,205</u> | <u>594,028</u> | <u>1,380,177</u> | <u>1,494,139</u> |

6.9 The level of hierarchy for the fair value disclosed fall in level 3 i.e., inputs other than quoted prices included within level 3 that are unobservable either directly or indirectly.

Note **2017** 2016

6.10 The depreciation charged for the year has been allocated as follows:

| | | | |
|-------------------------------------|----|-----------------------|----------------|
| Distribution and marketing expenses | 33 | 486,087 | 373,786 |
| Administrative expenses | 34 | 24,924 | 25,356 |
| | | <u>511,011</u> | <u>399,142</u> |

6.11 During the year written down value of operating fixed assets that have been disposed-off amount to Rs.192.2 million (2016: Rs. 53.65 million). Details of operating fixed assets disposed-off with WDV above Rs. 50,000 are given below:

| Type | Cost | Accumulated depreciation | Net book value | Sale proceeds | Gain / (loss) | Particulars of buyers | Mode of disposal |
|-------------------|---------------|--------------------------|----------------|---------------|---------------|------------------------------|-------------------------------------|
| Motor cars | | | | | | | |
| | 25,205 | 1,721 | 23,484 | 23,000 | (484) | Mumtaz Hasan Khan - Chairman | As per the Holding Company's policy |
| | 22,238 | - | 22,238 | 22,384 | 146 | Mumtaz Hasan Khan - Chairman | As per the Holding Company's policy |
| | 19,281 | 1,380 | 17,901 | 15,750 | (2,151) | Mumtaz Hasan Khan - Chairman | As per the Holding Company's policy |
| | 814 | - | 814 | 964 | 150 | Mumtaz Hasan Khan - Chairman | As per the Holding Company's policy |
| | 102 | 5 | 97 | 402 | 305 | Sheraz Ahmed - Employee | As per the Holding Company's policy |
| | 102 | 5 | 97 | 402 | 305 | Muhammad Umer - Employee | As per the Holding Company's policy |
| | 102 | 5 | 97 | 402 | 305 | Nousheen Nabeel - Employee | As per the Holding Company's policy |
| | 99 | 8 | 91 | 394 | 303 | Ali Raza - Employee | As per the Holding Company's policy |
| | 99 | 8 | 91 | 394 | 303 | Tillah Khan - Employee | As per the Holding Company's policy |
| | 99 | 8 | 91 | 394 | 303 | Shumail - Employee | As per the Holding Company's policy |
| | 99 | 8 | 91 | 394 | 303 | Farooq Memon - Employee | As per the Holding Company's policy |
| | 99 | 10 | 89 | 710 | 621 | Fawaz Fasih - Employee | As per the Holding Company's policy |
| | 99 | 11 | 88 | 394 | 306 | Zubair Ahmed Khan - Employee | As per the Holding Company's policy |
| | <u>68,438</u> | <u>3,169</u> | <u>65,269</u> | <u>65,984</u> | <u>715</u> | | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| Type | Cost | Accumulated depreciation | Net book value | Sale proceeds | Gain | Particulars of buyers | Mode of disposal |
|---------------------|----------------|--------------------------|----------------|----------------|---------------|-----------------------|------------------------------|
| Tank Lorries | | | | | | | |
| | 10,575 | - | 10,575 | 12,212 | 1,637 | Meezan Bank Limited | Sale and operating leaseback |
| | 10,575 | - | 10,575 | 12,212 | 1,637 | Meezan Bank Limited | Sale and operating leaseback |
| | 10,575 | - | 10,575 | 12,212 | 1,637 | Meezan Bank Limited | Sale and operating leaseback |
| | 10,575 | - | 10,575 | 12,212 | 1,637 | Meezan Bank Limited | Sale and operating leaseback |
| | 10,575 | - | 10,575 | 12,212 | 1,637 | Meezan Bank Limited | Sale and operating leaseback |
| | 10,575 | - | 10,575 | 12,212 | 1,637 | Meezan Bank Limited | Sale and operating leaseback |
| | 10,575 | - | 10,575 | 12,212 | 1,637 | Meezan Bank Limited | Sale and operating leaseback |
| | 10,575 | - | 10,575 | 12,212 | 1,637 | Meezan Bank Limited | Sale and operating leaseback |
| | 10,575 | - | 10,575 | 12,212 | 1,637 | Meezan Bank Limited | Sale and operating leaseback |
| | 10,575 | - | 10,575 | 12,312 | 1,737 | Meezan Bank Limited | Sale and operating leaseback |
| | 10,575 | - | 10,575 | 12,312 | 1,737 | Meezan Bank Limited | Sale and operating leaseback |
| | 10,575 | - | 10,575 | 12,312 | 1,737 | Meezan Bank Limited | Sale and operating leaseback |
| | <u>126,900</u> | <u>-</u> | <u>126,900</u> | <u>146,844</u> | <u>19,944</u> | | |
| 2017 | <u>195,338</u> | <u>3,169</u> | <u>192,169</u> | <u>212,828</u> | <u>20,659</u> | | |
| 2016 | <u>57,073</u> | <u>3,433</u> | <u>53,640</u> | <u>64,362</u> | <u>10,722</u> | | |

Note **2017** 2016

7 INTANGIBLE ASSET

Computer

Net book value at beginning of the year
Amortization charge for the year
Net book value at the end of the year

34
7.1

| | |
|---|---------|
| - | - |
| - | 1,522 |
| - | (1,522) |
| - | - |

7.1 Net book value

Cost
Accumulated amortization
Net book value

Rate of amortization - %

| | |
|---------|---------|
| 8,299 | 8,299 |
| (8,299) | (8,299) |
| - | - |
| 33.33 | 33.33 |

8 LONG-TERM INVESTMENTS

Investment in associated company
Available for sale investments
Pakistan Refinery Limited (quoted) - at fair value
Hascol Terminals Limited (unquoted) - at cost

8.1
8.2
8.3

| | |
|------------------|------------------|
| 1,745 | - |
| 1,521,518 | 1,886,977 |
| 375,000 | - |
| <u>1,898,263</u> | <u>1,886,977</u> |

8.1 Investment in associated company

2017 2016

Number of shares

Unquoted

300,002 - VAS LNG (Private) Limited

8.1.1

1,745

-

8.1.1 The investment has been accounted for using equity method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

8.1.2 Shareholders of the Holding Company in the Annual General Meeting held on April 28, 2017 authorized investment upto Rs. 300 million i.e. 30% of equity interest in the VAS LNG (Private) Limited. During the year investment made by the Holding Company in VAS LNG (Private) Limited amounted to Rs. 3 million (2016: Nil) representing 30% (2016: Nil) equity stake. The Company holds 0.3 million ordinary shares (2016: Nil) of Rs. 10 per share. Details of investment is as follows:

| | 2017 | 2016 |
|--------------------------------------|---------|------|
| Balance at the beginning of the year | - | - |
| Investment made during the year | 3,000 | - |
| Share of loss for the period | (1,255) | - |
| Balance at the end of the year | 1,745 | - |

8.1.3 Summarized aggregated financial information of the Group's share in associated company is as follows:

| | 2017 | 2016 |
|---------------------------------|---------|------|
| Total accumulated losses | 4,182 | - |
| Total assets | 6,904 | - |
| Total liabilities | (63) | - |
| Advance against issue of shares | (1,024) | - |
| % share in net assets | 5,817 | - |
| Total amount of net assets | 30% | - |
| | 1,745 | - |

| | Note | Cost | Unrealised gain | Carrying value |
|--|-------|-----------|-----------------|----------------|
| 8.2 Investment in Pakistan Refinery Limited | | | | |
| December 31, 2017 | 8.2.1 | 1,172,772 | 348,746 | 1,521,518 |
| December 31, 2016 | | 1,172,772 | 714,205 | 1,886,977 |

8.2.1 Investment in Pakistan Refinery Limited represents 13.72% (2016: 13.72%) equity stake which is 43.25 million shares (2016: 43.25 million shares).

8.3 Investment in Hascol Terminals Limited amounts to Rs. 375 million (2016: Rs. 75 million) representing 15% (2016: 62.5%) equity stake which amounts to 37.5 million shares (2016: 7.5 million shares) as at December 31, 2017. During the year, the Holding Company subscribed to 30 million right shares at Rs. 10 each. These shares are not quoted on an active market and have been carried at cost. Hascol Terminals Limited provides storage facilities for imported and locally produced petroleum and related products. Due to change in ownership structure, the Holding Company loss control of Hascol Terminal Limited and therefore it is no longer subsidiary.

| | Note | 2017 | 2016 |
|---|------|---------|---------|
| 9 LONG-TERM DEPOSITS | | | |
| Lease deposits | | 133,888 | 133,462 |
| Less: current portion of lease deposits | 13 | (794) | (5,740) |
| | | 133,094 | 127,722 |
| Deposits against: | | | |
| - depots | | 107,144 | 107,144 |
| - retail outlets | | 67,164 | 47,993 |
| - others | | 24,135 | 6,773 |
| | | 198,443 | 161,910 |
| | | 331,537 | 289,632 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | Note | 2017 | 2016 |
|--|--|------------|------------|
| 10 STOCK-IN-TRADE | | | |
| Raw and packing materials - lubricants | | 97,636 | 79,694 |
| Finished goods | | | |
| - fuels | 10.1 | 16,624,943 | 14,972,545 |
| - lubricants | | 298,577 | 315,292 |
| | | 16,923,520 | 15,287,837 |
| Stock in transit | | | |
| - fuels | | 1,509,777 | 1,110,137 |
| - lubricants | | 26,173 | - |
| | | 1,535,950 | 1,110,137 |
| | | 18,557,106 | 16,477,668 |
| 10.1 | Fuels include Rs. 3,620.17 million (2016: Rs. 1,725.56 million) of High Speed Diesel which has been maintained as line fill necessary for the pipeline to operate. | | |
| | Note | 2017 | 2016 |
| 11 TRADE DEBTS | | | |
| Considered good | | | |
| - secured | 11.1 | 3,658,244 | 2,142,536 |
| - unsecured | | 7,859,974 | 5,728,745 |
| | | 11,518,218 | 7,871,281 |
| Considered doubtful | | 849 | 849 |
| | | 11,519,067 | 7,872,130 |
| Provision for impairment | 11.2 | (849) | (849) |
| | | 11,518,218 | 7,871,281 |
| 11.1 | These debts are secured by way of bank guarantees, letter of credits and security deposits. | | |
| | Note | 2017 | 2016 |
| 11.2 Movement of provision for impairment | | | |
| Balance at the beginning of the year | | 894 | 894 |
| Provision made during the year | | - | - |
| Balance at the end of the year | | 894 | 894 |
| 12 ADVANCES - considered good, unsecured | | | |
| To employees | | | |
| - against expenses | | 46,023 | 1,716 |
| - against salaries | | 63,755 | 13,348 |
| Leasing companies | | - | 2,203 |
| Advance against purchase of shares | 12.1 | 60,721 | - |
| Suppliers | | 10,866 | 27,338 |
| | | 181,365 | 44,605 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | Note | 2017 | 2016 |
|---|--------|------------------|------------------|
| 12.1 Advance against purchase of shares - related parties | | | |
| Hascol Terminals Limited | | 57,685 | - |
| Hascol Lubricants (Private) Limited | | 2,013 | - |
| VAS LNG (Private) Limited | | 1,023 | - |
| | | <u>60,721</u> | <u>-</u> |
| 13 DEPOSITS AND PREPAYMENTS | | | |
| Deposits | | | |
| Current portion of lease deposits | 9 | 794 | 5,740 |
| Other deposits | | 2,477 | 20,552 |
| | | <u>3,271</u> | <u>26,292</u> |
| Prepayments | | | |
| - rent | | 53,686 | 69,462 |
| - insurance and others | | 23,676 | 14,001 |
| | | <u>77,362</u> | <u>83,463</u> |
| | | <u>80,633</u> | <u>109,755</u> |
| 14 OTHER RECEIVABLES | | | |
| Inland freight equalization margin receivable | | 2,019,113 | 1,024,234 |
| Receivable against services rendered | 14.1 | 53,346 | - |
| Franchise income receivable - net | 14.2 | 34,642 | 73,304 |
| Receivable against regulatory duty | | 25,533 | 25,533 |
| Receivable from oil marketing companies | 14.3 | 9,073 | 11,328 |
| Price differential claims | 14.4 | 5,083 | 5,083 |
| Others | | 14,241 | 14,398 |
| | | <u>2,161,031</u> | <u>1,153,880</u> |
| 14.1 This represents amount receivable from Hascol Terminals Limited (an associated company) against services rendered by the Holding Company on account of business support services. | | | |
| 14.2 Franchise income receivable - net | Note | 2017 | 2016 |
| Movement in gross receivables | | | |
| Balance at the beginning of the year | | 100,653 | 81,946 |
| Earned during the year | | - | 18,707 |
| Received during the year | | (3,452) | - |
| Balance at the end of the year | | <u>97,201</u> | <u>100,653</u> |
| Movement of provision | | | |
| Balance at the beginning of the year | | (27,349) | - |
| Charged during the year | 37 | (35,210) | (27,349) |
| Balance at the end of the year | | <u>(62,559)</u> | <u>(27,349)</u> |
| | 14.2.1 | <u>34,642</u> | <u>73,304</u> |
| 14.2.1 This represents amount receivable from CNG dealers. | | | |
| 14.3 This represents amount receivable from various oil marketing companies on account of share of motor gasoline imported on their behalf. | | | |
| 14.4 This represents amount receivable from the Government of Pakistan (GoP) net of recovery as per fortnightly rates declared by the Ministry of Petroleum and Natural Resources. The Holding Company together with other oil marketing companies are actively pursuing the matter with the concerned authorities for the early settlement of above claim. The Holding Company considers that the balance amount will be reimbursed by GoP in due course of time. | | | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | Note | 2017 | 2016 |
|--|-------------|------------------|------------------|
| 15 MARK - UP AND PROFIT ACCRUED | | | |
| From conventional banks | | 54,366 | 32,332 |
| From Islamic banks | | 3,032 | 3,484 |
| | | <u>57,398</u> | <u>35,816</u> |
| 16 CASH AND BANK BALANCES | | | |
| Balances with banks: | | | |
| in current accounts: | | | |
| - Conventional banks | | 865,191 | 1,413,344 |
| - Islamic banks | | 62,135 | 1,925 |
| | | <u>927,326</u> | <u>1,415,269</u> |
| in saving accounts: | | | |
| - Conventional banks | | 7,561,072 | 5,741,121 |
| - Islamic banks | | 1,079,278 | 608,028 |
| | 16.1 | <u>8,640,350</u> | <u>6,349,149</u> |
| Cash in hand | | 837 | 1,729 |
| | | <u>9,568,513</u> | <u>7,766,147</u> |
| Term deposit receipts | 16.2 & 21.2 | 60,000 | 60,000 |
| | | <u>9,628,513</u> | <u>7,826,147</u> |

