

HASCOL PETROLEUM LIMITED
HALF YEARLY REPORT 2022
FOR THE SIX MONTHS PERIOD ENDED
JUNE 30, 2022

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CORPORATE INFORMATION

Chairman

Sir Alan Duncan

CEO & Director

Mr Aqeel Ahmed Khan

Directors

Mr Mustafa Ashraf
Mr Zafar Iqbal Chaudhry
Mr Farid Arshad Masood
Mr Abdul Aziz Khalid
Mr Mohammad Zubair

Chief Financial Officer

Mr. Amad Uddin

Company Secretary

Mr Farhan Ahmad

Audit Committee

Mr Mustafa Ashraf (Chairman)
Mr Farid Arshad Masood (Member)
Mr Mohammad Zubair (Member)
Mr Zafar Iqbal Chaudhry (Member)

Bankers

Al Baraka Bank (Pakistan) Limited
Askari Bank Limited
Allied Bank Limited
Bank Alfalah Limited
Bank Islami Pakistan Limited
The Bank of Khyber
The Bank of Punjab
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
First Women Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Industrial and Commercial Bank of China
MCB Bank Limited
MCB Islamic Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Samba Bank Limited
Silk Bank Limited
Sindh Bank Limited
Summit Bank Limited
United Bank Limited

Risk Committee

Mr Mustafa Ashraf (Chairman)
Mr Abdul Aziz Khalid (Member)
Mr Mohammad Zubair (Member)

Human Resource & Remuneration Committee

Mr Zafar Iqbal Chaudhry (Chairman)
Sir Alan Duncan (Member)
Mr Mohammad Zubair (Member)

Auditors

Baker Tilly Mehmood Idrees Qamar
Chartered Accountants
4th floor, Central Hotel Building,
Civil Lines, Mereweather Road,
Karachi.

Share Registrar

CDC Share Registrar Services Limited

Legal Advisor

Mohsin Tayebaly & Co.
Corporate Legal Consultants - Barristers &
Advocates

Registered Office of the Company

29th Floor, Sky Tower, West Wing
(Tower A), Dolmen City, Abdul Sattar
Edhi Avenue, Block-4, Clifton,
Karachi. Pakistan.

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Fax: +92-21-35301351
UAN: 111-757-757
E-mail: info@hascol.com
Website: www.hascol.com



DIRECTORS' REPORT

The Directors of your Company are pleased to present the half yearly report of the Company for the period ended 30 June 2022.

Financial and operational performance:

During the period under review, the Company recorded Gross Profit of Rs. 1.876 billion as compared to Rs. 1.596 billion during same period last year.

The Company faced liquidity constraints during the period due to the limited availability of working capital, which affected the overall sales volume. Despite the above issues, the Company earned EBITDA of Rs. 839 million as compared to Rs. 608 million during same period last year through its core business of the marketing of petroleum products.

There are several risks faced by the Company inherent to the industry itself, however, the main challenge is the interest cost and financial charges accrued on the overdue loans and the non-availability of working capital banking facilities. The Company is in negotiation with the banks to agree a debt restructuring plan. The Company has already filed the Scheme of Arrangement in Sindh High Court and shall be calling the first creditors meeting under the court process.

Appropriations and movement in reserves have been disclosed in the condensed interim Statement of Changes in Equity on page 11 of these condensed interim financial statements.

Way forward:

The Company is addressing the remaining adverse opinions which are contained in the audit report and hopes they will all be resolved by the closing of the full year accounts for 2022.

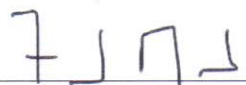
The Company expresses its sincere gratitude to all its employees, customers, financial institutions, suppliers and other stakeholders for their contributions and continuous support. We also thank the Government of Pakistan and its Ministries for their support and guidance.

Thanking you all.

On behalf of the Board



Director/ CEO



Director

HASCOL PETROLEUM LIMITED

UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED JUNE 30, 2022

Baker Tilly Mehmood Idrees Qamar
Chartered Accountants
4th Floor, Central Hotel Building,
Civil Lines, Merewether Road,
Karachi - Pakistan

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TO THE MEMBERS OF HASCOL PETROLEUM LIMITED

REPORT ON REVIEW OF CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim unconsolidated statement of financial position of **Hascol Petroleum Limited** (the Company) as at June 30, 2022 and the related condensed interim unconsolidated profit or loss account, the condensed interim unconsolidated statement of comprehensive income, the condensed interim unconsolidated statement of cash flow, the condensed interim unconsolidated statement of changes in equity and notes to the condensed interim unconsolidated financial statements for the six months' period then ended (*here-in-after referred to as the "condensed interim financial statements"*). The management of the Company is responsible for the preparation and presentation of this condensed interim unconsolidated financial statements in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim unconsolidated financial statements based on our review. The figures of the condensed interim unconsolidated profit or loss account and condensed interim unconsolidated statement of comprehensive income for the quarter ended June 30, 2022 and June 30, 2021 have not been reviewed, as we are required to review only the cumulative figures for the six months' period ended June 30, 2022.

Scope of Review

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

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Basis for Adverse Conclusion

- a) As disclosed in note 6 to the condensed interim unconsolidated financial statements, the Company has property, plant and equipment amounting to Rs. 23,967.472 million (December 31, 2021: Rs. 24,742.668 million).

As explained in note 6.1 to the condensed interim unconsolidated financial statements, the Company conducted physical verification and record reconciliation exercise of property, plant and equipment and found various discrepancies. However, the Fixed Asset Register (FAR) is not completely updated and, hence, the reconciliation exercise is incomplete. Therefore, we cannot determine the amount of adjustments required in the opening and closing carrying values of property, plant and equipment, surplus on revaluation, accumulated depreciation, related provision for taxation and deferred tax, retained earnings and depreciation charge for the six months' period.

- b) As disclosed in note 11, 12 and 14 to the condensed interim unconsolidated financial statements, the Company has trade debts, advances and other receivables amounting to Rs. 10,275.805 million (December 31, 2021: Rs. 10,566.247 million), Rs. 2,444.477 (December 31, 2021: Rs. 2,332.969 million) and Rs. 4,390.596 million (December 31, 2021: Rs. 4,433.846 million) respectively on which an aggregate provision amounting to Rs. 13,325.529 million (December 31, 2021: Rs. 13,625.603 million) has been made. We have found various unsupported and unexplained general entries posted during prior years. Further, we have not received responses to our confirmations requests sent during the current period's review. Hence, in the absence of sufficient and appropriate underlying evidences, we cannot determine the amount of adjustment(s) required in opening and closing carrying values of trade debts, advances and IFEM receivable amounting to Rs. 3,960.706 million (December 31, 2021: Rs. 4,140.421 million), respective provisions, related provision for taxation and deferred tax and retained earnings.

- c) As disclosed in note 17 to the condensed interim unconsolidated financial statements, the Company has liabilities in respect of trade creditors, cartage contractors, advance from customers and other liabilities amounting to Rs. 16,161.673 million (December 31, 2021: Rs. 16,450.484 million), Rs. 1,053.584 million (December 31, 2021: Rs. 930.141 million), Rs. . 977.793 million (December 31, 2021: Rs. 1,138.502 million) and Rs. 13,009.846 million (December 31, 2021: Rs. 11,595.744 million). We have found various unsupported and unexplained general entries posted during prior years. Further, we have not received responses to our confirmations requests sent during the current period's review. In the absence of sufficient and appropriate underlying evidence and no response to our confirmations, we cannot determine the amount of adjustments required in the opening and closing carrying values of trade creditors to the extent of Rs. 965 million, cartage contractors, advance from customers and other liabilities to the extent of Rs. 1,725 million, and related provision for taxation and deferred tax (if any) and retained earnings.

Bm

d) Due to the reasons mentioned in note 9.6 to the condensed interim unconsolidated financial statements, we cannot assess the recoverable amounts of the investments in Hascol Lubricants (Private) Limited (subsidiary) and Karachi Hydrocarbon Terminal Limited (associate) amounting to Rs. 3,150 million (December 31, 2021: Rs. 3,150 million) and Rs. 412.5 million (December 31, 2021: Rs. 412.5 million) respectively, in accordance with the International Financial Reporting Standards (IFRS). Therefore, in the absence of sufficient and appropriate underlying evidence, we cannot determine the amount of adjustments required in opening and closing carrying values of these investments, related provision for taxation and deferred tax and retained earnings.

e) As disclosed in note 19.1 to the condensed interim unconsolidated financial statements, the Company has various pending litigations. Further, the Securities and Exchange Commission of Pakistan (SECP) is investigating the affairs of the Company. The ultimate outcome of these pending litigations and investigations cannot presently be determined and hence, we cannot determine the amount of adjustments required in these condensed interim unconsolidated financial statements.

