



Attock

**Attock
Petroleum
Limited**

Interim Report & Financial Statements

**For the First Quarter
Ended September 30, 2014**





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COMPANY INFORMATION

Directors	Dr. Ghaith R. Pharaon <i>(Alternate Director - Mr. Shuaib A. Malik)</i> <i>Chairman</i>
	Mr. Laith G. Pharaon <i>(Alternate Director - Mr. Iqbal A. Khwaja)</i>
	Mr. Wael G. Pharaon <i>(Alternate Director - Mr. Rehmat Ullah Bardaie)</i>
	Mr. Abdus Sattar
	Mr. Babar Bashir Nawaz
	Mr. M. Adil Khattak
	Mr. Shuaib A. Malik <i>Chief Executive</i>
Audit Committee	Mr. Abdus Sattar <i>Chairman</i>
	Mr. Babar Bashir Nawaz
	Mr. Iqbal A. Khwaja <i>(Alternate Director to Mr. Laith G. Pharaon)</i>
Human Resource & Remuneration Committee	Mr. Babar Bashir Nawaz <i>Chairman</i>
	Mr. Shuaib A. Malik
	Mr. M. Adil Khattak
Company Secretary / CFO	Mr. Rehmat Ullah Bardaie
Auditors	A. F. Ferguson & Co. Chartered Accountants
Bankers	Allied Bank Limited Askari Bank Limited Bank Alfalah Limited Habib Bank Limited United Bank Limited
Share Registrar	THK Associates (Pvt.) Limited 2 nd Floor, State Life Building-3 Dr. Ziauddin Ahmed Road, Karachi Tel: +92-21-111-000-322 Fax: +92-21-35655595
Legal Advisor	Ali Sibtain Fazli & Associates
Registered Office	Attock House, Morgah, Rawalpindi Tel:+92-51-5127250-4 Email: contact@apl.com.pk Website: www.apl.com.pk



DIRECTORS' REVIEW

IN THE NAME OF ALLAH, THE MOST BENEVOLENT, THE MOST GRACIOUS

The Board of Directors of Attock Petroleum Limited takes pleasure in presenting a brief review on the performance of the Company together with the financial statements for the first quarter ended September 30, 2014.

During the period under review, the political turmoil and heavy floods across different regions of the Country adversely affected the socio-economic indicators. However, the Company through its strategic corporate policy, managed to achieve sales volume enhancement and market growth. The sales revenue of the Company increased by 17% amounted to Rs. 55,347 million (September 2013: Rs. 47,313 million). On the other hand, stiff competition in the market, inventory losses and increased cost of doing business adversely affected the profitability of the Company. Accordingly, APL recorded profit after tax of Rs. 1,258 million for the quarter ended September 30, 2014 (September 2013: Rs. 1,341 million). The results translate into earnings per share of Rs. 15.17 against Rs. 16.17 earned during the same period last year.

The intensity of the competition in oil market has increased with aggressive participation from new entrants. Despite these challenges, the Company has managed to cater to the needs of retail, industrial and defence customers in times of distress and crisis. We are meeting their needs and facilitating them with our premium products and unmatched services.

The enlightened vision and dedicated efforts by the management have resulted in increased sales which is being backed up by import of petroleum products. Furnace Fuel Oil (FFO) and Premier Motor Gasoline (PMG) are being imported to meet increasing demand. The management is further committed to improve profitability, enhance growth, explore alternate supply sources, channelize efficiencies, develop effective cost models, and generate synergies thus managing the diverse expectations of stakeholders. On the other hand, international oil prices are getting down very swiftly and will be leading to the additional inventory losses if this trend is not reversed.

On the retail development side, the Company established 12 new retail outlets during the period under review, bringing the total number of commissioned sites to 480 as at September 30, 2014. The management has devised a plan aspiring to achieve rapid expansion and growth hence sites are being set up at key locations across the Country to enhance brand awareness. Annual Carriage Contractors meeting was also held in which last year performance was reviewed while planning for the year 2015 was carried out. Furthermore, the number of registered fleet has been increased to meet demand and supply chain challenges.