16.1 These carry mark-up ranging from 3.75% to 5.5% per annum (2016: 3.75% to 6% per annum).

16.2 This carry mark-up 5% per annum (2016: 5% per annum).

17 SHARE CAPITAL

17.1 Authorized share capital

| 2017 | 2016 | | 2017 | 2016 |
|-------------------------|--------------------|--------------------------------|------------------|------------------|
| Number of shares | | | | |
| <u>150,000,000</u> | <u>150,000,000</u> | Ordinary shares of Rs. 10 each | <u>1,500,000</u> | <u>1,500,000</u> |

17.2 Issued, subscribed and paid-up share capital

| 2017 | 2016 | | Note | 2017 | 2016 |
|-------------------------|--------------------|--|------|------------------|------------------|
| Number of shares | | | | | |
| 89,540,000 | 89,540,000 | Ordinary shares of Rs. 10 each fully paid in cash | | 895,400 | 895,400 |
| 1,060,000 | 1,060,000 | Ordinary shares of Rs. 10 each for consideration other than cash | 17.3 | 10,600 | 10,600 |
| 9,966,000 | 9,966,000 | Annual bonus @ 11% Dec 2014 | | 99,660 | 99,660 |
| 20,113,200 | 20,113,200 | Interim bonus @ 20% Jun 2015 | | 201,132 | 201,132 |
| 24,135,840 | - | Right issue @ 20% Sep 2017 | 17.4 | 241,358 | - |
| <u>144,815,040</u> | <u>120,679,200</u> | | | <u>1,448,150</u> | <u>1,206,792</u> |

17.3 These were issued on December 8, 2004 for consultancy, feasibility study, travel and other expenses.

17.4 An associated company held 37,468,365 (2016: 18,101,880) shares which represents 25.87% (2016: 15%) of the equity stake of the Holding Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | Note | 2017 | 2016 |
|---|---|-----------|-----------|
| 18 RESERVES | | | |
| Capital | | | |
| Share premium | 18.1 | 4,766,854 | 1,070,828 |
| Surplus on re-measurement of available for sale investments | | 322,589 | 624,930 |
| | | 5,089,443 | 1,695,758 |
| Revenue | | | |
| Unappropriated profit | | 2,700,180 | 2,050,907 |
| | | 7,789,623 | 3,746,665 |
| 18.1 | The reserve can be utilized by the Holding Company only for the purpose specified in section 81 of the Companies Act, 2017. | | |
| | Note | 2017 | 2016 |
| 19 NON-CONTROLLING INTEREST (NCI) | | | |
| Opening balance | | 469,714 | - |
| NCI contribution in share capital of subsidiary company | 19.2 | - | 45,000 |
| Loss allocated to NCI | | (26,903) | (4,575) |
| Net assets attributable to NCI | | (26,903) | 40,425 |
| NCI contribution in advance against equity of subsidiary company | | - | 429,289 |
| Disposal of non-controlling interest | | (442,811) | - |
| Closing balance | | - | 469,714 |
| NCI Percentage | | - | 37.50% |
| 19.1 Net assets attributable to NCI | | | |
| Non-current assets | | - | 736,067 |
| Current assets | | - | 22,324 |
| Advance against equity | | - | (638,054) |
| Current liabilities | | - | (12,536) |
| Net assets | | - | 107,801 |
| Net assets attributable to NCI | | - | 40,425 |
| 19.2 | Total comprehensive loss of the subsidiary company | | |
| | | (71,740) | (12,199) |
| | Total comprehensive loss allocated to Owners of the Holding Company | | |
| | | (44,837) | (7,624) |
| | Total comprehensive loss allocated to NCI | | |
| | | (26,903) | (4,575) |
| Cash (used in)/generated from: | | | |
| - operating activities | | - | (10,499) |
| - investing activities | | - | (736,797) |
| - financing activities | | - | 758,054 |
| 20 SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - net of tax | | | |
| Balance at the beginning of the year | | 1,656,347 | 1,847,286 |
| Transfer in respect of incremental depreciation for the year | | (190,935) | (190,939) |
| Balance at the end of the year | | 1,465,412 | 1,656,347 |
| Related deferred tax | | | |
| Balance at the beginning of the year | | 513,467 | 590,758 |
| Effective rate adjustment | | (16,563) | (18,101) |
| Reversal of deferred tax liability on account of incremental depreciation charged during the year | | (57,281) | (59,190) |
| Balance at the end of the year | | (439,623) | (513,467) |
| | | 1,025,789 | 1,142,880 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | Note | 2017 | 2016 |
|---|--------|--------------------|------------------|
| 21 LONG TERM FINANCING - secured | | | |
| Borrowings from conventional banks | 21.1.1 | 562,500 | 725,000 |
| Borrowings from Non Banking Financial Institutions | 21.1.2 | 1,013,769 | 220,007 |
| Sukuk certificates | 21.1.3 | 1,671,373 | 1,961,821 |
| | | 3,247,642 | 2,906,828 |
| Current portion of long term financing | | | |
| Borrowings from conventional banks | | 225,000 | 162,500 |
| Borrowings from Non Banking Financial Institutions | | 382,479 | 136,579 |
| Sukuk certificates | | 400,000 | 300,000 |
| | 27 | (1,007,479) | (599,079) |
| Non - current portion of long term financing | | 2,240,163 | 2,307,749 |

19.1 Terms and conditions of borrowings are as follows:

| Particulars | Note | Number of installments and commencement month | Grace period | Date of final repayment | Markup rate per annum | Installment Amount | 2017 | 2016 |
|--|------|---|--------------|-------------------------|---|--------------------|------------------|------------------|
| 21.1.1 Borrowings from conventional banks | | | | | | | | |
| First Women Bank Limited Under DF scheme | 21.2 | 36 monthly March-16 | Nil | March 28, 2019 | six month Kibor + 1.3% payable monthly | 8,333 | 125,000 | 225,000 |
| National Bank of Pakistan Under LTF scheme | 21.3 | 16 quarterly May-16 | 1 year | May 24, 2021 | three month Kibor + 2.5% payable quarterly | 31,250 | 437,500 | 500,000 |
| 21.1.2 Borrowings from Non Banking Financial Institutions | | | | | | | | |
| Pak China Investment Company Limited Under LTF scheme | 21.4 | 12 quarterly February-17 | Nil | February 29, 2020 | three month Kibor + 2.25% payable quarterly | 41,667 | 375,000 | - |
| Pak Oman Investment Company Limited Loan 1 Under LTF scheme | 21.5 | 42 monthly December-14 | 6 months | November 19, 2018 | six month Kibor + 3% payable monthly | 950 | 10,450 | 21,850 |
| Pak Oman Investment Company Limited Loan 2 Under LTF scheme | 21.5 | 42 monthly March-15 | 6 months | February 3, 2019 | six month Kibor + 3% payable monthly | 1,431 | 20,033 | 37,205 |
| Pak Oman Investment Company Limited Loan 3 Under LTF scheme | 21.5 | 42 monthly June-15 | 6 months | May 19, 2019 | six month Kibor + 3% payable monthly | 2,190 | 37,238 | 63,524 |
| Pak Oman Investment Company Limited Loan 4 Under LTF scheme | 21.6 | 42 monthly May-16 | 6 months | April 4, 2020 | six month Kibor + 2.5% payable monthly | 1,286 | 36,000 | 51,428 |
| Pak Oman Investment Company Limited Loan 5 Under LTF scheme | 21.6 | 42 monthly September-16 | 6 months | August 19, 2020 | six month Kibor + 2.5% payable monthly | 1,095 | 35,048 | 46,000 |
| Pak Oman Investment Company Limited Loan 6 Under LTF scheme | 21.7 | 42 monthly June-17 | 6 months | June 23, 2021 | six month Kibor + 2.5% payable monthly | 2,381 | 100,000 | - |
| Pak Oman Investment Company Limited Loan 7 Under LTF scheme | 21.8 | 42 monthly July-17 | 6 months | July 18, 2021 | six month Kibor + 2.5% payable monthly | 9,524 | 400,000 | - |
| 21.1.3 Sukuk certificates | 21.9 | 20 quarterly January-16 | 1 year | January 5, 2022 | three month Kibor + 1.5% payable quarterly | 100,000 | 1,671,373 | 1,961,821 |
| | | | | | | | 3,247,642 | 2,906,828 |

21.2 This represents demand finance facility from First Women Bank Limited for construction of retail outlets which is secured against pledge of TDR of Rs. 60 million, Pledge of Pakistan Refinery Limited shares at 40% margin and personal guarantee of Mr. Mumtaz Hasan Khan (Chairman).

21.3 This represents term loan facility from National Bank of Pakistan for construction of storage depot at Mehmood Kot - Muzaffar Garh. The facility is secured against exclusive charge /mortgage of Rs. 666.67 million over the entire land and building, installation and machinery of the storage depot, personal guarantee of Mr. Mumtaz Hasan Khan (Chairman), post-dated cheques covering facility amount and corporate guarantee of M/s Fossil Energy (Private) Limited and M/s Marshal Gas (Private) Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

- 21.4** This represents term finance facility from Pak China Investment Company Limited for the future expansion plans and working capital requirements of the Holding Company which was secured against first pari passu charge over the Holding Company's current assets with 25% margin amounting to Rs. 666.67 million, personal guarantee of Mr. Mumtaz Hasan Khan (Chairman) and promissory note covering the charge amount to be obtained from the Holding Company.
- 21.5** This represents two term finance facilities from Pak Oman Investment Company Limited for establishment of Daulatpur bulk oil depot. The facility limit were utilized in multiple tranches out of which one of the facility with limit of Rs. 100 million was availed in two tranches, that is Rs. 39.9 million and Rs. 60.1 million. The other facility with a limit of Rs. 100 million was availed in a single trench amounting to Rs. 92 million. The finance facilities were secured against first pari passu charge on land, building, plant and machinery and equipment situated in Deh Kandah Nandho with 25% margin.
- 21.6** This represents term finance facility from Pak Oman Investment Company Limited for expansion of Daulatpur bulk oil depot. The facility limit of Rs. 100 million was utilized in multiple tranches that is Rs. 54 million and Rs. 46 million and facility was secured against first pari passu charge on the land, building, plant and machinery and equipment located at the Daulatpur Bulk Storage depot with 25% margin.
- 21.7** This represents term finance facility from Pak Oman Investment Company Limited for the expansion of Daulatpur depot. The facility was secured against first pari passu charge on land, building, plant, machinery and equipment of the Company situated at Daulatpur bulk oil depot with 25% margin maintained all times.
- 21.8** This represents term finance facility from Pak Oman Investment Company Limited for the establishment of Sahiwal depot. The facility was secured against exclusive charge on land, building, plant and machinery and equipment of the Holding Company situated at Sahiwal depot with 25% margin maintained all times.

| | Note | 2017 | 2016 |
|---|--------|------------------|-----------|
| 21.9 Sukuk certificates - gross amount | 21.9.1 | 1,700,000 | 2,000,000 |
| Issuance cost | | | |
| Balance at the beginning of the year | | (38,179) | - |
| Addition | | - | (47,731) |
| Charged to profit and loss | | 9,552 | 9,552 |
| Balance at the end of the year | | (28,627) | (38,179) |
| Sukuk certificates - net amount | | 1,671,373 | 1,961,821 |

- 21.9.1** This represents rated and secured privately placed long term Islamic certificates (Sukuk) amounting to Rs. 2,000 million, issued to meet working capital requirements and future expansion plans of the Holding Company. Summit Bank Limited was the lead financial advisor and arranger while Meezan Bank Limited is acting as Shari'ah structuring advisor for the Sukuk. The facility is secured against first pari-passu charge over specific depots and retail outlets of the Holding Company inclusive of 25% margin.

| | Note | 2017 | 2016 |
|---|------|----------------|-----------|
| 22 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE | | | |
| Present value of future minimum lease payments | | 488,141 | 620,118 |
| Less: current portion | 27 | (110,538) | (148,387) |
| Non current portion | | 377,603 | 471,731 |

- 22.1** The Holding Company has entered into lease agreements with various leasing companies for lease of items of plant and machinery and other assets. Minimum lease payments, which are payable by the year 2022, have been discounted by using financing rates ranging from 6 month KIBOR plus 1.6% to 6 month KIBOR plus 2.75% (2016 : 6 month KIBOR plus 1.9% to 6 month KIBOR plus 3%). Title to the assets acquired under the leasing arrangements are transferable to the Group upon payment of entire lease obligations.

- 22.2** The amount of future payments under the finance lease arrangements and the year in which these payments will become due are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Rupees in thousand)

| | Note | 2017 | 2016 |
|---|------|----------------|----------------|
| Not later than one year | | 139,221 | 185,485 |
| Later than one year but not later than five years | | 411,689 | 524,896 |
| Total future minimum lease payments | | 550,910 | 710,381 |
| Finance charge allocated to future years | | (62,769) | (90,263) |
| Present value of future minimum lease payments | | 488,141 | 620,118 |
| Not later than one year | | (110,538) | (148,387) |
| Later than one year but not later than five years | | 377,603 | 471,731 |

23 DEFERRED AND OTHER LIABILITIES

| | | | |
|-------------------------------|------|------------------|------------------|
| Other liabilities | 23.1 | 524,875 | 600,000 |
| Deferred taxation - net | 23.2 | 699,422 | 408,790 |
| Deferred liability - gratuity | 23.3 | 188,825 | 135,791 |
| | | 1,413,122 | 1,144,581 |

23.1 Other liabilities

| | | | |
|-----------------------------|--------|----------------|----------------|
| Payable to MENA Energy DMCC | | 1,049,750 | 600,000 |
| Current portion | 27 | (524,875) | - |
| | 23.1.1 | 524,875 | 600,000 |

23.1.1 This amount pertains to provision recorded against claim of MENA Energy DMCC against out of court settlement of an ongoing litigation dispute in the English Commercial Court, London between MENA Energy DMCC and the Holding Company, based on advice and recommendation of the Solicitors and Senior Counsel representing the Holding Company in the litigation. The settlement involves the Holding Company agreeing, subject to State Bank of Pakistan's approval, to pay the settlement amount over a period of 18 (eighteen) months in four equal installments of USD 2,375,000 each on 19th May 2018, 19th July 2018, 19th January 2019 and 19th July 2019.

| | 2017 | 2016 |
|-------------------------------------|------|------|
| 23.2 DEFERRED TAXATION - NET | | |

This comprises the following:

Taxable temporary difference arising in respect of :

| | | |
|---|-----------|-----------|
| Accelerated depreciation | (826,625) | (354,233) |
| Assets under finance lease | (160,068) | (129,683) |
| Revaluation of operating fixed assets | (431,061) | (513,467) |
| Exchange gain - unrealised | - | (1,797) |
| Surplus on remeasurement on available for sale investment | (26,156) | (89,276) |