Furthermore, as disclosed in note 19.1 to the condensed interim unconsolidated financial statements, the Federal Investigation Authority (FIA) is investigating the affairs of the Company.

f) As disclosed in note 15 to the condensed interim unconsolidated financial statements, the Company has defaulted in all its available financing facilities. Accordingly, all the financing facilities disclosed in note no. 15, amounting to Rs. 11,125,936 million (December 31, 2021: Rs. 11,420.937 million) should have been classified as current liabilities.

g) As fully disclosed in note 1.3 to the condensed interim unconsolidated financial statements, the Company has incurred a net loss of Rs. 4,572.362 million (June 30, 2021: Rs. 385.598 million) during the six months' period ended June 30, 2022, which has resulted in accumulated losses of Rs. 72,750.154 million (December 31, 2021: Rs. 68,318.244 million) and eroded the equity to Rs. 51,880.354 million (December 31, 2021: Rs. 47,305.606 million). The Company has also defaulted towards its all major financing arrangements and the liquidity of the Company is dependent upon the proposed restructuring arrangements with the financial institutions and its major shareholder. Furthermore, the situation of the Company may further deteriorate if the possible effects of matters described in Paras (a) to (f) above are accounted for in these condensed interim unconsolidated financial statements. These events indicate a material uncertainty that may cast significant doubts on the Company's ability to continue as a going concern, therefore the Company may not be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has made an assessment of going concern assumption and provided us the basis of the same. However, we did not consider this evidence sufficient and appropriate to support the going concern assumption. In our opinion, the going concern assumption used in preparation of these condensed interim unconsolidated financial statements is inappropriate.

bm

Adverse Conclusion

Our review indicates that, because of the significance of the matters described in the "**Basis for Adverse Conclusion**" section of our report, the accompanying condensed interim unconsolidated financial statements as at June 30, 2022 do not give a true and fair view in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditor's report is **Mehmood A. Razzak**.



Baker Tilly Mehmoed Idrees Qamar
Chartered Accountants

Karachi.

Date: November 11, 2022

UDIN: RR2022101516OvlzHdGu

HASCOL PETROLEUM LIMITED
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022

		Un-audited June 30, 2022	Audited December 31, 2021
	Note	----- Rupees in '000 -----	
ASSETS			
Non-current assets			
Property, plant and equipment	6	23,967,472	24,742,668
Right-of-use assets	7	3,001,384	3,146,623
Intangible asset	8	-	286
Long-term investments	9	3,675,000	3,675,000
Deferred taxation - net	10	-	-
Long-term deposits		446,542	445,472
Total non-current assets		31,090,398	32,010,049
Current assets			
Stock-in-trade		12,961,117	10,255,676
Trade debts	11	681,739	672,107
Advances	12	407,441	295,933
Deposits and prepayments	13	345,775	208,239
Other receivables	14	2,696,169	2,739,419
Accrued mark-up and profit		-	2,623
Short term investments		98,700	98,700
Cash and bank balances		956,421	997,748
Total current assets		18,147,362	15,270,445
TOTAL ASSETS		49,237,760	47,280,494
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital		9,991,207	9,991,207
Reserves		(68,110,419)	(63,678,509)
Revaluation surplus on property, plant and equipment - net of tax		6,238,858	6,381,696
Total shareholders' deficit		(51,880,354)	(47,305,606)
LIABILITIES			
Non-current liabilities			
Long-term financing - secured	15	11,125,936	11,420,937
Lease liabilities	16	3,809,017	3,939,804
Deferred liabilities		677,427	654,001
Total non-current liabilities		15,612,380	16,014,742
Current liabilities			
Trade and other payables	17	31,731,646	30,629,651
Unclaimed dividend		356,930	356,930
Taxation - net		485,736	362,677
Accrued mark-up and profit		10,472,062	7,309,609
Short-term borrowings		39,563,438	37,280,937
Current portion of non-current liabilities	18	2,895,922	2,631,554
Total current liabilities		85,505,734	78,571,358
TOTAL LIABILITIES		101,118,114	94,586,100
TOTAL EQUITY AND LIABILITIES		49,237,760	47,280,494
CONTINGENCIES AND COMMITMENTS			
	19		

The annexed notes from 1 to 27 form an integral part of these condensed interim unconsolidated financial statements.



Chief Executive Officer



Chief Financial Officer



Director

HASCOL PETROLEUM LIMITED
CONDENSED INTERIM UNCONSOLIDATED PROFIT OR LOSS ACCOUNT - Unaudited
FOR THE HALF YEAR ENDED JUNE 30, 2022

		Six months period ended		Three months period ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	Note	Rupees in '000			
Sales - net		22,742,504	45,066,064	10,112,404	23,121,876
Less: sales tax		(174,680)	(6,635,004)	(20,697)	(3,392,589)
Net sales		22,567,824	38,431,060	10,091,707	19,729,287
Other revenue		66,045	143,183	37,041	68,938
Net revenue		22,633,869	38,574,243	10,128,748	19,798,225
Cost of sales		(20,758,103)	(36,978,357)	(9,171,937)	(19,159,773)
Gross profit		1,875,766	1,595,886	956,811	638,452
Distribution and marketing expenses		(1,531,824)	(1,536,057)	(835,296)	(814,838)
Administrative expenses		(542,407)	(512,251)	(323,219)	(259,048)
Operating expenses		(2,074,231)	(2,048,308)	(1,158,515)	(1,073,886)
Provision of impairment losses on financial assets	20	-	(154,030)	-	(154,030)
Other expenses		(8,114)	(12,446)	(8,114)	1,050
Other income		312,222	3,927,565	290,927	3,765,016
Operating profit		105,643	3,308,667	81,109	3,176,602
Finance cost		(3,596,004)	(3,364,190)	(1,823,520)	(1,774,614)
Exchange loss - net		(921,383)	(43,778)	(389,971)	(708,370)
		(4,517,387)	(3,407,968)	(2,213,491)	(2,482,984)
(Loss) / profit before taxation		(4,411,744)	(99,301)	(2,132,382)	693,618
Taxation	21	(160,618)	(286,297)	(67,050)	(181,876)
(Loss) / profit for the period		(4,572,362)	(385,598)	(2,199,432)	511,742
(Loss) / earnings per share - basic and diluted		(4.58)	(0.39)	(2.20)	0.51

The annexed notes from 1 to 27 form an integral part of these condensed interim unconsolidated financial statements.

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Chief Executive Officer


Chief Financial Officer


Director

HASCOL PETROLEUM LIMITED
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED JUNE 30, 2022

	Share Capital	Capital reserves Share premium	Revenue reserve Accumulated losses	Surplus on revaluation of property, plant and equipment	Total shareholders' deficit
	Rupees in '000				
Balance as at January 01, 2021 - audited	9,991,207	4,639,735	(64,671,809)	3,962,410	(46,078,457)
Effect of reclassification	-	-	(31,087)	-	(31,087)
	9,991,207	4,639,735	(64,702,896)	3,962,410	(46,109,544)
Total comprehensive loss for the period					
Loss for the period	-	-	(385,598)	-	(385,598)
Other comprehensive income					
Remeasurement of actuarial gain on defined benefit obligation - net of tax	-	-	7,187	-	7,187
Total comprehensive loss for the period	-	-	(378,411)	-	(378,411)
Transferred from surplus on revaluation of property, plant and equipment - net of tax	-	-	129,732	(129,732)	-
	-	-	(248,679)	(129,732)	(378,411)
Balance as at June 30, 2021 - unaudited	<u>9,991,207</u>	<u>4,639,735</u>	<u>(64,951,575)</u>	<u>3,832,678</u>	<u>(46,487,955)</u>
Balance as at January 01, 2022 - audited	9,991,207	4,639,735	(68,318,244)	6,381,696	(47,305,606)
Effect of reclassification	-	-	-	(2,386)	(2,386)
	9,991,207	4,639,735	(68,318,244)	6,379,310	(47,307,992)
Total comprehensive loss for the period					
Loss for the period	-	-	(4,572,362)	-	(4,572,362)
Other comprehensive income					
Remeasurement of actuarial gain on defined benefit obligation - net of tax	-	-	-	-	-
Total comprehensive loss for the period	-	-	(4,572,362)	-	(4,572,362)
Transferred from surplus on revaluation of property, plant and equipment - net of tax	-	-	140,452	(140,452)	-
	-	-	(4,431,910)	(140,452)	(4,572,362)
Balance as at June 30, 2022 - unaudited	<u>9,991,207</u>	<u>4,639,735</u>	<u>(72,750,154)</u>	<u>6,238,858</u>	<u>(51,880,354)</u>

The annexed notes from 1 to 27 form an integral part of these condensed interim unconsolidated financial statements.