The Company recognizes the importance of improving and expanding infrastructure for sustaining economic development and gaining a competitive edge. In this respect, the development of bulk-oil storage terminals at strategic locations across the Country is underway which would further enhance storage capacity, optimize cost efficiency, improve inventory management and boost customer confidence. Significant progress has been made in terms of acquisition of land and construction will start after acquiring relevant regulatory approvals.

The oil marketing business has evolved in recent years with advancement in operations and supply chains. Oil marketing companies are constantly developing to keep in line with the dynamics of the industry. Keeping this in view, the management has implemented international quality control standards and processes have been optimized to improve efficiencies. Effective sets of internal controls are being introduced to keep checks and balances. This would help to enhance sustainability for a growing Company like APL and yield better returns in the long-term.

The Board acknowledges the dedication and commitment of all staff members in the performance of their duties towards the achievement of the strategic goals and further expresses its gratitude and appreciation to the Government authorities, shareholders, customers, suppliers, contractors and other business associates for persistent reliance and continued support.

On behalf of the Board

SHUAIB A. MALIK
Chief Executive

Rawalpindi
October 30, 2014



CONDENSED INTERIM BALANCE SHEET (UNAUDITED)

AS AT SEPTEMBER 30, 2014

	Note	September 30, 2014	June 30, 2014
		Rupees ('000)	
SHARE CAPITAL AND RESERVES			
Authorised capital			
150,000,000 (June 30, 2014: 150,000,000) ordinary shares of Rs 10 each		<u>1,500,000</u>	<u>1,500,000</u>
Issued, subscribed and paid up capital			
82,944,000 (June 30, 2014: 82,944,000) ordinary shares of Rs 10 each		829,440	829,440
Reserves			
Special reserves		106,298	96,774
Revenue reserve			
Unappropriated profit		11,635,149	12,873,508
		12,570,887	13,799,722
NON CURRENT LIABILITIES			
Long term deposits		578,470	574,881
Provision for deferred income tax		22,218	6,801
		600,688	581,682
CURRENT LIABILITIES			
Trade and other payables	4	21,959,656	19,516,149
Provision for current income tax		198,604	188,311
		22,158,260	19,704,460
CONTINGENCIES AND COMMITMENTS			
	6		
		35,329,835	<u>34,085,864</u>



		September 30, 2014	June 30, 2014
	Note	Rupees ('000)	
NON CURRENT ASSETS			
Property, plant and equipment	7	1,996,542	1,931,085
Long term investments in associated companies	8	897,639	887,042
Long term prepayments	9	15,639	18,918
CURRENT ASSETS			
Stores and spares		32,842	32,931
Stock in trade	10	7,594,712	6,787,904
Trade debts	11	16,905,952	14,247,856
Advances, deposits, prepayments and other receivables	12	665,807	747,398
Short term investments	13	1,330,789	1,782,278
Cash and bank balances	14	5,889,913	7,650,452
		32,420,015	31,248,819
		35,329,835	34,085,864

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

Chief Executive

Director



CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2014

	Note	Three months period ended	
		September 30, 2014	September 30 2013
		Rupees ('000)	
Sales		64,870,124	55,485,047
Sales tax		(9,522,976)	(8,171,841)
NET SALES		55,347,148	47,313,206
Cost of products sold		(53,409,651)	(45,365,060)
GROSS PROFIT		1,937,497	1,948,146
Other income	15	341,812	321,262
Operating expenses		(620,985)	(456,851)
OPERATING PROFIT		1,658,324	1,812,557
Finance Income	16	323,942	286,674
Finance costs	16	(41,791)	(24,158)
Net Finance income		282,151	262,516
Share of profit of associated companies		9,647	13,268
Other charges	17	(133,170)	(142,407)
PROFIT BEFORE TAXATION		1,816,952	1,945,934
Provision for income tax	18	(558,417)	(605,000)
PROFIT FOR THE PERIOD		1,258,535	1,340,934
Earnings per share - Basic and diluted (Rupees)		15.17	16.17