Deductible temporary difference arising in respect of :

| | | |
|---|------------------|------------------|
| Liabilities against assets subject to finance lease | 146,442 | 182,677 |
| Exchange loss | 92,461 | - |
| Provision for: | | |
| - investments in subsidiary | 9,181 | 9,140 |
| - other liabilities | 314,925 | 186,000 |
| - retirement benefits | 56,648 | 40,718 |
| - doubtful trade debts | 2,368 | 2,358 |
| - franchise income | 18,768 | 8,168 |
| Turnover tax | 103,695 | 250,605 |
| | (699,422) | (408,790) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | 2017 | 2016 |
|--|-----------|-----------|
| 23.2.1 Movement in deferred tax (liability)/ assets | | |
| Balance at the beginning of the year | (408,790) | 240,096 |
| Deferred tax expense | | |
| - through consolidated profit and loss | (362,430) | (22,870) |
| - through consolidated other comprehensive loss | 71,798 | 9,805 |
| Adjusted against tax liability | - | (635,821) |
| | (290,632) | (648,886) |
| Balance at the end of the year | (699,422) | (408,790) |
| 23.3 DEFERRED LIABILITY - GRATUITY | | |
| The Group operates an unfunded gratuity scheme for employees who have completed the employment period of 5 years. Provision is created for the benefit of the scheme on the basis of actuarial valuations. Number of eligible employees covered in scheme are 298 (2016: 255). | | |
| The latest actuarial valuation of the scheme as at December 31, 2017 was carried out using the projected unit credit method, details of which as per the actuarial valuation are as follows: | | |
| | Note | |
| Deferred liability - gratuity | 23.3.1 | |
| | 188,825 | 135,791 |
| 23.3.1 Movement in liability recognized in consolidated balance sheet | | |
| Present value of defined benefit obligation as at the end of the year | 23.3.2 | |
| Fair value of plan assets | - | - |
| Balance sheet liability | 188,825 | 135,791 |
| 23.3.2 Movement in liability recognized in consolidated balance sheet | | |
| Balance at the beginning of the year | 23.3.4 | |
| Add: charge for the year | 135,791 | 99,090 |
| Less: payments to outgoing employees | 35,261 | 27,508 |
| Remeasurements charged to other comprehensive income | (25,825) | (5,003) |
| Balance at the end of the year | 43,598 | 14,196 |
| | 188,825 | 135,791 |
| 23.3.3 Movement in present value of the defined benefit obligation | | |
| Opening balance | 135,791 | 99,090 |
| Current service cost | 24,131 | 17,963 |
| Past service cost | 248 | - |
| Interest cost | 10,882 | 9,545 |
| Benefits paid during the year | (25,825) | (5,003) |
| | 145,227 | 121,595 |
| Remeasurement of actuarial losses - net of tax | 30,519 | 9,795 |
| Impact of deferred tax | 13,079 | 4,401 |
| | 43,598 | 14,196 |
| Present value of defined benefit obligation at the end of the year | 188,825 | 135,791 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | Note | 2017 | 2016 |
|---|------|-----------------------------|-----------------------------|
| 23.3.4 Expense recognized in the consolidated profit and loss account | | | |
| Current service cost | 34.1 | 24,131 | 17,963 |
| Past service cost | 34.1 | 248 | - |
| Net interest cost | 36 | 10,882 | 9,545 |
| Expense recognized in consolidated profit and loss account | | <u>35,261</u> | <u>27,508</u> |
| 23.3.5 Remeasurement recognized in consolidated statement of comprehensive income | | | |
| Remeasurement of actuarial losses on defined benefit liability - net of tax | | <u>30,519</u> | <u>9,795</u> |
| 23.3.6 Analysis of present value of defined benefit obligation | | | |
| Split by vested / non - vested | | | |
| (i) Vested benefits | | <u>148,834</u> | <u>111,828</u> |
| (ii) Non-vested benefits | | <u>39,991</u> | <u>23,963</u> |
| Split by benefits earned to date | | | |
| (i) Present value of guaranteed benefits | | <u>102,544</u> | <u>80,238</u> |
| (ii) Present value of benefits attributable to future salary increase | | <u>86,281</u> | <u>55,553</u> |
| Expected distribution of timing of benefit payments | | | |
| Time in years | | | |
| Within first year from the end of financial year | | <u>17,151</u> | <u>5,688</u> |
| Within second years from the end of financial year | | <u>26,209</u> | <u>45,752</u> |
| Within third years from the end of financial year | | <u>9,718</u> | <u>12,204</u> |
| Within fourth years from the end of financial year | | <u>28,546</u> | <u>7,527</u> |
| Within five years from the end of financial year | | <u>14,080</u> | <u>16,217</u> |
| Within six to ten years from the end of financial year | | <u>218,106</u> | <u>134,179</u> |
| Sensitivity analysis on significant actuarial assumptions on present value of defined benefit obligation | | | |
| Discount rate +1% | | <u>171,406</u> | <u>126,065</u> |
| Discount rate -1% | | <u>205,229</u> | <u>174,663</u> |
| Expected rate of salary increase +1% | | <u>205,997</u> | <u>148,232</u> |
| Expected rate of salary increase -1% | | <u>170,475</u> | <u>125,391</u> |
| Maturity profile of present value of defined benefit obligation | | 2017 | 2016 |
| Weighted average duration of the present value of defined benefit obligation (time in years) | | <u>8.99</u> | <u>7.89</u> |
| Key statistics | | | |
| Average age (time in years) | | <u>42.46</u> | <u>43.69</u> |
| Average service (time in years) | | <u>5.36</u> | <u>5.56</u> |
| Average entry age (time in years) | | <u>37.10</u> | <u>38.13</u> |
| Retirement assumption age (time in years) | | <u>60</u> | <u>60</u> |
| Mortality rates | | <u>SLIC (2001-05)-1</u> | <u>SLIC (2001-05)-1</u> |

The mortality rates are provided by the State Life Insurance Corporation of Pakistan (SLIC).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

23.3.7 Historical information of staff retirement benefits

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|----------------|----------------|---------------|---------------|---------------|
| Present value of defined benefit obligation | <u>188,825</u> | <u>135,791</u> | <u>99,090</u> | <u>71,057</u> | <u>47,054</u> |

23.3.8 The expected gratuity expense for the year ending December 31, 2018 works out to be Rs. 49.42 million.

23.3.9 Actuarial assumptions

The following significant assumptions were used in the valuation carried out at the balance sheet date using the projected unit credit method:

| | 2017 % per annum | 2016 |
|---|---------------------|------------|
| - Expected long-term rate of increase in salary level | <u>7.75</u> | <u>7.5</u> |
| - Discount rate | <u>7.75</u> | <u>7.5</u> |

| | Note | 2017 | 2016 |
|---|--|-------------------|-------------------|
| 24 TRADE AND OTHER PAYABLES | | | |
| Trade creditors | 24.1 | 25,112,678 | 21,660,329 |
| Advance from customers | | 4,608,668 | 4,253,932 |
| Payable to cartage contractors | | 3,054,943 | 2,445,673 |
| Dealers' and customers' security deposits | 24.2 | 254,680 | 170,000 |
| Accrued liabilities | | 12,895 | 16,144 |
| Other liabilities | | 1,279,184 | 688,185 |
| | | <u>34,323,048</u> | <u>29,234,263</u> |
| 24.1 | This includes Rs. 13,609 million (2016: Rs. 9,917 million) amount payable to M/s Vitrol Dubai Limited (an associated company). | | |
| 24.2 | The security deposits are non-interest bearing and are refundable on termination of contracts. | | |
| 25 MARK - UP AND PROFIT ACCRUED | Note | 2017 | 2016 |
| Long-term financing | | 40,172 | 41,471 |
| Short-term borrowings | | 71,400 | 30,383 |
| Liabilities against assets subject to finance lease | | 2,431 | 2,729 |
| Letter of credit | | 3,255 | 16,602 |
| | | <u>117,258</u> | <u>91,185</u> |
| 26 SHORT-TERM BORROWINGS | | | |
| Borrowings from conventional banks - secured | | | |
| National Bank of Pakistan | | 1,500,000 | 500,000 |
| Bank of Punjab | | 500,000 | - |
| Samba Bank Limited | | 196,070 | 199,991 |
| Sindh Bank Limited | | 132,463 | 329,562 |
| Summit Bank Limited | | 44,515 | 300,076 |
| United Bank Limited | | 24,560 | - |
| | 26.1 | <u>2,397,608</u> | <u>1,329,629</u> |
| Borrowings from Islamic bank - secured | | | |
| Meezan Bank Limited | 26.1 | 3,000,000 | 2,200,000 |
| Borrowings from Non Banking Financial Institutions - secured | | | |
| Pak Oman Investment Company Limited | | 100,000 | - |
| PAIR Investment Company Limited | | - | 360,000 |
| | 26.2 | <u>100,000</u> | <u>360,000</u> |
| Commercial Paper - unsecured | 26.3 | <u>1,447,091</u> | <u>-</u> |
| | | <u>6,944,699</u> | <u>3,889,629</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

26.1 These facilities were availed from various commercial banks aggregating to Rs. 7,700 million (2016: Rs. 3,800 million). The rates of mark-up ranges from 3 month KIBOR plus 1.25% to 6 month KIBOR plus 2.25% (2016: 3 month KIBOR plus 1.5% to 6 month KIBOR plus 2.25%). These arrangements are secured against hypothecation charge over the Holding Company's present and future current assets with minimum 25% margin, pledge of Pakistan Refinery Limited shares, with minimum 40% margin, personal guarantee of Mr. Mumtaz Hasan Khan (Chairman), along with equitable registered mortgage charge over the property situated at The Forum, Suite No. 105-106, First Floor, Khayaban-e-Jami, Clifton, Karachi.

26.2 These loans have been obtained aggregating to Rs. 300 million (2016: Rs. 400 million). The rate of mark-up is 1 month KIBOR plus 1.8% (2016: 3 month KIBOR plus 2%). These are secured against hypothecation charge over the Holding Company's present and future current assets.

Note **2017** 2016

26.3 Movement in Commercial Paper

| | | | |
|-----------------------|------|------------------|---|
| Discounted value | | 1,446,204 | - |
| Unwinding of discount | | 887 | - |
| Amortized cost | 26.4 | 1,447,091 | - |

26.4 This represents rated, privately placed, Shari'ah compliant, Commercial Paper (CP) amounting to Rs. 1,500 million issued to meet the working capital requirements of the Holding Company. Bank Islami Pakistan Limited was the lead financial advisors and arrangers. The loan shall run for a period of one year covering two CP issues each having tenor of six months. The disbursement of second CP issue shall be subject to minimum two days clean-up period after complete adjustment of first CP issue. Instrument is unsecured, non-convertible and redeemable at maturity date in bullet payment.

Note **2017** 2016

27 CURRENT PORTION OF NON-CURRENT LIABILITIES

| | | | |
|---|------|------------------|---------|
| Current portion of long term financing | 21 | 1,007,479 | 599,079 |
| Current portion of deferred and other liabilities | 23.1 | 524,875 | - |
| Current portion of liabilities subject to finance lease | 22 | 110,538 | 148,387 |
| | | 1,642,892 | 747,466 |

28 TAXATION

| | | |
|--------------------|----------------|---------|
| Sales tax payable | 609,883 | 171,657 |
| Income tax payable | 162,183 | 495,713 |
| | 772,066 | 667,370 |

29 CONTINGENCIES AND COMMITMENTS

29.1 Contingencies

As per the deliberations of the main committee of the Oil Companies Advisory Committee (OCAC) held in their meeting number MCM-168 dated September 20, 2007, the financial costs on outstanding Price Differential Claims (PDCs) should be worked and billed to the Government of Pakistan (GoP) through OCAC by the Oil Marketing Companies (OMCs) on a regular basis. Although the Holding Company had billed Rs. 65.97 million to the GoP/OCAC, the management had not accounted for its impact in these consolidated financial statements as the inflow of economic benefits, though probable, is not virtually certain.