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Chief Executive Officer

Chief Financial Officer

Director

HASCOL PETROLEUM LIMITED
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CASH FLOW - Unaudited
FOR THE HALF YEAR ENDED JUNE 30, 2022


		Six months period ended	
		June 30, 2022	June 30, 2021
Note		----- Rupees '000 -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
	Cash used in operations	21 (1,647,116)	(1,182,009)
	Finance cost paid	(260,045)	(518,300)
	Profit / mark-up received on bank deposits and TFC's	14,294	38,347
	Taxes paid	(37,559)	(27,435)
	Contributions to gratuity fund	-	(3,841)
	Net cash used in operating activities	(1,930,426)	(1,693,238)
CASH FLOWS FROM INVESTING ACTIVITIES			
	Capital expenditure incurred	(30,587)	(141,650)
	Proceeds from disposal of property, plant and equipment	18,502	1,010,428
	Long-term deposits repaid - net	(1,070)	10,234
	Net cash (used in) / generated from investing activities	(13,155)	879,012
CASH FLOWS FROM FINANCING ACTIVITIES			
	Lease liability repaid - net	(380,247)	(764,996)
	Dividend paid	-	(319)
	Long-term finance (repaid) / obtained - net	-	(110,257)
	Net cash used in financing activities	(380,247)	(875,572)
	Net decrease in cash and cash equivalents	(2,323,828)	(1,689,798)
	Cash and cash equivalents at the beginning of the year	(36,283,189)	(29,974,639)
	Cash and cash equivalents at the end of the period	23 (38,607,017)	(31,664,437)

The annexed notes from 1 to 27 form an integral part of these condensed interim unconsolidated financial statements.

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Chief Executive Officer


Chief Financial Officer

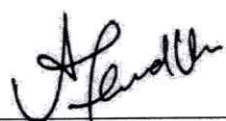

Director

HASCOL PETROLEUM LIMITED
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - Unaudited
FOR THE HALF YEAR ENDED JUNE 30, 2022

	Six months period ended		Three months period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	Rupees in '000			
(Loss) / profit for the period	(4,572,362)	(385,598)	(2,199,432)	511,742
<i>Items that will not be reclassified subsequently to unconsolidated profit or loss account</i>				
Remeasurement of actuarial gain on defined benefit obligation - net of tax	-	7,187	-	7,187
Total comprehensive (loss) / income for the period	<u>(4,572,362)</u>	<u>(378,411)</u>	<u>(2,199,432)</u>	<u>518,929</u>

The annexed notes from 1 to 27 form an integral part of these condensed interim unconsolidated financial statements.

by



Chief Executive Officer



Chief Financial Officer



Director

HASCOL PETROLEUM LIMITED
NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2022

1. STATUS AND NATURE OF BUSINESS

- 1.1** 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 was listed on the Pakistan Stock Exchange Limited.

The registered office of the Company is situated at 29th floor, Sky Tower, West Wing (Tower A), Dolmen City, Abdur Sattar Edhi Avenue, Block 4, Clifton, Karachi. The Company is engaged in the business of procurement, storage and marketing of petroleum, chemicals, LPG and related products. The Company obtained oil marketing license from Ministry of Petroleum and Natural Resources in the year 2005 and acquired assets of LPG licenced company in the year 2018.

- 1.2** These condensed interim unconsolidated financial statements are the separate financial statements of the Company in which investment in subsidiary and associated company, have been accounted for at cost less accumulated impairment losses, if any.

- 1.3** During the current period, the Company incurred a net loss of Rs. 4,572 million (2021: Rs. 386 million), resulting in net shareholders deficit of Rs. 51,880 million (2021: Rs. 47,306 million) as of the unconsolidated statement of financial position date.

Further, as of that date the current liabilities of the Company exceeded its current assets by Rs. 67.4 billion (2021: Rs.63.3 billion) and has defaulted in majority of its outstanding loans with banks. These conditions may cast significant doubt on the Company's ability to continue as a going concern. However, in order to ensure the Company's ability to operate as a going concern, certain plans and measures have been taken to improve its liquidity and financial position which includes, but not limited to, the following:

- a) The Company is also planning a capital restructuring exercise, in consultation with major banks to reduce its debt burden and financial costs, which will help the Company improve its future operating and financial performance. Further, the Company has stopped payment of markup cost from last quarter of 2020.
- b) The Board of Directors (the board) have carried out a detailed review of the profitability and cashflow forecast of the Company for the twelve months from the date of approval of these unconsolidated financial statements, which took into account the projected future working capital of the Company. The board believes that subject to the approval of restructuring plan with major banks the Company will have sufficient cash resources to continue its operations.

2. BASIS OF PREPARATION

These condensed interim unconsolidated financial statements of the Company for the six month period ended June 30, 2022 is unaudited and have 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 Act, 2017 (the Act).

In case where requirements differ, the provisions of or directives issued under the Act have been followed. These condensed interim unconsolidated financial statements are being submitted to the shareholders in accordance with section 237 of the Act and should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2021.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim unconsolidated financial statements are the same as those applied in the preparation of audited annual financial statements of the Company for the year ended December 31, 2021.

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4. ACCOUNTING ESTIMATES AND JUDGEMENTS

- 4.1 The preparation of these condensed interim unconsolidated financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.
- 4.2 During the preparation of these condensed interim unconsolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the audited annual financial statements for the year ended December 31, 2021.

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the annual audited unconsolidated financial statements of the Company as at and for the year ended December 31, 2021.

		(Un-audited) June 30, 2022	(Audited) December 31, 2021
	Note	----- Rupees in '000 -----	
6. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets		21,489,427	22,285,889
Capital work-in-progress	6.4	2,478,045	2,456,779
		<u>23,967,472</u>	<u>24,742,668</u>

- 6.1 During the period ended June 30, 2022, the Management carried out tagging, physical verification and matching with the fixed asset register for all depots and retail sites in accordance with the company policy. The status of tagging exercise completed so far & duly matched with fixed asset register in the condensed interim unconsolidated financial statements are as follows:

	Tagged / title documents	Not tagged	Total
	----- Rupees in '000 -----		
Leasehold Land	4,179,742	-	4,179,742
Building on lease hold land	7,275,860	-	7,275,860
Tanks and pipelines	3,672,620	478,872	4,151,492
Dispensing Pumps	982,890	777,169	1,760,059
Plant and machinery	309,415	178,104	487,519
Electrical, Mechanical and firefighting equipment	1,801,526	349,721	2,151,247
Furniture, office equipment and others	26,314	56,742	83,056
Vehicles	1,390,891	-	1,390,891
Computer auxiliaries	1,970	7,591	9,561
	<u>19,641,228</u>	<u>1,848,199</u>	<u>21,489,427</u>

Assets that are physically verified post visiting each depot and retail represents 91% of the total carrying amount while the remaining 9% is still in process.

by

	(Un-audited) June 30, 2022	(Audited) December 31, 2021
	----- Rupees in '000 -----	
6.2 Movement in capital work-in-progress during the period / year is as follows:		
Balance at the beginning of the year	2,456,779	4,793,029
Additions during the period / year	33,470	231,993
Transfers during the period / year	(12,204)	(1,136,678)
Provisions during the period / year	-	(1,431,565)
	<u>2,478,045</u>	<u>2,456,779</u>

6.3 The following assets were disposed off during the period/ year:

	Cost	Accumulated Depreciation	Net Book Value
	----- Rupees in '000 -----		
June 30, 2022 (un-audited)	<u>15,680</u>	<u>11,040</u>	<u>4,640</u>
December 31, 2021 (audited)	<u>978,346</u>	<u>14,842</u>	<u>963,504</u>

	(Un-audited) June 30, 2022	(Audited) December 31, 2021
	----- Rupees in '000 -----	
6.4 Capital work-in-progress		
Buildings	392,844	392,844
Machinery, tanks and pumps	1,902,141	1,888,150
Retail sites	22,275	15,000
Furniture, office equipment and other assets	22,447	22,447
Borrowing cost capitalized	138,338	138,338
	<u>2,478,045</u>	<u>2,456,779</u>

7. RIGHT OF USE ASSETS

Storage facility	22,523	23,312
Pumpsites	2,672,636	2,771,933
Offices	306,225	351,378
	<u>3,001,384</u>	<u>3,146,623</u>

7.1 Movement in right of use assets during the period / year is as follows:

Balance at the beginning of the period/year	3,146,623	13,245,320
Additions during the period/year	45,321	829,832
Disposals/terminations during the period/year	-	(10,463,846)
Depreciation charged during the period/year	(190,560)	(464,683)
Balance at the end of the period/year	<u>3,001,384</u>	<u>3,146,623</u>