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2014

	Three months period ended	
	September 30, 2014	September 30 2013
	Rupees ('000)	
PROFIT FOR THE PERIOD	1,258,535	1,340,934
Remeasurement loss on staff retirement benefit plan	-	(297)
Share of other comprehensive income of associated companies - net of tax	950	-
Other comprehensive (loss) / income for the period	950	(297)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,259,485	1,340,637

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

Chief Executive

Director



CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2014

Three months period ended

September 30, 2014	September 30 2013
Rupees ('000)	

CASH FLOW FROM OPERATING ACTIVITIES

Cash receipts from customers	52,661,269	48,713,259
Payments for purchase of products and operating expenses	(53,350,840)	(48,851,493)
Other charges received	33,418	20,908
Long term deposits received	3,589	11,489
Income tax paid	(532,707)	(471,633)
Cash flow from operating activities	(1,185,271)	(577,470)

CASH FLOW FROM INVESTING ACTIVITIES

Addition to property, plant and equipment	(139,605)	(87,966)
Proceeds from sale of property, plant and equipment	4,394	675
Short term investments/ (encashment)	515,993	(224,722)
Income received on bank deposits	137,436	228,126
Cash flow from investing activities	518,218	(83,887)

CASH FLOW FROM FINANCING ACTIVITIES

Dividends paid	(1,094,945)	(182)
Cash used in financing activities	(1,094,945)	(182)
Effect of exchange rate changes	1,459	1,849
(DECREASE) IN CASH AND CASH EQUIVALENTS	(1,760,539)	(659,690)

CASH AND CASH EQUIVALENTS AT JULY 1

7,650,452	9,970,317
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CASH AND CASH EQUIVALENTS AT SEPTEMBER 30

5,889,913	9,310,627
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The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

Chief Executive

Director



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2014

	Share capital	Special reserves	Unappropriated profit	Total
	Rupees ('000)			
BALANCE AS AT JUNE 30, 2013	691,200	85,584	13,266,673	14,043,457
Total comprehensive income for the three months period ended September 30, 2013:				
Profit for the period	-	-	1,340,934	1,340,934
Other comprehensive income/(loss)	-	-	(297)	(297)
	-	-	1,340,637	1,340,637
Transfer to special reserves by associated companies	-	10,897	(10,897)	-
Transaction with owners:				
Issue of bonus shares @ 20% relating to the year ended June 30, 2013	138,240	-	(138,240)	-
Final cash dividend @ 450% relating to year ended June 30, 2013	-	-	(3,110,400)	(3,110,400)
Total transactions with owners	138,240	-	(3,248,640)	(3,110,400)
BALANCE AS AT SEPTEMBER 30, 2013	829,440	96,481	11,347,773	12,273,694
Total comprehensive income for the nine months period ended June 30, 2014:				
Profit for the period	-	-	2,985,830	2,985,830
Other comprehensive income/(loss)	-	-	(8,282)	(8,282)
	-	-	2,977,548	2,977,548
Transfer to special reserves by associated companies	-	293	(293)	-
Transaction with owners:				
Interim cash dividend @ 175% relating to the year ended June 30, 2014	-	-	(1,451,520)	(1,451,520)
Total transactions with owners	-	-	(1,451,520)	(1,451,520)
BALANCE AS AT JUNE 30, 2014	829,440	96,774	12,873,508	13,799,722
Total comprehensive income for the three months period ended September 30, 2014:				
Profit for the period	-	-	1,258,535	1,258,535
Other comprehensive income/(loss)	-	-	950	950
Total comprehensive income	-	-	1,259,485	1,259,485
Transfer to special reserves by associated companies	-	9,524	(9,524)	-
Transaction with owners:				
Final cash dividend @ 300% relating to the year ended June 30, 2014	-	-	(2,488,320)	(2,488,320)
Total transactions with owners	-	-	(2,488,320)	(2,488,320)
BALANCE AS AT SEPTEMBER 30, 2014	829,440	106,298	11,635,149	12,570,887

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.