29.2 Commitments

- (i) The facility for opening letters of credit acceptances as at December 31, 2017 amounted to Rs. 45,425 million (2016: Rs. 30,582 million) of which the amount remaining unutilized as at that date was Rs. 14,752 million (2016: Rs. 3,663 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | Note | 2017 | 2016 |
|---|------|--------------------|--------------------|
| (ii) Bank guarantees | | <u>350,268</u> | <u>135,480</u> |
| (iii) Commitments in respect of capital expenditure contracted for but not yet incurred are as follows: | | | |
| Property, plant and equipment | | <u>978,418</u> | <u>758,237</u> |
| (iv) Commitments for rental of assets under operating lease / ijarah | | | |
| Not later than one year | | 262,484 | 173,461 |
| Later than one year but not later than five years | | 913,557 | 642,427 |
| Later than five years | | 1,709,781 | 1,167,834 |
| | | <u>2,885,822</u> | <u>1,983,722</u> |
| 30 SALES - NET | | | |
| Gross sales inclusive of sales tax | | 215,924,271 | 129,296,958 |
| Less: sales discount | | (261,969) | (537,683) |
| | | <u>215,662,302</u> | <u>128,759,275</u> |
| 31 OTHER REVENUE | | | |
| Owned tank lorries | | 316,408 | 46,960 |
| Franchise fee | | 91,113 | 96,971 |
| Joining fee for petrol pump operators | | 56,650 | 55,349 |
| Non fuel retail and lubricants | | 36,289 | 8,307 |
| | | <u>500,460</u> | <u>207,587</u> |
| 32 COST OF PRODUCTS SOLD | | | |
| Opening stock of lubricants, raw and packing materials | | 394,986 | 304,470 |
| Raw and packing materials purchased | | 1,080,201 | 780,242 |
| Less: closing stock of lubricants, raw and packing materials | 10 | (422,386) | (394,986) |
| Lubricants, raw and packing materials consumed | | <u>1,052,801</u> | <u>689,726</u> |
| Opening stock - fuel | | 16,082,682 | 8,165,548 |
| Fuel purchased | 32.1 | 137,104,662 | 81,017,713 |
| Storage and handling charges | | 586,673 | 538,393 |
| Duties and levies | 32.2 | 30,158,559 | 20,256,971 |
| Less: closing stock - fuel | 10 | (18,134,720) | (16,082,682) |
| | | <u>165,797,856</u> | <u>93,895,943</u> |
| | | <u>166,850,657</u> | <u>94,585,669</u> |
| 32.1 This includes fuel purchased from local refineries and imports. Imports comprise 79% (2016: 77%) of total purchases from M/s Vitol Dubai Limited (an associated company). | | | |
| | | 2017 | 2016 |
| 32.2 Duties and levies | | | |
| Petroleum development levy | | 21,768,506 | 14,566,162 |
| Inland freight equalization margin | | 5,548,169 | 3,624,258 |
| Freight | | 2,841,884 | 2,066,551 |
| | | <u>30,158,559</u> | <u>20,256,971</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | Note | 2017 | 2016 |
|---|--------|------------------|------------------|
| 33 DISTRIBUTION AND MARKETING EXPENSES | | | |
| Salaries, wages and other benefits | 34.1 | 746,313 | 443,932 |
| Depreciation | 6.10 | 486,087 | 373,786 |
| Commission | | 227,932 | 194,043 |
| Traveling and conveyance | | 226,547 | 169,832 |
| Rent, rates and taxes | | 252,142 | 201,788 |
| Insurance | | 181,726 | 113,947 |
| Repairs and maintenance | | 152,922 | 54,658 |
| Fuel and power | | 99,777 | 21,448 |
| Advertising and publicity | | 98,287 | 75,237 |
| Ujrah payments | | 64,251 | 10,108 |
| Utilities | | 56,082 | 44,857 |
| Printing, communication and stationery | | 32,814 | 9,374 |
| Royalty | | 21,144 | 17,653 |
| Legal and professional charges | | 9,906 | 3,236 |
| Fees and subscription | | 9,764 | 11,072 |
| Miscellaneous | | 972 | 1,266 |
| | | <u>2,666,666</u> | <u>1,746,237</u> |
| 34 ADMINISTRATIVE EXPENSES | | | |
| Salaries, allowances and other benefits | 34.1 | 329,005 | 220,939 |
| Legal and professional charges | | 70,083 | 68,183 |
| Traveling and conveyance | | 42,526 | 35,336 |
| Fee and subscription | 34.2 | 45,226 | 23,044 |
| Insurance | | 32,023 | 21,711 |
| Repairs and maintenance | | 29,651 | 28,979 |
| Rent, rates and taxes | | 31,400 | 10,677 |
| Depreciation | 6.10 | 24,924 | 25,356 |
| Printing, communication and stationery | | 21,835 | 27,043 |
| Advertising and publicity | | 18,346 | 19,850 |
| Donation | 34.3 | 12,176 | 17,520 |
| Utilities | | 10,662 | 10,368 |
| Auditors' remuneration | 34.4 | 3,344 | 3,226 |
| Technical service fee | | 10,215 | - |
| Amortization | 7 | - | 1,522 |
| Preliminary Expenses | | - | 7,579 |
| Miscellaneous | | 1,925 | - |
| | | <u>683,341</u> | <u>521,333</u> |
| 34.1 Salaries and other benefits relating to distribution and administrative expense include: | | | |
| - Gratuity | 23.3.4 | 24,379 | 17,963 |
| - Contribution to provident fund | | <u>22,212</u> | <u>15,492</u> |
| 34.2 This includes Shariah audit fee amounting to Rs. 0.7 million (2016: Rs. 0.7 million) relating to Sukuk. | | | |
| 34.3 Donation includes amount of Rs. 0.88 million (2016: Rs. 0.5 million) paid to Layton Rahmatulla Benevolent Trust (LRBT), Mr. Najmus Saquib Hameed, director of the Holding Company, who is also Chief Executive Officer of LRBT. | | | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | Note | 2017 | 2016 |
|--|---|----------------|----------------|
| 34.4 Auditors' remuneration | | | |
| <i>Remuneration for the audit of Holding Company</i> | | | |
| Statutory audit | | 1,455 | 1,265 |
| Half yearly review | | 483 | 420 |
| Certifications | | 600 | 500 |
| Consolidation | | 265 | 230 |
| Out of pocket expenses | | 379 | 331 |
| | | 3,182 | 2,746 |
| <i>Remuneration for the audit of Subsidiaries</i> | | | |
| Statutory audit | | 137 | 425 |
| Out of pocket expenses | | 25 | 55 |
| | | 162 | 480 |
| | | 3,344 | 3,226 |
| 35 OTHER INCOME | | | |
| <i>Income from financial assets</i> | | | |
| Profit on bank deposits | | | |
| - conventional banks | | 237,434 | 143,678 |
| - Islamic banks | | 41,619 | 21,355 |
| Dividend income | 35.1 | - | 13,407 |
| | | 279,053 | 178,440 |
| <i>Income from non-financial assets</i> | | | |
| Reversal of provision of Workers' Welfare Fund | | 97,228 | - |
| Gain on disposal of operating fixed assets | | 21,894 | 12,061 |
| Promotional marketing fee | | 7,497 | 2,641 |
| Sundries | 35.2 | 7,466 | 2,228 |
| Rental income | | 2,818 | 6,764 |
| Scrap sales | | 1,525 | 1,055 |
| | | 138,428 | 24,749 |
| | | 417,481 | 203,189 |
| 35.1 | This represents dividend received from investments in shares of Pakistan Refinery Limited. | | |
| 35.2 | This represents interest income earned from Hascol Terminal Limited (an associated company) amounting to Rs. 2.4 million (2016: Nil) on advance against purchase of shares. | | |
| | Note | 2017 | 2016 |
| 36 FINANCE COST | | | |
| Short term borrowings | | 212,192 | 128,272 |
| Letter of credit | | 171,073 | 162,244 |
| Long term borrowings | | 113,531 | 92,440 |
| Assets obtained under finance lease | | 45,442 | 35,193 |
| Bank charges | | 29,665 | 14,469 |
| Interest cost of defined benefit obligation | 23.3.4 | 10,882 | 9,545 |
| | | 582,785 | 442,163 |
| 37 OTHER EXPENSES | | | |
| Provision against MENA Energy DMCC claim | | 449,750 | 600,000 |
| Provision against franchise income | 14.2 | 35,210 | 27,349 |
| Income tax penalty | 37.1 | 6,135 | - |
| Provision for Workers' Welfare Fund | | - | 46,423 |
| | | 491,095 | 673,772 |

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(Rupees in thousand)

- 37.1** This represents amount of penalty paid to tax authorities on account of failure to deduct withholding tax on sales discount as per Division VIA part III of the first schedule of Income Tax Ordinance 2001. However, historically the tax authorities have reversed this penalty subsequently.

| | 2017 | 2016 |
|--|------------------|----------------|
| 38 TAXATION | | |
| Current | 764,662 | 700,869 |
| Prior | 130,359 | 28,610 |
| Deferred | 362,430 | 22,870 |
| | <u>1,257,451</u> | <u>752,349</u> |
| 38.1 Relationship between tax expense and accounting profit | | |
| Accounting profit before taxation | 2,585,542 | 1,955,625 |
| Tax at the applicable tax rate of 30% (2016: 31%) | 797,610 | 610,072 |
| Tax effect on income under final tax regime | (64,239) | (3,297) |
| Reversal of deferred tax asset - net | 362,430 | 22,870 |
| Prior year tax | 130,359 | 28,610 |
| Other adjustments | 31,291 | 94,094 |
| Tax expense for the year | <u>1,257,451</u> | <u>752,349</u> |

39 EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED

| | | |
|--|------------------|------------------|
| Profit for the year from continued operations | 1,399,831 | 1,203,276 |
| Loss for the year from discontinued operations | (71,740) | - |
| | <u>1,328,091</u> | <u>1,203,276</u> |
| | 2017 | Restated 2016 |
| Weighted average number of ordinary shares (in thousand) | 130,953 | 129,199 |
| Earning / (loss) per share - basic | | |
| - continued operation (Rupees) | 10.69 | 9.31 |
| - discontinued operation (Rupees) | (0.55) | - |

There is no dilutive effect on basic earning / (loss) per share as the Group has no potential ordinary shares outstanding at year end.

40 DISCONTINUED OPERATION

As on September 13, 2017 the Holding Company subscribed to 16.5 million right shares out of 148 million shares issued at Rs. 10 each of Hascol Terminals Limited, which ultimately reduce equity stake from 62.5% to 15%. Therefore Holding Company lost control over subsidiary during the year.

An analysis of discontinued operation this consolidated based in un-audited financials statement at the date if disposal were as follows:

Un-audited September 13, 2017

ASSETS

| | |
|--------------------------|------------------|
| Property and equipment | 2,062,118 |
| Long term deposits | 2,294 |
| Deposits and prepayments | 4,393 |
| Other receivables | 16,521 |
| Cash and bank balances | 284,530 |
| | <u>2,369,856</u> |

LIABILITIES

| | |
|----------------|---------------|
| Other payables | 69,721 |
| | <u>69,721</u> |

NET ASSETS

2,300,135

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | Un-audited September 13, 2017 | Audited December 31, 2016 |
|-------------------------|-------------------------------------|---------------------------------|
| Revenue | - | - |
| Preliminary expenses | - | (7,579) |
| Administrative expenses | (71,740) | (4,620) |
| Loss before taxation | (71,740) | (12,199) |
| Taxation | - | - |
| Loss for the year | (71,740) | (12,199) |

41 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

41.1 The aggregate amounts for remuneration, including all benefits, to the Chief Executive Officer and Directors of the Holding Company and executives of the Group are as follows:

| | 2017 | | | 2016 | | |
|--------------------------------------|--------------------|---------------|----------------|--------------------|---------------|----------------|
| | Chief Executive | Directors | Executives | Chief Executive | Directors | Executives |
| Director's fee | - | 13,400 | - | - | 6,775 | - |
| Managerial remuneration | 34,769 | 31,894 | 408,023 | 21,844 | 36,450 | 307,264 |
| Cost of living allowance | 3,863 | 3,544 | 47,727 | 4,241 | 4,050 | 54,309 |
| Reimbursement of medical expenses | 2,012 | 2,475 | 22,871 | 3,737 | 1,100 | 17,365 |
| Bonus | 18,563 | - | 81,564 | 6,521 | 13,500 | 25,449 |
| Retirement benefits | 1,910 | 26,824 | 17,884 | 1,249 | 2,085 | 12,158 |
| | <u>61,117</u> | <u>78,137</u> | <u>578,069</u> | <u>37,592</u> | <u>63,960</u> | <u>416,545</u> |
| Number of persons | <u>2</u> | <u>7</u> | <u>263</u> | <u>1</u> | <u>6</u> | <u>204</u> |

41.2 The Chief Executive Officer and certain executives are also provided with free use of Group maintained cars and cellular connections. In addition, the Chief Executive Officer is provided with free security services in accordance with the terms of employment.

42 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprises of associated undertakings, directors, major shareholders, key management personnel, entities over which the directors are able to exercise influence, entities under common directorship and staff retirement fund.

Significant transactions with related parties, other than those disclosed elsewhere in these consolidated financial statements, are as follows:

| | | 2017 | 2016 |
|--|---------------------------------|--------|--------|
| Transactions with related parties | | | |
| Nature of relationship | Nature of transaction | | |
| Other related parties | Consultancy services | 11,400 | 18,550 |
| Associated companies | | | |
| Hascol Terminals Limited | Business support service | 53,346 | - |
| Hascol Terminals Limited | Advance against issue of shares | 57,685 | - |
| Hascol Lubricants (Private) Limited | Advance against issue of shares | 2,013 | - |
| VAS LNG (Private) Limited | Advance against issue of shares | 1,023 | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

| | Note | 2017 | 2016 |
|--|--------|--------------------|--------------|
| 43 CASH GENERATED FROM OPERATIONS | | | |
| Profit before taxation | | 2,585,542 | 1,955,625 |
| Adjustment for: | | | |
| Depreciation and amortization | | 511,011 | 400,664 |
| Provision against franchise income | 14.2 | 35,210 | 27,349 |
| Provision for gratuity | 23.3.4 | 35,261 | 27,508 |
| Profit on bank deposits | 35 | (279,053) | (165,033) |
| Dividend income | 35 | - | (13,407) |
| (Reversal) / provision for Workers' Welfare Fund | | (97,228) | 46,423 |
| Provision against MENA Energy DMCC claim | 37 | 449,750 | 600,000 |
| Exchange loss / (gain) - unrealised | | 308,204 | (15,572) |
| Gain on disposal of operating fixed assets | 35 | (21,894) | (12,061) |
| Finance cost | 36 | 582,785 | 442,613 |
| Expenses of discontinued operations | | 70,292 | - |
| Loss on associate | 8.1.2 | 1,255 | - |
| Changes in working capital | 43.1 | (1,792,468) | 191,659 |
| | | 2,388,667 | 3,485,768 |
| 43.1 Changes in working capital | | | |
| Current assets | | | |
| Stock-in-trade | | (2,079,438) | (8,007,650) |
| Trade debts | | (3,646,937) | (3,607,686) |
| Advances | | 72,048 | 106,001 |
| Deposits and prepayments | | (9,664) | (4,431) |
| Other receivables | | (1,016,278) | (325,992) |
| | | (6,680,269) | (11,839,758) |
| Current liabilities | | | |
| Trade and other payables | | 4,887,801 | 12,031,417 |
| Changes in working capital | | (1,792,468) | 191,659 |
| 44 CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | 16 | 9,628,513 | 7,826,147 |
| Less: term deposit receipt | 16 | (60,000) | (60,000) |
| | | 9,568,513 | 7,766,147 |
| Short-term borrowings | 26 | (6,944,699) | (3,889,629) |
| Add: commercial paper | 26 | 1,447,091 | - |
| | | (5,497,608) | (3,889,629) |
| | | 4,070,905 | 3,876,518 |

45 OPERATING SEGMENTS

These consolidated financial statements have been prepared on the basis of a single reportable segment.

- Sales from petroleum products represents 99.2 % (2016: 99.7%) of total revenues of the Group.
- Out of total sales of the Group 99.1 % (2016: 99.1 %) related to customers in Pakistan.
- All non-current assets of the Group as at December 31, 2017 are located in Pakistan.

The Group sells its product to dealers, government agencies and autonomous bodies, independent power project and other corporate customers. Sales to ten major customers of the Group are around 41.1% during the year ended December 31, 2017 (2016: 28%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Rupees in thousand)

| 46 | FINANCIAL INSTRUMENTS BY CATEGORY | Note | 2017 | 2016 |
|----|------------------------------------|------|-------------------|-------------------|
| | Financial assets | | | |
| | Available for sale | | | |
| | Long term investments | 8 | 1,896,518 | 1,886,977 |
| | At amortized cost | | | |
| | Deposits | | 334,808 | 315,924 |
| | Trade debts | 11 | 11,518,218 | 7,871,281 |
| | Advances | 12 | 135,342 | 42,889 |
| | Other receivables | 14 | 2,161,031 | 1,153,880 |
| | Mark-up and profit accrued | 15 | 57,398 | 35,816 |
| | Cash and bank balances | 16 | 9,628,513 | 7,826,147 |
| | | | 23,835,310 | 17,245,937 |
| | Total financial assets | | 25,731,828 | 19,132,914 |
| | Financial liabilities | | | |
| | At amortized cost | | | |
| | Long-term financing | 21 | 3,247,642 | 2,906,828 |
| | Other liabilities | | 1,049,750 | 600,000 |
| | Trade and other payables | 24 | 34,310,153 | 29,218,119 |
| | Mark-up and profit accrued | 25 | 117,258 | 91,185 |
| | Short-term borrowings | 26 | 6,944,699 | 3,889,629 |
| | Total financial liabilities | | 45,669,502 | 36,705,761 |

47 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

a) Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated balance sheet are as follows:

| | 2017 | | 2016 | |
|----------------------------|-------------------|-------------------|-------------------|-------------------|
| | Carrying amount | Fair Value | Carrying amount | Fair Value |
| Financial assets | | | | |
| Long term investments | 1,896,518 | 1,896,518 | 1,886,977 | 1,886,977 |
| Deposits | 334,808 | 334,808 | 315,924 | 315,924 |
| Trade debts | 11,518,218 | 11,518,218 | 7,871,281 | 7,871,281 |
| Advances | 135,342 | 135,342 | 42,889 | 42,889 |
| Other receivables | 2,161,031 | 2,161,031 | 1,153,880 | 1,153,880 |
| Mark-up and profit accrued | 57,398 | 57,398 | 35,816 | 35,816 |
| Cash and bank balances | 9,628,513 | 9,628,513 | 7,826,147 | 7,826,147 |
| | 25,731,828 | 25,731,828 | 19,132,914 | 19,132,914 |
| Financial liability | | | | |
| Long-term financing | 3,247,642 | 3,247,642 | 2,906,828 | 2,906,828 |
| Other liabilities | 1,049,750 | 1,049,750 | 600,000 | 600,000 |
| Trade and other payables | 34,310,153 | 34,310,153 | 29,218,119 | 29,218,119 |
| Mark-up and profit accrued | 117,258 | 117,258 | 91,185 | 91,185 |
| Short-term borrowings | 6,944,699 | 6,944,699 | 3,889,629 | 3,889,629 |
| | 45,669,502 | 45,669,502 | 36,705,761 | 36,705,761 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Rupees in thousand)

b) Valuation of financial instruments

The Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market.