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		(Un-audited) June 30, 2022	(Audited) December 31, 2021
		----- Rupees in '000 -----	
8. INTANGIBLE ASSET	Note		
<i>Computer software</i>		-	286
Net book value at the beginning of the period/year		286	1,477
Amortization charge for the period/year		(286)	(1,191)
Net book value at the end of the period/year		-	286
Net book value			
Cost		12,095	12,095
Accumulated amortization		(12,095)	(11,809)
Net book value		-	286
Rate of amortization - %		33.33	33.33
9. LONG-TERM INVESTMENTS			
Investment in subsidiary company - at cost			
Hascombe Lubricant (Private) Limited - unquoted	9.1	-	-
Hascol Lubricant (Private) Limited - unquoted	9.2	3,150,000	3,150,000
Investment in associate - at cost			
VAS LNG (Private) Limited - unquoted	9.3	-	-
Magic River Services Limited	9.4	110,000	110,000
Karachi Hydrocarbon Terminal Limited - unquoted (formerly : Hascol Terminal Limited)	9.5	412,500	412,500
		3,672,500	3,672,500
Advance against purchase of shares - with related parties			
Karachi Hydrocarbon Terminal Limited - unquoted (formerly : Hascol Terminal Limited)		2,500	2,500
		3,675,000	3,675,000
9.1 Investment at cost		30,604	30,604
Provision for impairment		(30,604)	(30,604)
Net book value	9.1.1	-	-
9.1.1	This represents investment in wholly owned subsidiary of the Company, incorporated in Pakistan under the repealed Companies Ordinance, 1984. Its shares are not quoted in active market. The Company holds 9.78 million ordinary shares (2021: 9.78 million) having par value of Rs. 10 per share.		
9.2	This represents investment in wholly owned subsidiary of the Company. Its shares are not quoted in active market. The Company holds 315 million (December 31, 2021: 315 million) ordinary shares of Rs. 10 per share.		
9.3	Investment in VAS LNG (Private) Limited (VL) amounts to Rs. 3 million (2021: Rs. 3 million) representing 30% (2021: 30%) equity stake and Advance against issue of shares to VAS LNG (Private) Limited which amounts to Rs. 1.02 (2021: Rs. 1.02) million. The Company holds 0.3 million ordinary shares (2021: 0.3 million) of Rs. 10 per share which have been provided in the year 2020 as VL has already filed liquidation in the month of October 2020 and the Company is not expecting recoverability of its investment.		
9.4	Investment in Magic River Services Limited represents 25% shareholding in the business amounting to Rs. 110 million.		

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- 9.5 Investment in Karachi Hydrocarbon Terminals Limited (formerly Hascol Terminal Limited) represent 41.3 million shares (2021: 41.3 million) fully paid ordinary shares of Rs. 10 per share. The Company is engaged in providing storage facilities for imported and locally procured petroleum and related products.
- 9.6 Investments in associated companies and undertakings have been made in accordance with the requirements of the Companies Act, 2017. The Management cannot assess the recoverable amount as of June 30, 2022 in accordance with the requirement of International Financial Reporting Standards (IFRS) as the audit of the Hascol Lubricants (Private) Limited and Karachi Hydrocarbon Terminal Limited are still in process.

	(Un-audited) June 30, 2022	(Audited) December 31, 2021
	----- Rupees in '000 -----	
10. DEFERRED TAXATION - NET		
<i>Taxable temporary difference arising in respect of:</i>		
Accelerated depreciation	(1,739,136)	(1,540,001)
Revaluation of operating fixed assets	(1,179,293)	(1,220,716)
	(2,918,429)	(2,760,717)
<i>Deductible temporary difference arising in respect of:</i>		
Liabilities against assets subject to finance lease	987,211	783,143
Exchange loss	289,913	248,739
Provision for:		
- other liabilities	1,042	780
- retirement benefit	46,560	39,880
- doubtful debts	2,772,165	2,857,731
- short term investments - TFCs	1,816	1,820
Normal tax loss	21,288,720	15,443,658
	25,387,427	19,375,751
Unrecognized deferred tax asset	(22,468,998)	(16,615,034)
	<u>-</u>	<u>-</u>

- 10.1 Deferred tax asset of Rs. 22,469 million (2021: Rs. 16,615 million) has not been recognised in these condensed interim unconsolidated financial statements due to uncertainty in availability of future taxable profits based on financial projections of future years. However, in future years and based on the availability of taxable profits, the unutilized deferred tax asset will be recognized.

- 10.2 Had the Company recognized full amount of deferred tax asset the impact on these condensed interim unconsolidated financial statements would have been:

	June 30, 2022 Rupees in '000
Profit for the period	17,896,636
Shareholders' equity	(45,641,421)
Total non-current assets	53,559,396
Earning per share	17.91

11. TRADE DEBTS

The Company has trade debts amounting to Rs. 10,275.805 million (2021: Rs. 10,566.247 million) on which provision amounting to Rs. 9,594 million (2021: Rs. 9,894 million) has been made. During the period ended June 30, 2022, the Company has circulated confirmations to all debtors against which the Company is expecting to receive confirmations from majority of its debtors on or before 31 December 2022. For debtors where confirmations will not be received mainly comprise of those balances where Company has made full provision of the outstanding balance. The Company will then adopt an alternative approach against those debtors as to scan the ledgers balances in order to identify unsupported entries (if any) and to carry out the necessary rectification in accordance with the requirement of International Financial Reporting Standards. The Company is expecting to complete the exercise on or before 31 December 2022. Based on the completion of above exercise, the carrying amount and its respective provision (where applicable) shall be confirmed.

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		(Un-audited) June 30, 2022	(Audited) December 31, 2021
	Note	----- Rupees in '000 -----	
12. ADVANCES - considered good, unsecured			
To employees:			
- against expenses		10,933	10,593
- against salaries		13,132	11,209
Supplier and service provider		2,420,412	2,311,167
Provision for supplier and services advance		(2,037,036)	(2,037,036)
		<u>407,441</u>	<u>295,933</u>
13. DEPOSITS AND PREPAYMENTS			
<i>Deposits</i>			
- current portion of lease deposits		80,816	80,816
- other deposits		148,470	55,895
		229,286	136,711
<i>Prepayments</i>			
- Insurance and others		55,191	6,411
- Rent		61,298	65,117
		116,489	71,528
		<u>345,775</u>	<u>208,239</u>
14. OTHER RECEIVABLES			
Inland freight equalization margin receivable		3,960,706	4,140,421
Miscellaneous receivables		122,007	41,234
Receivable against regulatory duty ("RD")		25,533	25,533
Receivable from Hascol Lubricants (Private) Limited		28,311	48,852
Sales tax refundable		246,421	140,361
Price differential claims ("PDC")	14.1	7,618	37,445
Provisioning of IFEM, RD and PDC	14.2	(1,694,427)	(1,694,427)
		<u>2,696,169</u>	<u>2,739,419</u>
14.1	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.		
14.2	This represents provision against regulatory duty (RD), price differential claim (PDC) and Inland Freight Equalization Margin (IFEM).		

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			(Un-audited) June 30, 2022	(Audited) December 31, 2021
		Note	----- Rupees in '000 -----	
15.	LONG TERM FINANCING - secured			
	Borrowing from conventional banks		13,044,558	13,044,558
	Borrowing from non banking financial institutions		92,857	92,857
	Sukuk certificates		500,000	500,000
			13,637,415	13,637,415
	Less: Current portion of long term financing			
	Borrowing from conventional banks		(1,918,622)	(1,623,621)
	Borrowing from non banking financial institutions		(92,857)	(92,857)
	Sukuk certificates		(500,000)	(500,000)
			(2,511,479)	(2,216,478)
	Non-current portion of long term financing		<u>11,125,936</u>	<u>11,420,937</u>
16.	LEASE LIABILITIES			
	Finance lease liability	16.1	253,631	419,012
	Lease liability against right of use asset	16.2	3,555,386	3,520,792
			<u>3,809,017</u>	<u>3,939,804</u>
16.1	Finance lease liability			
	Present value of future minimum lease payments		527,274	705,023
	Less: Current portion		(273,643)	(286,011)
	Non current portion		<u>253,631</u>	<u>419,012</u>
16.2	Lease liability against right of use asset			
	Present value of future minimum lease payments		3,666,186	3,649,857
	Less: Current portion		(110,800)	(129,065)
	Non current portion		<u>3,555,386</u>	<u>3,520,792</u>
17.	TRADE AND OTHER PAYABLES			
	Trade creditors		16,161,673	16,450,484
	Payable to cartage contractors		1,053,584	930,141
	Advance from customers - unsecured		977,793	1,138,502
	Dealers' and customers' security deposits		528,750	514,780
	Other liabilities		13,009,846	11,595,744
			<u>31,731,646</u>	<u>30,629,651</u>
18.	CURRENT PORTION OF NON-CURRENT LIABILITIES			
	Current portion of long term financing	15	2,511,479	2,216,478
	Current portion of liabilities subject to finance lease	16.1	273,643	286,011
	Current portion of lease liability of right of use assets	16.2	110,800	129,065
			<u>2,895,922</u>	<u>2,631,554</u>

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19. CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

19.1.1 Non-banking contingencies

Minimum value tax:

The Collector (Adjudication) - Customs House Karachi, has issued a show cause notice dated February 06, 2019 regarding clearance of 52 and 84 consignments of HSFO under PCT heading 2710.1941 without alleged payment of minimum value additional tax @ 3% of value of the goods of Rs. 481 million.