Chief Executive


Director



SELECTED NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2014

1. LEGAL STATUS AND OPERATIONS

Attock Petroleum Limited (the Company) was incorporated in Pakistan as a public limited company on December 3, 1995 and it commenced its operations in 1998. The Company was listed on Karachi Stock Exchange on March 7, 2005. The registered office of the Company is situated at Attock House, Morgah, Rawalpindi, Pakistan. The Company is domiciled in Rawalpindi. The principal activity of the Company is procurement, storage and marketing of petroleum and related products. Pharaon Investment Group Limited Holding s.a.l holds 34.38% (June 30, 2014: 34.38%) shares of the Company.

2. STATEMENT OF COMPLIANCE

The condensed interim financial information of the Company for the three months period ended September 30, 2014 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended June 30, 2014.

4. TRADE AND OTHER PAYABLES

**September 30,
2014** June 30,
2014

Rupees ('000)

Creditors	12,139	57,128
Due to related parties (unsecured) - note 4.1	16,390,941	14,651,556
Accrued liabilities	2,519,348	2,832,856
Advance from customers	1,065,795	1,434,237
Retention money	57,404	55,863
Workers' welfare fund	496,578	460,433
Unclaimed dividend	1,417,451	24,076
	21,959,656	<u>19,516,149</u>

4.1 Due to related parties

National Refinery Limited	9,292,432	8,234,634
Attock Refinery Limited	6,972,416	6,362,887
Pakistan Oilfields Limited	14,780	13,672
The Attock Oil Company Limited	24	26,742
Attock Leisure & Management Associates (Private) Limited	74	-
Attock Sahara Foundation	40	105
Workers' profit participation fund	97,024	-
APL Gratuity fund	14,151	13,516
	16,390,941	<u>14,651,556</u>


5. LETTER OF CREDIT FACILITY

The Company has entered into an arrangement with banks for obtaining letter of Credit facility to import petroleum products and spare parts and materials upto a maximum of Rs 8,900 million. The facility is secured against first pari passu charge of Rs 11,867 million on all present and future current and fixed assets of the Company (excluding land and building). The facility will expire on December 31, 2014.

September 30,
2014 June 30,
2014
Rupees ('000)

6. CONTINGENCIES AND COMMITMENTS
(a) Contingencies

(i) Tax contingency related to proration of expenses against local and export sales for prior years, as per show cause notices of tax department. The Company has filed its response against the show cause notice and no further action has yet been taken by the department.	332,772	332,772
(ii) Corporate guarantees and indemnity bonds issued by the Company to the Collector of Customs.	1,575,975	1,414,017
(iii) Guarantees issued by bank on behalf of the Company.	83,554	83,554

(b) Commitments

(i) Capital expenditure commitments	225,018	216,103
(ii) Commitments for import of petroleum products against letter of credit facility	1,721,433	2,208,451
(iii) Commitments for rentals of assets under operating lease agreements	1,542,652	1,570,823

Three months to
September 30,
2014 Year ended
June 30,
2014
Rupees ('000)

7. PROPERTY, PLANT AND EQUIPMENT

Opening net book value	1,672,658	1,569,820
Additions	68,064	426,756
Disposals		
Cost	(5,134)	(17,986)
Depreciation	2,843	15,936
	(2,291)	(2,050)
Depreciation charge	71,857	321,868
Closing net book value	1,666,574	1,672,658
Capital work in progress	329,968	258,427
	1,996,542	1,931,085



Three months to
September 30,
2014

Year ended
June 30,
2014

Rupees ('000)

8. LONG TERM INVESTMENTS IN ASSOCIATED COMPANIES

Movement during the year / period

Balance at beginning of the year / period

887,042

878,111

Share of profit of associated companies

16,241

39,383

Impairment loss of investment in National Refinery Limited

(6,594)

(14,339)

9,647

25,044

Share of other comprehensive loss of associated companies

950

(538)

Dividend from associated companies

-

(15,575)

Balance at end of the year / period

897,639

887,042

September 30, 2014

June 30, 2014

Holding
%

Amount
Rs ('000)

Holding
%

Amount
Rs ('000)

8.1 The Company's interest in associated companies is as follows:

National Refinery Limited - Quoted

1

520,590

1

513,996

Attock Refinery Limited - Quoted

1.68

513,897

1.68

503,622

Attock Information Technology
Services (Private) Limited - Unquoted

10

12,341

10

12,019

Carrying value on equity method

1,046,828

1,029,637

Less: Impairment loss - National Refinery
Limited (note 8.2)

(149,189)

(142,595)

897,639

887,042

8.2 Impairment loss is based on a valuation analysis carried out as at June 30, 2014 by an external investment advisor engaged by the Company. The recoverable amount has been estimated on a value in use calculation.