Level 2: Valuation techniques based on observable inputs.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data.

Fair values of financial assets that are traded in active markets are based on quoted market prices. For all other financial instruments the Group determines fair values using valuation techniques unless the instruments do not have a market / quoted price in an active market and whose fair value cannot be reliably measured.

Valuation techniques used by the Group include discounted cash flow model. Assumptions and inputs used in valuation techniques includes risk-free rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the balance sheet date that would have been determined by market participants acting at arm's length.

Valuation models for valuing securities for which there is no active market requires significant unobservable inputs and a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued and selection of appropriate discount rates.

c) Financial assets

| | Carrying value | Level 1 | Level 2 | Level 3 | Total |
|-----------------------|----------------|-----------|---------|---------|-----------|
| 2017 | | | | | |
| Long term investments | 1,896,518 | 1,521,518 | 375,000 | - | 1,896,518 |
| 2016 | | | | | |
| Long term investments | 1,886,977 | 1,886,977 | - | - | 1,886,977 |

d) Non-financial assets

2017

| | | | | | |
|--|-----------|---|---|-----------|-----------|
| Building on lease hold land | 2,464,822 | - | - | 2,464,822 | 2,464,822 |
| - Office and depots building | 1,552,314 | - | - | 1,552,314 | 1,552,314 |
| - Pump building | 2,161,249 | - | - | 2,161,249 | 2,161,249 |
| Tanks and pipelines | 706,492 | - | - | 706,492 | 706,492 |
| Dispensing pumps | 303,547 | - | - | 303,547 | 303,547 |
| Plant and machinery | 1,035,584 | - | - | 1,035,584 | 1,035,584 |
| Electrical, mechanical and fire fighting equipment | 8,224,008 | - | - | 8,224,008 | 8,224,008 |

2016

| | | | | | |
|--|-----------|---|---|-----------|-----------|
| Building on lease hold land | 920,389 | - | - | 920,389 | 920,389 |
| - Office and depots building | 1,427,167 | - | - | 1,427,167 | 1,427,167 |
| - Pump building | 865,493 | - | - | 865,493 | 865,493 |
| Tanks and pipelines | 745,619 | - | - | 745,619 | 745,619 |
| Dispensing pumps | 242,751 | - | - | 242,751 | 242,751 |
| Plant and machinery | 535,554 | - | - | 535,554 | 535,554 |
| Electrical, mechanical and fire fighting equipment | 4,736,973 | - | - | 4,736,973 | 4,736,973 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

48 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

| | Note |
|--|-------------|
| - Market risk | 48.1.1 |
| - Credit risk and concentration of credit risk | 48.1.2 |
| - Liquidity risk | 48.1.3 |

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring any increase in risk, and the Group's management of capital.

48.1 Financial risk management

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

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the Group's activities. The Group through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board oversee how management monitors compliance with the Group's risk management policies and procedures, and review the adequacy of risk management framework in relation to the risks faced by the Group.

48.1.1 Market risk

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities. The objective of market risk management is to manage and control market risk exposures within an acceptable range. The market risk includes:

(a) Currency risk

Currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Holding Company imports petroleum product and is thus exposed to currency risk in respect to foreign creditors, which at the year end amount to USD 129.67 million (2016: USD 94.62 million) having PKR equivalent amount of Rs. 13,333.70 million (2016: Rs. 9,916.65 million). The average rates applied during the year is Rs. 107.73 per USD (2016: Rs. 104.92 per USD) and the spot rate as at December 31, 2017 is Rs. 110.50 per USD (2016: Rs. 104.80 per USD).

The Group manages its currency risk by close monitoring of currency markets. Under regulatory requirements, the Group cannot hedge its currency risk exposure against petroleum products. Consequently, the Group recorded exchange loss amounting to Rs. 795.77 million (2016: exchange gain amounting to Rs. 5.83 million) during the year.

Sensitivity analysis

As at December 31, 2017, if the Pakistani Rupee had weakened/strengthened by 5% against USD with all other variables held constant, profit for the year would have been lower/higher by Rs. 667 million (2016: Rs. 496 million).

(b) Interest / profit rate risk

Interest / profit rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate exposure arises due to long-term financing and short term borrowings. At the balance sheet date the interest rate profile of the Group's mark-up bearing financial instruments is summarized as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Rupees in thousand)

Cash flow sensitivity for variable rate instruments

A change of 100 basis points (bps) in interest rates at the reporting date would effect on profit or loss before tax is shown below. This analysis assumes that all other variables remain constant.

| Cash flow sensitivity of variable rate instruments | Profit and loss | | Equity | |
|--|------------------|------------------|------------------|------------------|
| | 100 bps increase | 100 bps decrease | 100 bps increase | 100 bps decrease |

(Expense) / income

As at December 31, 2017

| | | | |
|---------|-------|---------|-------|
| (6,048) | 6,048 | (4,234) | 4,234 |
|---------|-------|---------|-------|

As at December 31, 2016

| | | | |
|---------|-------|---------|-------|
| (5,654) | 5,654 | (3,901) | 3,901 |
|---------|-------|---------|-------|

| 2017 | Effective yield/interest profit rate % (per annum) | Exposed to yield/interest/profit risk | | | Non-interest/profit bearing | | | Total |
|------------------------------|--|---------------------------------------|-------------------------|--------------------|-----------------------------|-------------------------|---------------------|---------------------|
| | | Maturity up to one year | Maturity after one year | Sub-Total | Maturity up to one year | Maturity after one year | Sub-Total | |
| Financial assets | (a) | | | | | | | |
| Long term investments | | - | - | - | - | 1,896,518 | 1,896,518 | 1,896,518 |
| Deposits | | - | - | - | 3,271 | 331,537 | 334,808 | 334,808 |
| Trade debts | | - | - | - | 11,518,218 | - | 11,518,218 | 11,518,218 |
| Advances | | - | - | - | 135,342 | - | 135,342 | 135,342 |
| Other receivables | | - | - | - | 2,161,031 | - | 2,161,031 | 2,161,031 |
| Mark-up and profit accrued | | - | - | - | 57,398 | - | 57,398 | 57,398 |
| Cash and bank balances | 3.75-5.5 | 8,640,350 | 60,000 | 8,700,350 | 928,163 | - | 928,163 | 9,628,513 |
| | | <u>8,640,350</u> | <u>60,000</u> | <u>8,700,350</u> | <u>14,803,423</u> | <u>2,228,055</u> | <u>17,031,478</u> | <u>25,731,828</u> |
| Financial liabilities | (b) | | | | | | | |
| Long term finances | 7.95-10.15 | 1,007,479 | 2,240,163 | 3,247,642 | - | - | - | 3,247,642 |
| Other liabilities | | - | - | - | 524,875 | 524,875 | 1,049,750 | 1,049,750 |
| Trade and other payables | | - | - | - | 34,310,153 | - | 34,310,153 | 34,310,153 |
| Mark-up and profit accrued | | - | - | - | 117,258 | - | 117,258 | 117,258 |
| Short-term borrowings | 7.39-9.12 | 6,944,699 | - | 6,944,699 | - | - | - | 6,944,699 |
| | | <u>7,952,178</u> | <u>2,240,163</u> | <u>10,192,341</u> | <u>34,952,286</u> | <u>524,875</u> | <u>35,477,161</u> | <u>45,669,502</u> |
| On balance sheet gap | (a)-(b) | <u>688,172</u> | <u>(2,180,163)</u> | <u>(1,491,991)</u> | <u>(20,148,863)</u> | <u>1,703,180</u> | <u>(18,445,683)</u> | <u>(19,937,674)</u> |
| 2016 | | | | | | | | |
| Financial assets | (a) | | | | | | | |
| Long term investments | | - | - | - | - | 1,886,977 | 1,886,977 | 1,886,977 |
| Deposits | | - | - | - | 26,292 | 289,632 | 315,924 | 315,924 |
| Trade debts | | - | - | - | 7,871,281 | - | 7,871,281 | 7,871,281 |
| Advances | | - | - | - | 42,889 | - | 42,889 | 42,889 |
| Other receivables | | - | - | - | 1,153,880 | - | 1,153,880 | 1,153,880 |
| Mark-up and profit accrued | | - | - | - | 35,816 | - | 35,816 | 35,816 |
| Cash and bank balances | 3.75-6 | 6,349,149 | 60,000 | 6,409,149 | 1,416,998 | - | 1,416,998 | 7,826,147 |
| | | <u>6,349,149</u> | <u>60,000</u> | <u>6,409,149</u> | <u>10,547,156</u> | <u>2,176,609</u> | <u>12,723,765</u> | <u>19,132,914</u> |
| Financial liabilities | (b) | | | | | | | |
| Long term finances | 7.95-10.15 | 599,079 | 2,307,749 | 2,906,828 | - | - | - | 2,906,828 |
| Other liabilities | | - | - | - | 600,000 | - | 600,000 | 600,000 |
| Trade and other payables | | - | - | - | 29,218,119 | - | 29,218,119 | 29,218,119 |
| Mark-up accrued | | - | - | - | 91,185 | - | 91,185 | 91,185 |
| Short-term borrowings | 8.15-9.65 | 3,889,629 | - | 3,889,629 | - | - | - | 3,889,629 |
| | | <u>4,488,708</u> | <u>2,307,749</u> | <u>6,796,457</u> | <u>29,909,304</u> | <u>-</u> | <u>29,909,304</u> | <u>36,705,761</u> |
| On balance sheet gap | (a)-(b) | <u>1,860,441</u> | <u>(2,247,749)</u> | <u>(387,308)</u> | <u>(19,362,148)</u> | <u>2,176,609</u> | <u>(17,185,539)</u> | <u>(17,572,847)</u> |

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(c) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/mark-up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instruments or its issuers, or factors affecting all or similar financial instruments traded in the market. The Group is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 1,522 million (2016: Rs. 1,887 million) at the balance sheet date.

The Group manages price risk by monitoring exposure in quoted equity securities and implementing strict discipline in internal risk management and investment policies.

The value of investment subject to equity price risk are, in almost all instance, based on quoted market price as of the reporting date except for unquoted investments which are carried at cost. Market prices are subject to fluctuation and consequently the amount realized as a result of subsequent sale of an investment may differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investment and general market condition. Furthermore, the amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

Sensitivity analysis

The table below summarizes the Group's equity price risk as of December 31, 2017 and 2016 and shows the effects of a hypothetical 30% increase and a 30% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Accordingly, the sensitivity analysis prepared is not necessarily indication of the effect on Group's net assets of future movement in the level of PSX 100 index.

| | Hypothetical price change at 30% | Fair value | Estimated fair value hypothetical after change in price | Hypothetical increase / (decrease) in shareholders equity | Hypothetical increase / (decrease) in profit / (loss) |
|--------------------------|----------------------------------|------------------|---|---|---|
| December 31, 2017 | Increase | 1,521,518 | 1,977,973 | 456,455 | 456,455 |
| | Decrease | | 1,065,063 | (456,455) | (456,455) |
| December 31, 2016 | Increase | 1,886,977 | 2,453,070 | 566,093 | 566,093 |
| | Decrease | | 1,320,884 | (566,093) | (566,093) |

48.1.2 Credit risk and concentration of credit risk

The credit quality of receivables can be assessed with reference to the historical performance with no or some defaults in recent history. The Group manages credit risk of receivables through the monitoring of credit exposures, limiting transactions with specific customers and continuous assessment of credit worthiness of its customers.

The carrying values of financial assets which are neither past due nor impaired are as under:

| | Note | 2017 | 2016 |
|----------------------------|------|-------------------|-------------------|
| Long term investments | 8 | 1,896,518 | 1,886,977 |
| Deposits | | 334,808 | 315,924 |
| Trade debts - unsecured | 11 | 7,859,974 | 5,728,745 |
| Advances | 12 | 135,342 | 42,889 |
| Other receivables | 14 | 2,161,031 | 1,153,880 |
| Mark-up and profit accrued | 15 | 57,398 | 35,816 |
| Bank balances | 16 | 9,627,676 | 7,824,418 |
| | | 22,072,747 | 16,988,649 |

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Aging analysis of trade debts:

| | 2017 | | 2016 | |
|-----------------------|-------------------|------------|------------------|------------|
| | Gross | Impaired | Gross | Impaired |
| Past due 1-30 days | 10,582,457 | - | 7,152,670 | - |
| Past due 31-90 days | 935,761 | - | 554,242 | - |
| Past due 91-180 days | - | - | 149,570 | - |
| Past due 181-365 days | - | - | 14,799 | - |
| Over 5 years | 894 | 894 | 894 | 894 |
| | 11,519,112 | 894 | 7,872,175 | 894 |

The credit risk for bank balances is considered to be negligible, since the counterparties are reputable banks and institutions with high quality external credit ratings. The credit quality of bank balances that are neither past due nor impaired can be assessed with reference to external credit ratings as follows:

Islamic Banks

| | Rating Agency | Short term | Long term |
|-----------------------------------|---------------|------------|-----------|
| Al Baraka Bank (Pakistan) Limited | PACRA | A1 | A |
| Bank Islami Pakistan Limited | PACRA | A1 | AA+ |
| Meezan Bank Limited | JCR- VIS | A-1+ | AA |
| MCB Islamic Bank Limited | PACRA | A1 | A |