A petition was filed by the Company on March 20, 2019 challenging the impugned show-cause notice on the ground that the impugned notifications and Chapter X of the Rules 2007 particularly 58B and 58C are ultra vires to the Constitution of Islamic Republic of Pakistan against which an interim order was passed on March 22, 2019. The petition is pending for hearing and the legal counsel is hopeful about success of this petition.

Workers participation fund:

C.P. No.D-209 of 2019 has been filed by the Company against giving retrospective effects to Sindh Companies Profits Workers Participation Act, 2015 and the Department's demand for payment of workers participation fund for the period from 2011 to 2017 vide Show Cause Notice dated 26th May 2018.

This petition is pending before the Honorable High Court of Sindh at Karachi. The Company seems to have good arguable case.

Income tax assessments/audit proceedings:

Tax year 2019:

The return filed for tax year 2019 has been selected for audit under section 177 of income tax ordinance. The order after completion of audit proceedings under section 177 has been passed by the DCIR under section 122(1)/(5) imposing tax demand of Rs 645,750,113.

Against this order imposing tax, appeal has been filed with the Commissioner Appeal which has been heard and is pending for appeal order.

Tax year 2018:

In tax year 2018, the return was not selected for audit but notice under section 122(9) was issued and order under section 122(5A) was passed.

In the order, under section 122(5A) minimum tax under section 113 was imposed by including Petroleum Levy of Rs 21,768,506,000 in the turnover, Exchange loss of Rs. 307,682,807/- on import was disallowed, commission amount of Rs. 227,932,000 was disallowed for not withholding @ 20% under section 156, disallowing of Tax Credit for Enlistment on Stock Exchange claimed under section 65C Rs. 58,771,214/-, taxing franchise fee Rs. 35,210,000 and not allowing refund adjustment of Rs. 85,136,781.

Against this order under section 122(5A), an appeal was filed before Commissioner (Appeals). In the appeal order the Commissioner (Appeals) accepted the Company's appeal on the point of minimum tax u/s113 on account of petroleum levy and as well in respect of disallowance of Commission and partly on the other points.

The Company has filed an appeal on the points the Company's appeal was not accepted by the Commissioner (Appeals) which is pending before the Appellate Tribunal Inland Revenue. Therefore, no tax demand is outstanding.

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The department has further initiated audit proceedings under section 177 of the Ordinance which has been challenged by the Company before Sindh High Court (SHC) and SHC has suspended the audit proceeding through interim order.

Tax year 2017:

ACIR passed assessment order dated February 24, 2018 under section 122(5A) of the Ordinance creating additional tax demand of Rs. 231,680,958.

Appeal was filed before the CIRA against the aforesaid assessment order who vide appellate order dated October 29, 2018 decided one issue in favor of the Company whilst other issues were decided in favor of the Department. So far no appeal effect order has been passed.

Appeal has been filed by the Company before the Appellate Tribunal Inland Revenue (ATIR) against CIRA's order on the points on which appeal was not accepted and the appeal is pending for hearing.

The department has initiated audit proceedings under section 177 of the Ordinance which has been challenged by the Company before SHC and SHC has suspended the audit proceeding through interim order.

Tax year 2016:

The return of income for tax year 2016 was not selected for audit but notice under section 122(9) was issued and order under section 122(5A) was passed in which only expenses (sales promotion/royalty) and others have been disallowed against which appeal was filed before the Commissioner Appeals and in the appeal order, addition of sales promotion expense of Rs. 142,066,3100 was deleted and there was part set aside on other points.

The department has initiated audit proceedings under section 177 of the Ordinance which has been challenged by the Company before Sindh High Court which has suspended the audit proceeding through interim order.

Tax year 2015:

The case was selected for audit and order was passed under section 122(1)/(5) for tax year 2015 in which income has been assessed at Rs 1,003,956,567 after making the additions of Sales promotion expenses disallowed Rs. 191,639,000/- as well as disallowing first year allowance claimed under section 23A.

In the order minimum tax of Rs. 392,096,071/- plus super tax of Rs. 25,942,290/- has been imposed but minimum tax credit of Rs. 60,790,404/- has been carried forward for adjustment against normal tax in subsequent years against the order under section 122(1) imposing tax for tax year 2015.

Appeal was filed which was decided by the Commissioner Appeal in which the addition of Rs. 191,639,000/- was remanded back and the imposition of super tax was upheld. Thus, this order was part set aside.

Tax Year 2014, 2013, 2011 and 2010:

DCIR initiated proceedings for amendment of assessment under section 122 (1)(5) of the Ordinance for the above tax years which were closed through order dated June 29, 2016, June 30, 2016 and July 18, 2016, respectively creating additional tax demand of Rs. 13,141,481 for tax year 2010, Rs. 5,292,546 for tax year 2011, Rs. 24,184,624 for tax year 2013 and Rs. 126,017,974 for tax year 2014.

Appeal were filed by the Company before CIRA against the aforesaid assessment orders which were decided through combined appellate order dated November 22, 2018 whereby all the additions made by the DCIR were confirmed.

Direct tax - Monitoring proceedings:

Tax Year 2020:

Tax Monitoring proceedings were initiated by the DCIR and order was passed under section 161 imposing tax for assumed default in tax withholding from payments under various heads in tax year 2020.

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Against the order passed by the Deputy Commissioner Inland Revenue Audit under section 161(1) of the Income Tax Ordinance, 2001 dated 20-07-2022 for tax year 2020 appeal has been filed which is under hearing and the tax imposed under section 161 is likely not to be upheld in appeal. The tax imposed under section 161 is likely to be deleted in appeal.

Tax Year 2019:

Monitoring proceedings under section 161(1A) of the Ordinance has been re-initiated by the DCIR on January 21, 2022 and subsequently order dated February 28, 2022 has passed under section 161/205 of the ordinance.

Appeal has been filed by the Company against the aforesaid order before the CIRA and heard on April 2022, however, no appellate order has passed in this respect. This appeal is filed by M/s. Grant Thornton on behalf of the Company.

Tax Year 2018:

Monitoring proceedings under section 161(1A) of the Ordinance had been initiated by the DCIR on January 10, 2019. All requisite details and information had been submitted however, no order has been passed.

Tax Year 2015:

Monitoring proceedings were initiated by the DCIR and subsequently order dated May 26, 2016 was passed under section 161/205 of the Ordinance.

Appeal was filed by the Company against the aforesaid order before the CIRA who remanded back the issues to the DCIR for re-adjudication because of non-provision of opportunity of hearing whilst at the same time accepted the Company's stance on all the issues on merit. No appeal effect proceeding has been initiated.

Indirect tax:

Against the Sales Tax Order in Original No 02/42/2016 dated 29/06/2016 for the period Jan 2012 to Dec 2013 imposing tax on the bunkering oil supply at zero rating / not withholding sales tax and other appeal was filed and Commissioner Appeal vide his order in appeal dated 18/10/2016 set aside the ONO. Against the set aside order of the Commissioner Appeal appeal has been filed with ATIR which is pending for hearing and there is no tax demand in the field.

Against the department's order in which company appeal is not accepted by CIRA, the company has filed various appeals before the Appellate Tribunal against orders passed by the Commissioner Appeals. These appeals are mostly against remanding back of the matter relating to taxability on bunkering activity for the 12-month tax periods ended December 2014, December 2015, December 2016 and December 2017. These appeals are filed by M/s. Grant Thornton on behalf of the company.

The Company has filed appeal against the order reference 01 of 2020 dated 30-09-2020 and order reference 02 of 2020 dated 30-09-2020 passed by Deputy Commissioner Inland Revenue relating to late filing of sales tax returns for the tax periods April 2020 to June 2020 and July 2020 imposing penalty and default surcharge amounting to Rs. 14 million and Rs. 52.5 million respectively. This appeal is filed by M/s. Grant Thornton on behalf of the company.

An appeal has been filed against the order reference 011/121/2021 dated October 15, 2021 passed by Deputy Commissioner Inland Revenue relating to claiming input tax twice in the respective Federal sales tax returns for the tax periods April 2018, July 2018, October 2019, December 2019, November 2020, December 2020 and January 2021 amounting to Rs. 37,115,654 along with imposing penalty of Rs. 1,855,783 and default surcharge (to be calculated) respectively on claiming of the input tax twice in respective sales tax return. This appeal is filed by M/s. Grant Thornton on behalf of the company.