**September 30,
2014**

June 30,
2014

Rupees ('000)

9. LONG TERM PREPAYMENTS

Prepaid rent

35,472

40,268

Less: Shown under current assets - Note 12

(19,833)

(21,350)

15,639

18,918

**10. STOCK IN TRADE**

It includes the Company's share of pipeline stock amounting to Rs 5,682,019 thousand (June 30, 2014: Rs 4,560,654 thousand) and Rs 392,132 thousand (June 30, 2014: Rs 783,754 thousand) held by Pak-Arab Pipeline Company Limited and Pak-Arab Refinery Limited respectively.

September 30, June 30,
2014 2014
Rupees ('000)

11. TRADE DEBTS

Trade debts include following balances due from related parties (unsecured):

Attock Gen Limited	6,438,868	5,703,054
Pakistan Oilfields Limited	22,353	21,618
Attock Cement Pakistan Limited	19,220	10,434
Attock Refinery Limited	611	301
	6,481,052	5,735,407

12. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances to suppliers and employees	265,243	307,829
Trade deposits and short term prepayments	79,384	81,928
Current account balances with statutory authorities	28,375	28,375
Accrued income on bank deposits	79,835	23,060
Price differential claim receivable from the Government	28,528	28,528
Receivable from oil marketing companies under freight pool	212,230	272,685
Due from related parties - unsecured		
Attock Information Technology Services (Private) Limited	407	-
Attock Cement Pakistan Limited	333	90
Attock Leisure & Management Associates (Private) Limited	-	12
Workers' profit participation fund	-	33,419
Less: Provision for doubtful receivables	(28,528)	(28,528)
	665,807	747,398

13. SHORT TERM INVESTMENTS

Held to maturity investment in treasury bills - at amortized cost	1,330,789	1,782,278
	1,330,789	1,782,278

**Three months period ended**

September 30, 2014	September 30, 2013
-------------------------------	-----------------------

Rupees ('000)

19. TRANSACTIONS WITH RELATED PARTIES**Associated companies**

Purchase of petroleum products	39,146,111	36,156,018
Sale of petroleum products	5,067,893	4,999,429
Commission and handling income	311,515	306,864
Mark-up earned on delayed payments	64,645	15,926
Mark-up on delayed payments	33,816	15,307
Administrative services expense	39,931	35,959
Purchase of property, plant and equipment	-	1,500

Other related parties

Remuneration of Chief Executive and key management personnel including benefits and perquisites	34,737	28,901
Contribution to staff retirement benefits plans		
APL Employees provident fund	2,272	1,800
APL Gratuity fund	1,888	6,863
Contribution to workers' profit participation fund	97,024	103,754

20. SEGMENT REPORTING

20.1 As described in note 1 to these financial statements the Company markets petroleum products. Revenue from external customers for products of the Company are as follows:

Three months period ended

September 30, 2014	September 30, 2013
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Rupees ('000)

Product

High Speed Diesel	26,031,650	24,452,067
Furnace Fuel Oil	23,078,489	18,408,075
Premier Motor Gasoline	10,309,025	8,921,411
Bitumen	3,617,135	1,956,095
Others	1,833,825	1,747,399
	64,870,124	55,485,047



20.2 There is no single external customer of the Company whose revenue amounts to 10% or more of the Company's total revenue during the three months period ended September 30, 2014.

21. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue by the Board of Directors of the Company on October 30, 2014.

A handwritten signature in black ink, appearing to read 'Abdullah Jaffer'.

Chief Executive

A handwritten signature in black ink, appearing to read 'Dhalla'.

Director



Attock

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