Conventional banks

| | | | |
|---|----------|------|-----|
| Industrial and Commercial Bank of China | Moody's | P-1 | A2 |
| Allied Bank Limited | PACRA | A1+ | AA+ |
| Askari Bank Limited | PACRA | A1+ | AA+ |
| Bank Al Falah Limited | PACRA | A1+ | AA+ |
| Bank Al Habib Limited | PACRA | A1+ | AA+ |
| Bank of Khyber | PACRA | A-1 | A |
| Bank of Punjab | PACRA | A1+ | AA |
| Faysal Bank Limited | PACRA | A1+ | AA |
| First Women Bank Limited | PACRA | A2 | A- |
| MCB Bank Limited | PACRA | A1+ | AAA |
| National Bank of Pakistan | PACRA | A1+ | AAA |
| Habib Metropolitan Bank Limited | PACRA | A1+ | AA+ |
| Soneri Bank Limited | PACRA | A1+ | AA- |
| PAIR Investment Company Limited | PACRA | A1+ | AA |
| Habib Bank Limited | JCR- VIS | A-1+ | AAA |
| SAMBA Bank Limited | JCR- VIS | A-1 | AA |
| Silk Bank Limited | JCR- VIS | A-2 | A- |
| Sindh Bank Limited | JCR- VIS | A-1+ | AA |
| Summit Bank Limited | JCR- VIS | A-1 | A- |
| United Bank Limited | JCR- VIS | A-1+ | AAA |
| Pak China Investment Company Limited | JCR- VIS | A-1+ | AAA |
| Pak Oman Investment Company Limited | JCR- VIS | A-1+ | AA+ |

48.1.3 Liquidity risk

Liquidity risk reflects the Group's inability of raising funds to meet commitments. Management closely monitors the Group's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customers. The Group's financial liabilities have contractual maturities as summarized below:

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| | Within one year | Over one year | Total |
|---------------------------------------|-------------------|------------------|-------------------|
| 2017 | | | |
| Long-term finances - secured | 1,007,479 | 2,240,163 | 3,247,642 |
| Other liabilities | 524,875 | 524,875 | 1,049,750 |
| Trade and other payables | 6,944,699 | - | 6,944,699 |
| Mark-up accrued | 117,258 | - | 117,258 |
| Short-term running finances - secured | 6,944,699 | - | 6,944,699 |
| | <u>15,539,010</u> | <u>2,765,038</u> | <u>18,304,048</u> |
| 2016 | | | |
| Long term finances | 599,079 | 2,307,749 | 2,906,828 |
| Other liabilities | 600,000 | - | 600,000 |
| Trade and other payables | 29,218,119 | - | 29,218,119 |
| Mark-up accrued | 91,185 | - | 91,185 |
| Short-term borrowings | 3,889,629 | - | 3,889,629 |
| | <u>34,398,012</u> | <u>2,307,749</u> | <u>36,705,761</u> |

49 CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board's policy is to maintain a strong capital base so as to maintain investors', creditors' and market's confidence and to sustain future development of the business, safeguard the Group's ability to continue as going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board monitor the return on capital, which the Group defines as net profit/(loss) after tax divided by total shareholders' equity. The Board also monitor the level of dividend to ordinary shareholders subject to the availability of funds.

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

| | Note | 2017 | 2016 |
|--|------|-------------------|-------------------|
| Total interest bearing debt | | 10,680,482 | 7,416,575 |
| Trade and other payables | 24 | 34,323,048 | 29,234,263 |
| Mark-up and profit accrued | 25 | 117,258 | 91,185 |
| Less: cash and bank balances | 16 | (9,628,513) | (7,826,147) |
| Excess of net cash over debt / net debt | | 35,492,275 | 28,915,876 |
| Total shareholders' equity and revaluation surplus | | 10,263,562 | 6,096,337 |
| Net equity | | <u>45,755,837</u> | <u>35,012,213</u> |
| Gearing ratio | | 77.57% | 82.59% |

50 EMPLOYEES PROVIDENT FUND

The Group operates approved provident fund for its eligible employees. Details of assets and investments of the fund is as follows:

| | Note | 2017 | 2016 |
|--------------------------------|------|----------------|---------------|
| Size of fund - total assets | | 99,071 | 74,543 |
| Number of members | | 295 | 260 |
| Cost of investments made | | 101,727 | 70,018 |
| Percentage of investments made | | 103% | 94% |
| Fair value of investments | 50.1 | <u>100,695</u> | <u>72,406</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

50.1 The break-up of fair value of investments is as follows:

| | 2017 | | 2016 | |
|-----------------------------|----------------|-------------------------------|---------------|-------------------------------|
| | Investments | Percentage of investment Made | Investments | Percentage of investment Made |
| Saving bank accounts | 67,043 | 66 | 55,289 | 76 |
| Regular income certificates | 17,919 | 18 | 17,117 | 24 |
| Mutual fund | 15,733 | 16 | - | - |
| | <u>100,695</u> | <u>100</u> | <u>72,406</u> | <u>100</u> |

50.2 Investments out of provident fund have been made in accordance with the provisions of section 218 of Companies Act, 2017 and applicable rules.

51 DISCLOSURE REQUIREMENTS FOR ALL SHARES ISLAMIC INDEX

Following information has been disclosed with reference to circular no. 14 of 2016 dated April 21, 2016, issued by the Securities and Exchange Commission of Pakistan relating to "All Shares Islamic Index".

| S.no | Description | Explanation |
|--------|---|---|
| (i) | Loans and advances | Non-interest bearing as disclosed in Note 21 and 26. |
| (ii) | Deposits | Non-interest bearing as disclosed in Note 9 and 13. |
| (iii) | Segment revenue | Disclosed in note 45. |
| (iv) | Bank balances | Placed under interest arrangement and Shariah permissible arrangement as disclosed in note 16. |
| (v) | Income on bank deposits | Placed under interest arrangement and Shariah permissible arrangement as disclosed in note 35. |
| (vi) | Gain/(loss) on disposal of available-for-sale investments | Not applicable during the year. |
| (vii) | Dividend income | Disclosed in note 35.1. |
| (viii) | All sources of income | Disclosed in note 30, 31 and 35. |
| (ix) | Exchange gain | Earned from actual currency. |
| (x) | Relationship with banks having Islamic windows | Following is the list of banks with which the Group has a relationship with Islamic window of operations: |

| S.no | Names of Islamic bank |
|------|------------------------------------|
| 1 | Al Baraka Bank (Pakistan) Limited; |
| 2 | Bank Islami Pakistan Limited; |
| 3 | Meezan Bank Limited and |
| 4 | MCB Islamic Bank Limited |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in thousand)

52 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purposes of comparison and to reflect the substance of the transactions. Following major reclassifications have been made during the year:

| Reclassified from | Reclassified to | Note | Amount |
|---|--|------|-----------|
| Deposits and prepayments | Mark-up and profit accrued | 15 | 35,816 |
| Current portion of long term financing | Current portion of non-current liabilities | 27 | 599,079 |
| Current portion of liabilities subject to finance lease | Current portion of non-current liabilities | 27 | 148,387 |
| Trade and other payables | Deferred and other liabilities | 23 | 600,000 |
| Taxation | Deferred taxation - deductible temporary expenses | 23.2 | 186,000 |
| Bank balances - in saving accounts | Term deposit receipt | 16 | 60,000 |
| Administrative expenses - ujrah payments | Distribution and marketing expenses - ujrah payments | 33 | 10,108 |
| Administrative expenses - salaries, allowances and other benefits | Finance cost - interest cost on defined benefit obligation | 36 | 9,545 |
| Distribution and marketing - provision against franchise income | Other expenses - provision against franchise income | 37 | 27,349 |
| Other income - sundries | Other revenue - non fuel retail and lubricants | 31 | 8,307 |
| Deposits and prepayments | Other receivables | 14 | 1,153,880 |
| Operating fixed asset - leasehold land | Capital work-in-progress - Advance to Port Qasim Authority | 6.2 | 44,187 |
| Long term deposit - others | Deposit and prepayments - other deposits | 13 | 730 |

53 NUMBER OF EMPLOYEES

2017

2016

Total number of employees as at year end
Average number of employees during the year

755

519

611

457


54 EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on April 3rd, 2018 has proposed a cash dividend of Rs. 3.50 per share for the year ended December 31, 2017 for approval of the members at the Annual General Meeting to be held on April 27th, 2018. These consolidated financial statements do not include the effect of the proposed cash dividend which will be accounted for in the consolidated financial statements for the year ending December 31, 2018.

55 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements have been authorized for issue on 3rd April 2018 by the Board of Directors of the Holding Company.


Saleem Butt
Chief Executive Officer
& Director


Khurram Shahzad Venjhar
Chief Financial Officer


Abdul Aziz Khalid
Director

Form of Proxy 16th Annual General Meeting

The Company Secretary
Hascol Petroleum Limited
The Forum, Suite No. 105-106, 1st Floor
Khayaban-e-Jami, Clifton
Karachi

I / We _____ of _____ being member(s) of Hascol Petroleum Limited and holder of _____ ordinary shares as per Share Register Folio No. _____ and/or CDC Participant I.D. No. and Sub Account No. _____, hereby appoint _____ of _____ or failing him / her _____ of _____ as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the 16th Annual General Meeting of the Company to be held on Friday, 27th April 2018, and at any adjournment thereof.

As witness my / our hands / seal this _____ day of April 2018.

Witness No.1

Name _____
Address _____
CNIC _____

Rs. 5/-
Revenue
Stamp

Signature

(Signature should agree with the specimen signature required with the Company)

Witness No.2

Name _____
Address _____
CNIC _____

Important

1. This proxy form, duly completed and signed, must be received at the registered office of the Company at The Forum, Suite No. 105-106, 1st Floor Khayaban-e-Jami, Clifton, Karachi, not less than 48 hours before the time of holding the Meeting.
2. Members are requested:
 - (a) To affix Revenue Stamp of Rs. 5/- at the place indicated above; and
 - (b) To sign across the Revenue Stamp in the same style of signature as is registered with the Company.

For CDC account holder(s) / corporate entities

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

- i) the proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be stated on the form;
- ii) attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form;
- iii) the proxy shall produce his / her original CNIC or original passport at the time of the meeting; and
- iv) corporate entities should produce a certified copy of the resolution pertinent of its board of directors' meeting or a power of attorney bearing signature of the nominee at the time of the Meeting, unless it has been provided earlier.

پراکسی فارم

سولہواں سالانہ عام اجلاس

محترم جناب کمپنی سیکریٹری صاحب
ہسکول پیٹرولیم لمیٹڈ
دی فورم، سوٹ نمبر، 105-106 پہلی منزل
خیابان جامی، کلفٹن، کراچی۔

میں/ہم _____ پیٹرولیم لمیٹڈ کے ممبر/ممبران رجسٹرڈ فوئیو نمبر/شرکا کی آئی ڈی/سی ڈی سی ذیلی
اکاؤنٹ نمبر کے مطابق عمومی شیئرز _____ ہولڈر ہیں جو کہ بذریعہ ہذا جناب _____ کو تفقرا بھرتی کرتے ہیں۔ رجسٹرڈ فوئیو نمبر/شرکا کی آئی
ڈی/سی ڈی سی ذیلی اکاؤنٹ نمبر _____ یا اس کے اس کی شرکت نہ کرنے کی صورت میں جناب _____
کو بطور مختار کاربوز (جمعہ) مورخہ 27 اپریل، 2018 کو ہسکول پیٹرولیم لمیٹڈ کا سولہواں سالانہ عام اجلاس اور اس کے کسی التواتر میری/ہماری جانب/معرفت سے ووٹ دینے اور اجلاس عام میں شرکت
کرنے کا اختیار دیتا ہوں۔

بطور گواہی میں/ہماری دستخط/مہر مورخہ _____ اپریل 2018 کو دستخط کر دیئے۔

دستخط
دستخط کمپنی کی جانب سے تصدیق شدہ دستخط قابل قبول ہونگے

پانچ روپے کی
ریونیو مہر پر دستخط

| گواہ نمبر ۱ | گواہ نمبر ۲ |
|------------------------|------------------------|
| نام: | نام: |
| پتہ: | پتہ: |
| قومی شناختی کارڈ نمبر: | قومی شناختی کارڈ نمبر: |

نوٹس:

۱۔ پراکسی فارم مینٹنگ سے دو دن قبل یعنی 48 گھنٹے پہلے مکمل کوائف اور دستخط کے ساتھ دی فورم، سوٹ نمبر، 105-106 پہلی منزل
خیابان جامی، کلفٹن، کراچی میں جمع ہونگے۔

۲۔ ممبران کو ضروری ہدایات

(الف) مذکورہ بالا خانہ برائے روینیو اسٹیپ میں رسیدی ٹکٹ لگانا ضروری ہے۔

(ب) رسیدی ٹکٹ کمپنی میں رجسٹرڈ دستخط کرنے ہونگے۔

برائے سی ڈی سی اکاؤنٹ ہولڈر/کارپوریٹ ادارے۔

مزید برآں مندرجہ ذیل ضروری ہدایات پر عمل کیا جائے۔

(۱) پراکسی فارم پر دو گواہان بمع ان کا نام، پتہ، اور قومی شناختی کارڈ نمبر ظاہر کرنا ضروری ہے۔

(ب) تصدیق شدہ شناختی کارڈ کی کاپی فارم کے ساتھ منسلک کریں۔

(پ) مینٹنگ کے وقت اصل شناختی کارڈ یا پاسپورٹ لانا ضروری ہے۔

(ت) کارپوریٹ اداروں کے بورڈ آف ڈائریکٹرز پر لازم ہے کہ مینٹنگ کے وقت دستخط شدہ آئین یا پاور آف اٹارنی مقرر کردہ شخص کو دیں۔ اگر مقرر کردہ شخص کو پہلے فراہم نہیں کیا گیا ہو۔

سی ڈی سی کھاتہ داروں کے لئے راہنما اصول

سی ڈی سی کھاتہ داروں کے لئے ضروری ہے کہ وہ 2000 کا سرکل نمبر 1 ایس ای سی پی کا جاری کردہ، مورخہ 26 جنوری، 2000 کے جاری شدہ مندرجہ ذیل راہنما اصولوں پر عمل کریں۔

اے۔ اجلاس میں شرکت کے لئے

(الف) انفرادی اشخاص کی صورت میں سی ڈی سی کے قواعد کے مطابق اکاؤنٹ ہولڈر یا ذیلی اکاؤنٹ ہولڈر یا وہ شخص جس کی سیکورٹیز گروپ اکاؤنٹ میں ہوں اور ان کی رجسٹریشن کی تفصیلات اپ لوڈ کر دی گئی ہیں، وہ اپنی شناخت کی تصدیق اجلاس میں شرکت کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ (سی این آئی سی) یا اصل پاسپورٹ ظاہر کر کے کریں گے؛ اور

(ب) کارپوریٹ اداروں کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی بشمول نامزد شخص کے نمونہ دستخط کے ساتھ اجلاس کے وقت فراہم کرنا ہوں گے۔

بی۔ پراکسیز مقرر کرنے کے لئے

(الف) انفرادی اشخاص کی صورت میں سی ڈی سی کے قواعد کے مطابق اکاؤنٹ ہولڈر یا ذیلی اکاؤنٹ ہولڈر یا وہ شخص جس کی سیکورٹیز گروپ اکاؤنٹ میں ہوں اور ان کی رجسٹریشن کی تفصیلات اپ لوڈ کر دی ہیں، وہ پراکسی فارم مذکورہ بالا ضرورت کے مطابق جمع کرائیں گے؛