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Sindh Revenue Board

Period 2013-2019:

One combined Order No. 1139 of 2022 dated 23rd May 2022 u/s 23/47 of the Sindh Sales Tax on Services Act 2011 has been passed by the Assistant Commissioner in the case of the company for the 7 years period January 2013 to December year 2019. By this SRB Order no. 1139 Of 2022 dated May 23, 2022, the officer has alleged that the company has not made payment of the sales tax pertaining to Royalty Fee, Franchise Fee and Joining fee for the tax periods January 2013 to December 2019. Against this SRB order imposing tax, an appeal has been filed before Commissioner Appeals, SRB which is under hearing.

Other SRB Appeals:

- a) The Company is contesting before the Commissioner Appeals SRB the order no 321 of 2021 dated July 02, 2021 amounting Rs. 134,137,132 passed by Assistant Commissioner Sindh Revenue Board primarily imposing liability of withheld Sindh sales tax not deposited by the company into Singh government treasury on oil transportation services acquired from specified vendors for the tax periods January 2018 to October 2020. This appeal is filed by M/s. Grant Thornton on behalf of the Company.
- b) The Company is contesting before the Commissioner Appeals SRB, the imposition of the alleged differential principal withheld sales tax amount liability of Rs. 472,422 pertaining to the oil transportation services received from specified vendors in the tax period November 2020 through the Order no 322 of 2021 dated July 13, 2021 passed by Assistant Commissioner — Sindh Revenue Board. This appeal is filed by M/s. Grant Thornton on behalf of the company.
- c) The Company is contesting before the Commissioner Appeals SRB, the imposition of the alleged principal amount of sales tax liability to the tune of Rs. 33,662,070/- pertaining to providing Business Support Service to Karachi Hydrocarbon Terminal Limited and Hascol Lubricant (Private) Limited in the tax periods January 2017 to December 2019 through the Order no 808 of 2021 dated November 26, 2021, passed by Assistant Commissioner — Sindh Revenue Board. This appeal is filed by M/s. Grant Thornton on behalf of the company.

Punjab Revenue Authority

- a) The Company is contesting before the Commissioner Appeals PRA, Lahore the imposition of the alleged principal amount of sales tax liability to the tune of Rs. 989,229,120/- pertaining to expenditure incurred under the head of Capital Work in Progress in the tax periods January 2017 to December 2018 through the Order no 19 of 2020 dated 30-01-2020, passed by Additional Commissioner — Punjab Revenue Authority. This appeal is filed by M/s. Grant Thornton on behalf of the company.
- b) The company is contesting before the Commissioner Appeals PRA, Lahore the imposition of the alleged principal amount of sales tax liability to the tune of Rs. 108,199,360/- pertaining to Distribution, Selling & Administration Expenses in the tax periods January 2017 to December 2017 through the Order no 15 of 2020 dated 30-12-2019, passed by Additional Commissioner — Punjab Revenue Authority. This appeal is filed by M/s. Grant Thornton on behalf of the company.
- c) The company contested before the Commissioner Appeals PRA, Lahore the imposition of the alleged principal amount of sales tax liability to the tune of Rs. 12,066,400/- pertaining to Business Support Services in the tax periods January 2017 to December 2018 through the Order no 16 of 2019 dated 30-12-2019, passed by Additional Commissioner — Punjab Revenue Authority. This appeal under section 63 of the PSTS'12 was filed by M/s. Grant Thornton on behalf of the company. Original Order was upheld by the Commissioner Appeal, Punjab Revenue Authority vide Appeal Order No. 72/2020 dated 17-03-2021 which was received much later in Year 2022. The Appeal is being prepared along with Condonation Application to prefer before the Appellate Tribunal under section 66 of the Punjab Sales Tax on Services Act, 2012.

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- d) Writ Petition bearing # 66216/2019 was filed before the Honorable Lahore High Court at Lahore against the issuance of Show Cause Notice dated October 09, 2019 issued by the Additional Commissioner, Enforcement-I, Punjab Revenue Authority, Lahore to charge/recover Provincial Sales Tax (Punjab Sales Tax on Services) amounting to Rs.1,338,840,592/- allegedly levied on IFEM, OMC's Margin and Dealer's Commission for the Tax Periods July-2017 to June-2018. The said Petition was listed for preliminary hearing on November 05, 2019 before Mr. Justice Shahid Jamil Khan. On the said date, the Learned Judge in chamber was pleased to issue Notices to the Respondents with the directions that no proceedings under the impugned Notice be taken till the next date of hearing. The said Writ-Petition is listed for hearing on October 13, 2022.

KWIK CNG VS Company

The suit has been filed for settlement of due amount to the tune of Rs. 2,950,000/- with a claim that KWIL CNG has already made the payment and there is no outstanding amount towards the Company. The Company has filed its written statement and now the suit is fixed for evidence of KWIK CNG for 19.09.2022. Our client is vigorously pursuing this suit and in our view has a strong defense and is likely to succeed in this matter. That in case of suit is decreed in favor of the KWIK CNG the Company could face loss of receivables.

Cantonment Board vs Company

Chaklala Cantonment Board:

- a) This is the Intra Court Appeal filed by the Chaklala Cantonment Board in which they have challenged the judgment dated 09.03.2020 passed by the Honorable Lahore High Court Lahore, Rawalpindi Bench, passed by Mr. Shamas Mehmood Mirza, Honorable Judge, Lahore High Court Lahore, Rawalpindi Bench. The ICA is fixed for 19.05.2022 before Division Bench of Honorable Mis Justice Ch. Muhammad Masood Jahangir & Justice Ahmad Nadeem Arshad.

The financial implication of the litigation on our Client's account is PKR 1,836,786/- which amount is being claimed as taxes for advertisements within cantonment areas.

Our Client is vigorously pursuing this appeal and, in our view, has a strong defense and is likely to succeed in this matter.

- b) This is the Intra Court Appeal filed by the Chaklala Cantonment Board in which they have challenged the judgment dated 09.03.2020 passed by the Honorable Lahore High Court Lahore, Rawalpindi Bench, passed by Mr. Shamas Mehmood Mirza, Honorable Judge, Lahore High Court Lahore, Rawalpindi Bench. The ICA is fixed for 19.05.2022 before Division Bench of Honorable Mis Justice Ch. Muhammad Masood Jahangir & Justice Ahmad Nadeem Arshad. The financial implication of the litigation on our Client's account is PKR 1,317,024/- which amount is being claimed as taxes for advertisements within cantonment areas. Our Client is vigorously pursuing this appeal and, in our view, has a strong defense and is likely to succeed in this matter.

Rawalpindi Cantonment Board:

Muhammad Farook & Others

This suit was filed by the Company seeking declaration and Mandatory Injunctions along with a claim for Recovery of Damages amounting to Rs. 21.450 million against the defendants. An interim injunctions granted in favor of the Company (stay order) by the honorable Court and the suit is next fixed for arguments on the confirmation of existing interim injunction. There is a likelihood that the civil suit filed by the Company will be decreed in its favor by the honorable Court.

Regulatory duty

The Company filed a petition against Federation of Pakistan, Federal Board of Revenue and Collector of Customs in relation to levy of customs duty under Free Trade Agreement (FTA) with Peoples Republic of China. The matter is pending in the High Court of Sindh and the learned counsel submits that the Company is required to pay full amount of Petroleum levy and secure regulatory duty at 10% by way of bank guarantee or pay order with the collector of customs as to release the consignment. In case is decided in favor of HPL, such deposited P/O shall be released and HPL counsel is of firm opinion of success of case in favor of HPL.

BM

Mr. Rehmat Khan Wardag

A Suit has been filed on April 10, 2019 by Mr. Rehmat Khan Wardag (Contractor & Dealer of Hascol) for recovery of amount of Rs. 53 million and damages of Rs. 50 million against the Company. Mr. Rehmat Khan claims that his receivable amount of carriage bills were unlawfully adjusted against the invoices of products received at petrol pump, M/s. Hamid Trucking Station. Suit is pending in Court for hearing of application. Legal counsel is of the considered view that there is no merit in the claims of the dealer and hence, there is no possibility that there is any liability being attributed towards HPL.

Shahzeb Rind

The instant case is currently on hearing of the Application under S. 16 (1) SRPO, 1979, for the purpose of clarity we expect that after a hearing on this Application the outstanding rental amount totaling Rupees 7,410,000/- will be required to be deposited by the Company in court within the time period as decided by the rent controller (usually within 5-10 days). The next date of this rent case is on October 3rd, 2022 for hearing. The Company is vigorously contesting the case and a favorable order may be expected.