(ب) پراکسی فارم پر دو اشخاص کی گواہی ہوگی، جن کے نام، پتہ اور سی این آئی سی نمبر فارم پر درج کئے جائیں گے؛

(پ) پراکسی فارم کے ساتھ نفع کنندہ اور پراکسی کی سی این آئی سی یا پاسپورٹ کی مصدقہ نقول جمع کرائی جائیں؛

(ت) پراکسی اجلاس کے وقت اپنا اصل سی این آئی سی یا اصل پاسپورٹ فراہم کرے گا؛ اور

(ٹ) کارپوریٹ اداروں کی صورت میں کمپنی کے پاس پراکسی فارم کے ساتھ بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی مع کارپوریٹ ادارے کی جانب سے نمائندگی کرنے اور ووٹ دینے کے لیے نامزد شخص کے نمونہ دستخط جمع کرائے جائیں گے (جب تک وہ پہلے سے جمع شدہ نہ ہو)۔

انکم ٹیکس آرڈیننس 2001 کے سیکشن 150 کے تحت تقسیم شدہ منافع کی آمدنی پر عائد ٹیکس کی نظر ثانی

1 جولائی، 2017 سے زیر عمل انکم ٹیکس آرڈیننس 2001 کے سیکشن 150 اور پروویژن آف دی فنانس ایکٹ 2016 کے احکامات کے مطابق تقسیم شدہ آمدنی پر عائد ٹیکس فائلر اور نون فائلر شدہ حصص داران کے لئے بالترتیب 15 اور 20 فیصد تک کی کٹوتی کی جائے گی۔ فیڈرل بورڈ آف ریونیو (ایف بی آر) سے موصول ہونے والی وضاحت کے مطابق عائد ٹیکس فائلر / نون فائلر اصل حصص دار کے رتبہ کے لحاظ سے اور اس کے ساتھ ساتھ مشترکہ اکاؤنٹس کی صورت میں مشترکہ اکاؤنٹ ہولڈرز کی شیئر ہولڈنگ کی مناسبت سے الگ الگ تعین کیا جائے گا۔

اس سلسلے میں تمام حصص داران جو کہ مشترکہ حصص داران کے طور پر حصص کا اختیار رکھتے ہیں ان سے گزارش کی جاتی ہے کہ وہ اصل حصص دار اور مشترکہ اکاؤنٹ ہولڈرز کا تناسب حصص کے اختیارات کے حوالے سے مندرجہ ذیل طریقے سے تحریری طور پر کمپنی کے شیئر رجسٹرار میں جمع کروائیں۔ اگر طلب شدہ معلومات شیئر رجسٹرار کو 19 اپریل، 2018 تک فراہم نہیں کی جاتی تو اس صورت میں یہ فرض کیا جائے گا کہ حصص، اصل حصص دار اور مشترکہ اکاؤنٹ ہولڈرز کی طرف سے برابر تناسب میں رکھے جاتے ہیں۔

| Folio / CDS Account No. | Total Shares | Principal Shareholder | | Joint Shareholder | |
|----------------------------|--------------|-----------------------|---|-------------------|---|
| | | Name & CNIC | Shareholding Proportion (No. of shares) | Name & CNIC | Shareholding Proportion (No. of shares) |

پتے کی تبدیلی

اراکین سے درخواست کی جاتی ہے کہ وہ اپنے پتے میں تبدیلی کی صورت میں فوری طور پر کمپنی کے شیئر رجسٹرار میسرز سینٹرل ڈیپازٹری کمپنی آف پاکستان لمیٹڈ کو ان کے رجسٹرڈ پتے پر مطلع کریں۔

الیکٹرونک موڈ کے ذریعے تقسیم شدہ منافع کی ادائیگی (لازمی)

کمپنیز ایکٹ، 2017 کے سیکشن 242 کے احکامات کے تحت درج شدہ کمپنیوں کے لئے ضروری ہے کہ وہ نقد تقسیم شدہ منافع کی ادائیگی حصص داران کے منتخب کردہ بینک اکاؤنٹ میں براہ راست الیکٹرونک موڈ کے ذریعے اس کے حصص داران کو ادا کریں۔

تقسیم شدہ منافع کو براہ راست اپنے بینک اکاؤنٹ میں حاصل کرنے کے لئے حصص داران سے یہ گزارش کی جاتی ہے کہ وہ کمپنی کی ویب سائٹ پر دستیاب شدہ الیکٹرونک کریڈٹ مینڈیٹ فارم کو پُر کریں اور دستخط کے ساتھ ارسال کریں۔ فیزیکل شیئرز کی صورت میں سی این آئی سی کی نقل کے ساتھ کمپنی کے رجسٹرار پر فراہم کریں۔ سی ڈی سی میں حصص ہونے کی صورت میں الیکٹرونک کریڈٹ مینڈیٹ فارم حصص داران کے بروکر / شراکت دار / سی ڈی سی اکاؤنٹ سروسز میں براہ راست جمع کرنا لازمی ہے۔

نوٹس:

حصص کی منتقلی کی کتابوں کا اختتام

کمپنی کی شیئر ٹرانسفر بکس 2018ء اپریل 20 سے 2018ء اپریل 27 (بشمول دونوں ایام) بند رہے گی۔ منتقلی فیزیکل ٹرانسفر کی صورت میں ہوگی، سی ڈی ایس کی لین دین کی آئی ڈیز جو کہ کمپنی کے شیئر رجسٹرار، میسرز سینٹرل ڈیپازٹری کمپنی آف پاکستان لمیٹڈ، سی ڈی سی ہاؤس، 99-بی، بلاک بی، ایس۔ایم۔سی۔ایچ۔ایس، شاہراہ فیصل، کراچی پر 19 اپریل، 2018ء کو کاروبار کے اختتام تک موصول ہوں ان کو اجلاس میں شرکت کرنے، ووٹ دینے اور اوپر دیئے منتقلی کے استحقاق کی انجام دہی کے لئے خاطر میں لایا جائے گا۔

اجلاس میں شرکت

صرف وہ اشخاص جن کے نام 19 اپریل 2018ء کو کمپنی کے اراکین کے رجسٹر میں موجود ہوں، وہ سالانہ اجلاس عام میں حاضر ہونے، شرکت کرنے اور ووٹ دینے کے اہل ہیں۔ سالانہ اجلاس عام میں شرکت کرنے اور ووٹ دینے کا اہل کمپنی کا رکن اپنی جگہ دوسرے کسی شخص کو بطور اپنے پر کسی اجلاس میں شرکت کرنے اور ووٹ دینے کے لئے مقرر کر سکتا/سکتی ہے۔ پر کسی کے منوثر ہونے کے لئے، پر کسی کی تفصیل کا کمپنی کے رجسٹرڈ دفتر میں اجلاس کے انعقاد سے کم از کم 48 گھنٹے قبل باقاعدہ طور پر مہر، دستخط اور تصدیق کے ساتھ موصول ہونا ضروری ہے۔ سالانہ رپورٹ کے اندر پر کسی فارم منسلک کر دیا گیا ہے۔

ای میل کے ذریعے سالانہ مالیاتی بیانات کی ترسیل:

پاکستان کی سیکورٹیز اینڈ ایکسچینج کمیشن (ایس ای سی پی) نے مورخہ 8 ستمبر 2014ء کو اپنی نوٹیفیکیشن ایس۔آر۔او 2014/787(1) کے ذریعے کمپنیوں کو بذریعہ ای میل آڈٹ کردہ مالی بیانات کے ساتھ ساتھ سالانہ اجلاس عام کا نوٹس اپنے ممبران میں تقسیم کرنے کی اجازت دی ہے۔ چنانچہ ممبران سے یہ درخواست کی جاتی ہے کہ وہ بذریعہ ای میل آڈٹ کردہ مالی بیانات اور نوٹس کی وصولی کے لئے اپنی رضامندی اور ای میل ایڈریس عنایت فرمائیں۔ اس سہولت کے حصول کے لئے کمپنی کی ویب سائٹ www.hascol.com پر ایک معیاری درخواست کا فارم دستیاب ہے جو کہ اسکی/اسکے شناختی کارڈ/اور پاسپورٹ کی نقل کے ساتھ کمپنی کے شیئر رجسٹرار پر ارسال کیا جائے گا۔ برائے کرم توجہ دی جائے کہ سالانہ مالی بیانات پوسٹ کے ذریعے موصول کرنے کے بجائے بیانات کی موصولی کے لئے ای میل ایڈریس دینا اختیاری ہے۔ اگر آپ اس سہولت کی فراہمی نہیں چاہتے تو برائے کرم اس نوٹس کو نظر انداز کریں۔ ہمیشہ کی طرح سالانہ مالیاتی بیانات آپ کے رجسٹرڈ ایڈریس پر بھیج دیے جائیں گے۔

نوٹس ان ممبران کے لئے جنہوں نے اپنا سی این آئی سی فراہم نہیں کیا

ایس ای سی پی کی ملاحظہ کردہ نوٹیفیکیشن ایس۔آر۔او 2014/19(1) مورخہ 10 جنوری، 2014ء کے ساتھ تقرر کردہ نوٹیفیکیشن ایس۔آر۔او 2012/831(1) مورخہ 5 جولائی، 2012ء کا تقاضا ہے کہ اقلیت اور کارپوریٹ ممبران کے معاملات کے سوار رجسٹرڈ رکن یا مجاز شخص کے ڈیویڈنٹ وارنٹس کے ساتھ سی این آئی سی نمبر کا ہونا ضروری ہے۔ چنانچہ غیر موصول شدہ سی این آئی سی کی صورت کمپنی ایس ای سی پی کی ہدایت کے مطابق عمل کرنے میں ناکام ہوگی اور نتیجتاً مورخہ 13 جولائی، 2015ء کے ایس ای سی پی کے حکم کے تحت ان حصص داران کے ڈیویڈنٹ وارنٹس کے ارسال کو روکنے کی پابند ہوگی۔ سی این آئی سی کو بھیجتے وقت حصص داران کو اپنا متعلقہ فیلو نمبر اور کمپنی کا نام درج کرنا لازمی ہے۔

اطلاع برائے سولہویں سالانہ اجلاس عام

بذریعہ اطلاع دی جاتی ہے کہ ہیسکول پٹرولیم لمیٹڈ کا سولہواں سالانہ اجلاس عام جمعہ، 27 اپریل، 2018 کو صبح 10:00 بجے آئی سی اے پی (ICAP) آڈیٹوریم، چارٹرڈ اکاؤنٹنٹس ایونیو، کلفٹن، کراچی میں مندرجہ ذیل معاملات کی انجام دہی کے لئے منعقد ہوگا۔

عمومی امور

- 1- 6 ستمبر، 2017 کو منعقد شدہ کمپنی کی معمولی اجلاس عام کی کارروائی کی توثیق۔
- 2- 31 دسمبر، 2017 کو ختم ہونے والے سال کے لئے کمپنی کے آڈٹ شدہ اکاؤنٹس کے ساتھ ڈائریکٹر اور آڈیٹرز کی رپورٹس کو موصول کرنے کے ساتھ ساتھ اس پر غور کیا جائے گا اور اسے اپنایا جائے گا۔
- 3- بورڈ کے ڈائریکٹرز کی تجویز کردہ حتمی نقد کا تقسیم شدہ منافع 3/50 روپے جو کہ 35 فیصد فی حصص کی ادائیگی پر غور و فکر کرنے کے ساتھ ساتھ اس کی منظوری بھی دی جائے گی۔ پہلے سے ادا شدہ 3/50 روپے جو کہ 35 فیصد فی حصص کا انٹرم تقسیم شدہ منافع بھی شامل ہے۔ اس طرح تقسیم شدہ منافع کی کل نقد - 7/ روپے یعنی 70 فیصد بنی۔
- 4- آڈیٹرز کو نصب کرنے اور مالی سال 2018 کے لئے ان کے معاوضے کو مقرر کیا جائے گا۔
- 5- چیئرمین کی اجازت سے اجلاس کے روبرو پیش ہونے والے کسی دیگر امور پر غور۔

6 اپریل، 2018

کراچی

محکم بورڈ



ذیشان الحق

کمپنی سیکریٹری

(م) حصص کی تقسیم کا طریقہ کار:

31 دسمبر، 2017 تک حصص کی تقسیم کا طریقہ کار رپورٹ کے صفحہ 24 پر دیا گیا ہے۔

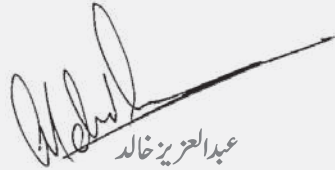
(ن) اعتراف:


ہمارے لوگ کمپنی کی مسلسل ترقی کے پیچھے مرکزی کردار ادا کرتے ہیں۔ ڈائریکٹرز کمپنی کے ہر ایک ملازم کی شراکت کا اعتراف کرتے ہیں۔ کمپنی کی مصنوعات پر صارفین کے بھرپور اعتماد پر ان کا شکریہ ادا کرتے ہیں۔ ہم حصص داران کے تعاون اور ہماری انتظامیہ پر اعتماد کرنے پر بھی شکر گزار ہیں۔

(س) مستقبل کا نقطہ نظر:

مستقبل کے امکانات کی نشان دہی چیئرمین کی طرف سے جائزہ کے صفحہ نمبر 158 پر بیان کیا گیا ہے۔

ہم آپ کے شکر گزار ہیں
بورڈ کی جانب سے


عبدالعزیز خالد
ڈائریکٹر


جناب سلیم ہٹ
چیف ایگزیکٹو آفیسر



فہم

(ز) بورڈ کی کارکردگی کی تشخیص:

سال کے دوران آپ کی کمپنی کے بورڈ کی کارکردگی کی تشخیص کی گئی۔ بورڈ کے اراکین موثر انداز میں بورڈ میں جداگانہ حیثیت لانے، خود مختار اور نون ایگزیکٹو ڈائریکٹرز کی تشکیل میں کامیاب رہے ہیں۔ بورڈ کی مجموعی کارکردگی اچھی رہی اور بورڈ کے اراکین تشخیص کے نتائج پر پورا اترے ہیں۔

(ح) ڈائریکٹرز ٹریننگ پروگرام:

ان کی تفصیلات قوانین کی تعمیل کے بیانات میں بیان کی گئی ہیں۔

(ط) پراویڈنٹ میں سرمایہ کاری کا حجم:

کمپنی نے اپنے ملازمین کے لئے دست برداری کے بعد کے فوائد کی منصوبہ بندی کو برقرار رکھا ہے۔ 31 دسمبر، 2017 تک کی پراویڈنٹ اور گریجویٹ فنڈز میں سرمایہ کاری کی تفصیلات آڈٹ کردہ مالیاتی بیانات کے مطابق مندرجہ ذیل ہے۔

| روپے (۰۰۰) | |
|------------|---------------|
| 22,212 | پراویڈنٹ فنڈز |
| 24,379 | گریجویٹ |

(ی) اجتماعی سماجی ذمہ داری:

آپ کی کمپنی مختلف کوششوں کے ذریعے تعلیمی، صحت اور ماحول کے شعبوں میں معاونت کرنے کے لئے متحد سماجی ذمہ داری کے سلسلے میں ایک راہ پر گامزن ہے۔ موجودہ سال کے دوران کمپنی نے 12.176 ملین روپے کی رقم مختلف تعلیمی اداروں، ہسپتالوں اور خیراتی تنظیموں کو عطیہ کی۔

(ک) قومی خزانے اور معیشت میں شراکت:

سال کے دوران آپ کی کمپنی نے اپنے ذمہ واجبا الاداء ٹیکسوں، جنرل ٹیکس، انکم ٹیکس اور دیگر سرکاری ٹیکسوں کی مد میں قومی خزانے میں 72.58 ارب روپے جمع کرائے۔

(ل) ایکسٹرنل آڈیٹرز:

آڈیٹر میسرز گرانٹ تھورنٹن کے چارٹرڈ اکاؤنٹنٹ انجمن رحمان، آئندہ سالانہ جنرل میٹنگ کے اختتام پر دست بردار ہو جائیں گے، اہل ہونے کی صورت میں وہ خود کو دوبارہ تعیناتی کے لئے پیش کر سکتے ہیں۔ بورڈ نے سال 2018 کے لئے کمپنی کے آڈیٹر کے طور پر میسرز گرانٹ تھورنٹن سے انجمن رحمان کی تقرری کی سفارش کی ہے۔ جو کہ اپریل، 2018 کو منعقد ہونے والے سالانہ اجلاس میں حصہ داران کی منظوری کی تابع ہے۔

(ہ) سال کے دوران بورڈ کمیٹی کے منعقد ہونے والے اجلاس:
سال کے دوران آڈٹ کمیٹی نے چار (4) اجلاس منعقد کئے جن میں مندرجہ ذیل ڈائریکٹرز نے شرکت کی۔

| نمبر شمار | ڈائریکٹر کا نام | اجلاس میں حاضری کی تعداد |
|-----------|---------------------------------|--------------------------|
| ۱۔ | جناب نجم الثاقب حمید (چیئر مین) | ۴ |
| ۲۔ | جناب سہیل حسن (رکن)* | ۳ |
| ۳۔ | جناب لیاقت علی (رکن) | ۳ |
| ۴۔ | جناب عبدل عزیز خالد (رکن) | ۱ |

* جناب سہیل حسن 6 ستمبر، 2017 کو ریٹائر ہوئے

سال کے دوران ایچ آر کا ایک (1) اجلاس منعقد ہوا جس میں مندرجہ ذیل ڈائریکٹرز نے شرکت کی۔

| نمبر شمار | ڈائریکٹر کا نام | اجلاس میں حاضری کی تعداد |
|-----------|---------------------------------|--------------------------|
| ۱۔ | جناب نجم الثاقب حمید (چیئر مین) | ۱ |
| ۲۔ | جناب ممتاز حسن خان (رکن) | ۱ |
| ۳۔ | جناب لیاقت علی (رکن) | ۱ |

* ڈائریکٹر کے انتخابات کے بعد ہی ایچ آر کمیٹی 13 ستمبر 2017 کو تشکیل کی گئی ہے۔

(و) کریڈٹ ریٹنگ:

جے سی آر وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ (جے سی آر وی آئی ایس) نے ہیسکول پٹرولیم لمیٹڈ (ایچ پی ایل) کی موجودہ شرح کو 'A+/A-1' (سنگل اے پلس / اے ون) سے لیکر 'AA-/A-1' (ڈبل اے مائی نس / اے ون) تک بڑھادی گئی ہے۔ ایچ پی ایل کی شرح پر صکوک 2 ارب روپے کا اجراء بھی 'AA-' (ڈبل اے مائی نس) سے لیکر 'AA' (ڈبل اے) کر دیا گیا ہے۔ منسوب کردہ شرح پر نظریہ مستحکم ہے۔
جے سی آر وی آئی ایس نے کمپنی کے Privately Placed Commercial Paper جس کی مالیت 1.50 ارب ہے (Single A one) A-1 ریٹنگ دی ہے۔

- (الف) کمپنی کی انتظامیہ کے تیار کردہ مالیاتی بیانات کمپنی کے معاملات، عمل کے نتائج، کیش فلو اور ایکویٹی کی تبدیلی کو منصفانہ طور پر پیش کرتی ہے۔
- (ب) کمپنی کے حساب و کتاب کے لئے باقاعدہ طور پر جسر تیار کیے گئے ہیں۔
- (ج) مالی بیانات کی تیاری میں اکاؤنٹنگ (حساب کتاب) کی مناسب پالیسیوں کا نفاذ عمل میں لایا گیا ہے، اور پالیسیوں میں کسی بھی قسم کی تبدیلیوں کو مالی بیانات میں ظاہر کیا گیا ہے۔ اکاؤنٹنگ کا تخمینہ معقول اور دانشمندانہ فیصلوں پر مبنی ہے۔
- (د) مالی گوشواروں کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی پیروی کی گئی ہے جو کہ پاکستان میں بھی عمل پیرا ہیں، اور کسی بھی قسم کے تضاد کا انکشاف اور اس کی وضاحت کر دی گئی ہے۔
- (ه) کمپنی اندرونی کنٹرول کے موثر طریقوں کے نفاذ اور عمدہ نظام کو برقرار رکھے ہوئے ہے جن کا باقاعدگی سے جائزہ اور نگرانی کی جاتی ہے۔
- (و) کمپنی کی صلاحیت کو برقرار رکھنے میں کوئی شکوک و شبہات نہیں پائے جاتے۔
- (ز) جیسا کہ قواعد و ضوابط میں بیان ہوا ہے کہ کارپوریٹ گورننس کے کوڈ پر عمل پیرا ہونے میں کسی قسم کا تضاد نہیں پایا جاتا۔
- (ح) گزشتہ چھ سالوں کے کلیدی ذریعہ تعلیل اور مالی بیانات سالانہ رپورٹ کے صفحہ نمبر 27 پر دیئے گئے ہیں۔ گزشتہ سال سے کمپنی کے ذریعہ تعلیل نتائج کے اہم نکات صفحہ نمبر 158 پر چیئر مین کے جائزہ میں بیان کئے گئے ہیں۔

(د) بورڈ آف ڈائریکٹرز اور سال 2017 کے دوران منعقد ہونے والے بورڈ کے اجلاس:

سال کے دوران بورڈ آف ڈائریکٹرز کے نو (9) اجلاس منعقد ہوئے اور ہر ڈائریکٹر کی حاضری مندرجہ ذیل دی گئی ہے۔

| نمبر شمار | ڈائریکٹر کا نام | اجلاس میں حاضری کی تعداد |
|-----------|-----------------------------------|--------------------------|
| ۱ | جناب ممتاز حسن خان (چیئر مین) | ۶ |
| ۲ | جناب سلیم بٹ (چیف ایگزیکٹو آفیسر) | ۹ |
| ۳ | جناب فاروق رحمت اللہ خان | ۹ |
| ۴ | جناب سہیل حسن * | ۳ |
| ۵ | جناب نجم الثاقب حمید | ۸ |
| ۶ | جناب پول انتھونی ہمسور تھ * | ۵ |
| ۷ | جناب لیاقت علی | ۴ |
| ۸ | جناب عبدالعزیز خالد | ۷ |

* جناب سہیل حسن 6 ستمبر، 2017 کو ریٹائر ہوئے

* جناب پول انتھونی ہمسور تھ 6 ستمبر، 2017 کو ڈائریکٹر کے طور پر منتخب ہوئے

ڈائریکٹرز رپورٹ

آپ کی کمپنی کے ڈائریکٹرز 31 دسمبر، 2017 کو ختم ہونے والے سال کی سالانہ رپورٹ کے ساتھ ساتھ آڈٹ اسٹیٹمنٹ، یکجا مالیاتی بیانات اور آڈیٹرز رپورٹ آپ کے سامنے پیش کرنے پر خوشی کا اظہار کرتے ہیں۔

(الف) مالیاتی نتائج:

31 دسمبر، 2017 کو ختم ہونے والے سال کا منافع درجہ ذیل ہے:

| (روپوں میں) | |
|-------------|------------------------------------|
| 2,658,699 | ٹیکس کی ادائیگی سے ما قبل کا منافع |
| (1,257,451) | ٹیکس کی ادائیگی |
| 1,401,248 | سال کا منافع |
| (روپوں میں) | |
| 10.70 | فی شیئر آمدنی |

ذخائر کے حصص اور تبدیلی کے بارے میں تفصیلات اور ایکویٹی میں تبدیلیوں کا اندراج سالانہ رپورٹ کے صفحہ 47 پر بیان کیا گیا ہے۔ گزشتہ سال کے مقابلے میں اس سال کے دوران کمپنی میں 39 فیصد کا اضافہ، فروخت کے حجم 2,592,188 میٹرک ٹن کے ساتھ ہوا، مجموعی منافع میں بھی 44.03 فیصد تک کی بہتری ہوئی جس کی وجہ سے ٹیکس کی ادائیگی کے بعد گزشتہ سال کے منافع 1.215 ارب روپے کے مقابلے میں اس سال کا منافع 1.401 ارب روپے رہا جو کہ 15.27 فیصد کے اضافہ کو ظاہر کرتا ہے۔ سال ہذا میں فی شیئر آمدنی 10.70 روپے رہی جو کہ گزشتہ سال کی قیمت 9.41 روپے کی نسبت 13.71 فیصد زیادہ ہے۔

(ب) تقسیم شدہ منافع:

بورڈ اس سال کے اختتام مورخہ 31 دسمبر، 2017 کے موقع پر فی حصص پر سالانہ مبلغ 3.50 روپے یعنی 35 فیصد نقد تقسیم شدہ منافع کی ادائیگی کی سفارش کرتا ہے، جو کہ 3.50 روپے فی حصص یعنی 35 فیصد کے پچھلے انٹرم کے نقد تقسیم شدہ منافع کے علاوہ ہے۔ سال کا کل تقسیم شدہ منافع -7/ روپے فی حصص یعنی 70 فیصد بنا۔ ممبران کے لئے منافع کی ادائیگی کا اجازت نامہ کمپنی کی سالانہ میٹنگ مورخہ 27 اپریل، 2018 میں کیا جائے گا۔

(ج) کارپوریٹ گورننس کے قوانین کے مطابق تعمیل:

پسکول پٹرولیم لیٹڈ کی انتظامیہ اچھی کارپوریٹ گورننس اور تعمیل کے بہترین طریقوں کی انجام دہی میں مصروف ہے۔ بورڈ مندرجہ ذیل بیان پیش کرنے پر خوش ہے جیسا کہ کارپوریٹ گورننس کے قوانین کے تحت ضروری ہے۔

سالانہ رپورٹ 2017 کیلئے چیئرمین کا جائزہ

کمپنی کے ایک اور شاندار سال کی رپورٹ پیش کرنے پر خوشی کا اظہار کرتا ہوں۔ ہماری فروخت کا حجم تقریباً 39 فیصد تک بڑھا اور ٹیکس کے بعد از منافع 1.401 ارب سے زائد تک بڑھ چکا ہے۔ اس طرح ہم نے بورڈ کی انتظامیہ کے مقرر کردہ ہدف سے بھی زیادہ تجاوز کیا۔ کمپنی سال کے اختتام پر حجم کے لحاظ سے ملک کی دوسری بڑی آئل مارکیٹنگ کمپنی بن گئی ہے۔

جیسا کہ میں نے اپنی آخری رپورٹ میں ذکر کیا تھا کہ کمپنی نے ڈول کے ساتھ ایک نیا مشترکہ ادارہ ہیسکول ٹرمینل لمیٹڈ کے نام سے قائم کیا ہے۔ ٹرمینلز کے کام کا آغاز ہو چکا ہے اور اس منصوبے کا پہلا مرحلہ اس سال کے جون تک انشاء اللہ مکمل ہو جائے گا۔ اسی طرح پورٹ قاسم میں لیوب آئل بلینڈنگ پلانٹ پر بہت تیزی کے ساتھ کام چل رہا ہے اور ہمیں امید ہے کہ اس سال کے جون تک پلانٹ کے اختیارات کی سپردگی کردی جائے گی۔

ہم نے اگر اسے ضمنی طور پر ایل پی جی مارکیٹنگ لائسنس حاصل کیا ہے اور اب کمپنی اسٹوریج ٹرمینل اور سلنڈر فلنگ کی سہولیات قائم کرنے میں مشغول ہے۔

مجھے یہ بتاتے ہوئے بھی خوشی ہو رہی ہے کہ ہیسکول نے کیمیکل کا کاروبار شروع کر دیا ہے اور ہم بڑی مقدار میں کیمیکل درآمد کر کے اصل استعمال کنندہ کو فراہم کر رہے ہیں۔

ہمارے بورڈ نے حالیہ سال کے لئے بہت شاندار اہداف مقرر کیے ہیں اور انتظامیہ ان مقاصد کو حاصل کرنے کے لئے بہت پُر اعتماد ہے اور ہم یہ امید رکھتے ہیں کہ اس سال کے اختتام تک ہمارے بازار کا حصہ 14 سے 15 فیصد تک ہوگا۔

ہماری کمپنی ملک بھر میں اسٹوریج کی سہولیات بھی جرات مندانہ طور پر قائم کر رہی ہے۔ گزشتہ سال ہم نے محمود کوٹ اور ساہیوال ڈپو مکمل کیا اور اس سال ہم تھلیاں اور کوٹلا جام میں اسٹوریج کی سہولیات مہیا کریں گے۔ ان اسٹوریج کی سہولیات کی تکمیل کے ساتھ ساتھ ہماری سپلائی چین کی انتظامیہ مزید بہتر ہو جائے گی جو کہ ہمارے حریفوں پر ایک بہت اچھا اثر فراہم کرے گا۔

پی ایس او کے بعد ہیسکول پاکستان کا سب سے بڑا ذخیرہ اندوزی کا بنیادی ڈھانچہ ہوگا۔

آخر میں، میں ایک پیسا کا نہ کاروباری حکمت عملی کو جاری رکھنے اور کارپوریٹ کے انتظامات کی تجویز پیش کرنے پر بورڈ کی رہنمائی کے لئے شکریہ ادا کرنا چاہتا ہوں۔ میں انتظامیہ اور تمام ملازمین کی کاوشوں کو بھی سراہنا چاہتا ہوں جنہوں نے کمپنی کی کاروباری منصوبہ بندی کی تکمیل اور کاروباری اہداف کو بڑھانے میں اپنی قابلیت کو منوایا۔

جناب سلیم بٹ نے کمپنی کے چیف ایگزیکٹو آفیسر کا عہدہ سنبھالنے کے بعد مجھے یقین ہے کہ مستقبل میں کمپنی کی ترقی کو یقینی بنایا جائے گا۔

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











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Hascol Petroleum Limited

The Forum, Suite No. 105-106, 1st Floor,
Khayaban-e-Jami, Clifton, Block-9, Karachi.
Phone: +92-21-35301343-50 Fax: +92-21-35301351
UAN: 111-757-757 Email: info@hascol.com
www.hascol.com