Aslam Noor Kamani

The instant case is fixed for final arguments on October 5th, 2022 and the Company is depositing monthly rent totaling Rupees 245,000/- (before the 10th of every calendar month) as per the respective lease deed in court in terms of the Sindh Rental Premises Ordinance, 1979. The next date of the case is October 5th, 2022. The Company is vigorously contesting the case and a favorable order may be expected.

Shams Lubricants Pvt Ltd

The Company has filed an application for unconditional leave to defend instead of depositing a surety amount of Rs. 45,17,480/-. The case is currently pending for arguments on whether the Leave to Defend filed by the Company should be allowed or dismissed. The next date of hearing is October 2022. The Company is vigorously contesting the case and a favorable order may be expected.

19.1.2 Banking contingencies

United Bank Limited (UBL)

A suit under Section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 (the Ordinance) was filed against the Company and its former CEO/Director, in his personal capacity as a guarantor of the Company's liabilities, for the recovery of PKR 776,768,111.37. The aforementioned amount was claimed against the allegedly outstanding finance facility, amounting to PKR 746,862,015.77 including markup amounting to PKR 29,906,095.90.

An application under Section 10 of the Ordinance has been filed on behalf of the Company seeking leave to defend the suit. The grounds raised in the application are, inter alia, the Plaintiff's failure to comply with the mandatory requirements of Section 9 of the Ordinance, which would render the suit liable to be dismissed, as well as the Plaintiff's failure to disclose: the cause of action, the particular finance(s) (as the term is defined in the Ordinance) and facility on which the suit is founded, whether any finance or facility was ever extended or disbursed to or availed by the Company, the terms and conditions of the finance/facility availed, if any and its repayment date. The Company has further contended therein that it has a constitutionally guaranteed right of trial under Article 10-A of the Constitution of the Islamic Republic of Pakistan, 1973 (the 1973 Constitution) and therefore, the requirement to obtain leave to appear and defend the suit under Section 10 of the Ordinance is ultra vires of the Constitution.

In response to the Company's leave to defend application, the Plaintiff has submitted its replication application requesting the Court to dismiss the Company's application for leave to defend.

The Plaintiff has simultaneously with the suit, filed an application under Section 16 of the Ordinance praying for the Court to restrict the Company from creating any third-party interest/rights on the immovable properties owned by the Company, to which the Company has filed its counter-affidavit objecting inter alia that the application for attachment of property is not maintainable under Section 16 of the Ordinance for failing to satisfy the necessary ingredients mandated by law for grant of relief.

bn

In response to the above application for attachment of properties, the Company has filed its counter-affidavit objecting inter alia that the lawsuit was not properly instituted and the application is not maintainable under the Ordinance, as the properties in question have no nexus with the Plaintiff bank, and for failing to disclose any apprehension with regards to the disposal of properties.

As of the date of this letter, all applications are pending hearing. It is our view that the application for leave to defend filed on behalf of the Company is likely to succeed and that the Plaintiff will not succeed at the *inter parties* hearing, to attach or otherwise adversely affect the Company's properties.

The Bank of Punjab (BOP)

The Plaintiff has filed a suit under Section 9 of the Ordinance for the payment and recovery of PKR 2,192,841,925.01 along with cost of funds from the date of default, and for the sale of the Company's hypothecated assets/goods/attached assets/properties. The aforementioned outstanding amount was claimed against the following facilities:

An application under Section 10 of the Ordinance for leave to defend the suit was filed on behalf of the Company claiming that the instant suit is liable to be rejected as it has not been validly instituted and fails to comply with the mandatory requirements of the Ordinance and does not disclose a cause of action. The grounds raised in the application are, inter alia: the particular finance(s) (as the term is defined in the Ordinance) on which the suit is found as due and payable by the Company is unidentified and not shown to be extended to the Company within the statement of accounts attached by the Plaintiff, and the suit has been instituted without a valid power of attorney. Additionally, the statement of accounts attached by the Plaintiff were not certified according to the Bankers Evidence Act.

In response to the Company's leave to defend application, the Plaintiff has submitted its replication application requesting the Court to dismiss the Company's application for leave to defend.

Alongside the suit, the Plaintiff has also filed an application under Section 16 of the Ordinance seeking to restrain the Company from creating any third-party interest in the immovable properties owned by the Company as well as passing an order for attachment of those properties till the disposal of the suit.

The Plaintiff subsequently filed another application under Section 16 of the Ordinance for the attachment of certain other immovable properties belonging to the Company and prayed for the Company to be restrained from creating any third-party interest in these properties as well.

The Company has filed its counter-affidavits to the two applications for injunction and attachment, denying the averments made by the Plaintiff, highlighting that the necessary ingredients for the grant of any relief under the provisions of the Ordinance had not been met. The Company has submitted that in the absence of the suit establishing a valid cause of action or a failure to show the Company's intent to dispose of or remove the property over which a security has been created, the attachment application of the Plaintiff cannot be granted.

On 20 September 2021, the Honorable Court was pleased to pass an order granting a stay against the Company restraining it from creating any third-party interests in immovable properties owned by the Company. The second application for injunction is currently pending hearing.

As of the date of this letter, all applications are pending hearing. It is our view that the application for leave to defend filed on behalf of the Company is likely to succeed and that the Plaintiff will not succeed at the *inter parties* hearing, to attach or otherwise adversely affect the Company's properties.

MCB

The Plaintiff has filed a suit for recovery under Section 9 of the Ordinance in respect of an amount of PKR 478,002,798.04, along with costs, cost of fund from the date of default till realization of the decretal amount, charges, expense etc. against the alleged finance facilities availed by the Company. The Plaintiff has also prayed for the Court to grant a decree for recovery of the outstanding amount through the sale of hypothecated/charged properties and assets of the Company.

fm

The Company has, in response to the suit, filed its application for leave to defend under Section 10 of the Ordinance seeking that the suit be rejected and/or dismissed on the basis that it falls foul of the requirements of Section 9 of the Ordinance *inter alia* the following reasons: failure of the Plaintiff to disclose the cause of action or the disbursements made against any identified finance (the term as defined under the Ordinance) facilities claimed to be extended by the Plaintiff, and the cause of action alleged to occur is time-barred. The statement of accounts attached as an annexure to the suit by the Plaintiff bank fail to comply with the requirements of the Bankers Book Evidence Act, 1891, (Bankers Evidence Act).

Simultaneously with the suit, the Plaintiff has filed an application under Section 16 of the Ordinance for attachment of the property owned by the Company till the final decision of the recovery suit; thereby seeking to restrain the Company from *inter alia*, selling, transferring, alienating, or mortgaging its property, which the Plaintiff has alleged would cause irreparable loss and gravely prejudice its interests.

In response to the above application for attachment of properties, the Company has filed its counter-affidavit objecting *inter alia* that the lawsuit was not property instituted and the application is not maintainable under the Ordinance, as the properties in question have no nexus with the Plaintiff bank, and the absence of a basis for apprehension with regards to the disposal of properties. An order has since been passed on this application on 1 October 2021 directing the Company to not create any third-party interest on its immovable properties till the next date of hearing.

As of the date of this letter, all applications are pending hearing. It is our view that the application for leave to defend filed on behalf of the Company is likely to succeed and that the Plaintiff will not succeed at the *inter parties* hearing, to attach or otherwise adversely affect the Company's properties.

Samba Bank Limited

A suit under Section 9 of the Ordinance was filed against the Company and its former CEO/Director, Mr. Mumtaz Hasan Khan, (in his personal capacity as a guarantor of the Company's liabilities) for the recovery of PKR 1,018,709,744.57 against several finance facilities allegedly availed by the Company from the Plaintiff bank.

Additionally, during the pendency of the suit, the Company's assets were prayed to be attached for the settlement of the allegedly outstanding amount. However, separate applications seeking an interim injunction or attachment of the properties have not been filed by the Plaintiff.

In response, the Company filed its application for leave to defend under Section 10 of the Ordinance praying that the suit is liable to be rejected *inter alia* the following grounds, which renders it impossible for the Company to know the case that has to be met by it: no cause of action has been disclosed by the Plaintiff against the Company, the Plaintiff has failed to disclose or identify any particular finance(s) or finance facility(ies) (as defined in the Ordinance) on which the suit is founded, the attached documents do not support the Plaintiff's assertions especially since the liability they allegedly establish has not lapsed as of the date of the institution of the suit and that it falls foul of the disclosure requirements to be strictly met under the Ordinance. Since the statement of accounts attached as an annexure in the suit itself fail to establish any nexus with the alleged facilities in question or any disbursements to the Company of the amounts under dispute, the assertions of the Plaintiff stand unsubstantiated in establishing an 'open and shut case'.

The Company has also highlighted that the Plaintiff failed to show the nexus of the Hypothecation Agreement dated 12 October 2018 to the facility under dispute, and would also be in violation of the Agreement in the event that it seeks to enforce the securities created thereunder by way of this suit. Additionally, the statement of accounts attached by the Plaintiff were not certified according to the Bankers Evidence Act.

As of the date of this letter, all applications are pending hearing. It is our view that the application for leave to defend filed on behalf of the Company is likely to succeed and that the Plaintiff will not succeed at the *inter parties* hearing, to attach or otherwise adversely affect the Company's properties.

National Bank Of Pakistan (NBP)

A suit of recovery under Section 9 of the Ordinance for PKR 4,019,323,714 along with liquidated damages, cost of funds, charges and costs till realization was instituted by the National Bank of Pakistan in respect of the term finance facility of PKR 4,000,000,000 allegedly extended by the Plaintiff to Karachi Hydro Carbon Terminal Limited (Defendant No.1), a subsidiary of the Company, and the Company as Defendant No. 2 acting as the guarantor in respect of the finance facility.

BM

An application for leave to defend the suit under Section 10 of the Ordinance has been filed on behalf of the Company. The grounds raised therein include inter alia: the Plaintiff's failure to show any cause of action against the Company or comply with the mandatory requirements of the Ordinance, the suit being barred by limitation or otherwise premature with respect to other amounts claimed, absence of true and correct statements of accounts in support of the contention and the Plaintiff's failure to disclose the extension or disbursement of particular finances (the term as defined in the Ordinance) on the basis of which the suit is founded.

It is our view that the application for leave to defend filed on behalf of the Company is likely to succeed.

Sindh Bank Limited

The Plaintiff has filed a suit under Section 9 of the Ordinance for the recovery of PKR 2,334,776,939.97 along with cost of funds.

The Plaintiff also prayed for permanent injunction to restrain the Company, its employees, agents or any other persons acting for and, on its behalf, directly and/or indirectly, from selling, alienating, disposing of or creating third party rights in any manner whatsoever in respect of the allegedly hypothecated assets as well as moveable and immoveable properties.

Additionally, it was prayed that a judgement and decree for attachment and sale of all other assets and properties of the Company is passed to recover the outstanding amount. However, separate applications seeking an interim injunction or attachment of the properties during the pendency of the proceedings have not been filed by the Plaintiff.

An application under Section 10 of the Ordinance for leave to defend the suit has been filed on behalf of the Company contesting the allegations averred against the Company. The grounds raised in the application are, inter alia, the Plaintiff's failure to comply with the mandatory requirements of the Ordinance or to establish that: the Company as its 'customer', there is a cause of action against the Company, the particular finance(s) (as the term is defined in the Ordinance) on which the suit is found as due and payable by the Company, and/or whether any finance facility was actually disbursed to the Company pursuant to the so-called facility letters. Additionally, the statement of accounts attached by the Plaintiff were not certified according to the Bankers Evidence Act. The documents attached as supporting documents to the Plaintiff's suit, inter alia the promissory notes and letter(s) of lien/setoff, suggest that certain claims are also time barred under the Ordinance.

It is our view that the application for leave to defend filed on behalf of the Company is likely to succeed.

Summit Bank Limited

The Plaintiff filed a suit for recovery of PKR 547,253,184.24 against the Company under Section 9 of the Ordinance. In addition, the Plaintiff bank also prayed for the Company's assets to be attached for sale to cover the outstanding costs. A separate application under Section 16 of the Ordinance seeking such attachment during the pendency of proceedings has not been filed by the Plaintiff.

In response to the Plaintiff's suit, a leave to defend application under Section 10 of the Ordinance was filed by the Company notwithstanding any prejudice to the Plaintiff's contention that the provisions of the Ordinance are contrary to Article 10-A of the 1973 Constitution. In its application, the Company argued that the Plaintiff's suit is not valid and maintainable for the following reasons, for which it is liable to be dismissed: the suit has been instituted without a valid power of attorney, no cause of action has been established against the Company by the Plaintiff, the Plaintiff's assertions that the finance facilities (the term as defined in the Ordinance) were obtained by or recovered from the Company is not supported by any evidence, and the suit fails to comply with the mandatory provisions of the Ordinance.

It is our view that the application for leave to defend filed on behalf of the Company is likely to succeed.

Bank Alfalah Limited (BAFL)

The Plaintiff has filed a suit for recovery under Section 9 of the Ordinance in respect of an amount of PKR 1,130,340,813.09, along with costs, cost of funds, compensatory charges and liquidated damages from the date of default till realization. The Plaintiff has also prayed for the Court to grant a decree for recovery of the outstanding amount through the sale of hypothecated/charged properties and assets of the Company.

BN

In response, an application for leave to defend under Section 10 of the Ordinance has been filed on behalf of the Company on inter alia the following grounds: no cause of action has been disclosed by the Plaintiff against the Company; the Plaintiff has failed to disclose or appropriately identify the particular finance(s) or finance facility(ies) (as defined in the Ordinance) allegedly availed by the Company so as to allow the Company to know the case that has to be met by it; and the attached documents do not support the Plaintiffs assertions and fall foul of the disclosure requirements to be strictly met under the Ordinance.

It has further been stated that since the statements of accounts attached as annexures in the suit fail to establish any nexus with the alleged facilities in question or any disbursements to the Company of the amounts under dispute, the assertions of the Plaintiff stand unsubstantiated in establishing an 'open and shut case'. Additionally, the statements of accounts attached by the Plaintiff are not certified according to the Bankers Evidence Act.

Simultaneously with the suit, the Plaintiff has filed an application under Section 16 of the Ordinance for attachment of the property owned by the Company till the final decision of the recovery suit, thereby seeking to restrain the Company from inter alia, selling, transferring, alienating, or mortgaging its property, which the Plaintiff has alleged would cause irreparable loss and gravely prejudice its interests.

In response to the above application for attachment of properties, a counter-affidavit has been filed on behalf of the Company on the grounds that the application is not maintainable under the Ordinance, as the properties in question have no nexus with the Plaintiff. Notwithstanding this, the Plaintiff has not provided any basis for apprehension of disposal of the properties.

It is our view that the application for leave to defend filed on behalf of the Company is likely to succeed; and the Plaintiff will not succeed at the inter parties hearing to attach or otherwise adversely affect the Company's properties.

Meezan Bank Limited

The Plaintiff has filed a suit under Section 9 of the Ordinance against the Company and its former CEO/Director, Mr. Mumtaz Hasan Khan (in his personal capacity as a guarantor of the Company's liabilities), for the recovery of PKR 4,580,304,393 against several finance facilities allegedly availed by the Company from the Plaintiff bank. The Plaintiff has also prayed for the attachment of the Company's properties for the settlement of the alleged outstanding amount (a separate application seeking an interim injunction or attachment of the properties has not been filed).

In response, the application for leave to defend under Section 10 of the Ordinance has been filed on behalf of the Company on the grounds, inter alia, that: no cause of action has been disclosed by the Plaintiff against the Company; the Plaintiff has failed to disclose the particulars of the amounts claimed and finance(s) (as defined in the Ordinance) allegedly availed by the Company so as to allow the Company to know the case that has to be met by it; and the attached documents do not support the Plaintiff's assertions. Since the statement of accounts attached as an annexure in the suit itself fail to establish any nexus with the alleged facilities in question or any disbursements to the Company of the amounts under dispute, the assertions of the Plaintiff stand unsubstantiated in establishing an 'open and shut case'. Additionally, the statement of accounts attached by the Plaintiff are not certified according to the Bankers Evidence Act. It has also been highlighted that the Plaintiff has failed to show the nexus of the Hypothecation Agreement dated 12 October 2018 to the facility under dispute, and would also be in violation of the Agreement in the event that it seeks to enforce the securities created thereunder in the suit.

It is our view that the application for leave to defend filed on behalf of the Company is likely to succeed.

Bank Islami Pakistan Limited

The Plaintiff has filed a suit for recovery of PKR 1,867,797,823.80 against the Company under Section 9 of the Ordinance. The Plaintiff has also prayed for a decree for recovery of the outstanding amount through the sale of hypothecated/charged properties and assets of the Company. However, a separate application seeking an interim injunction or attachment of the property has not been filed by the Plaintiff.

bn

In response, an application for leave to defend under Section 10 of the Ordinance has been filed on behalf of the Company on inter alia the following grounds: no cause of action has been disclosed by the Plaintiff against the Company; the Plaintiff has failed to disclose material particulars or identify the basis of the finance(s) (as defined in the Ordinance) allegedly availed by the Company so as to allow the Company to meaningfully defend itself; and the attached documents do not support the Plaintiff's assertions regarding the Company's alleged liability. It has also been highlighted that the Plaintiff has failed to show the nexus of the Hypothecation Agreement dated 12 October 2018 to the facility under dispute, and would also be in violation of the Agreement in the event that it seeks to enforce the securities created thereunder in the suit. It is our view that the application for leave to defend filed on behalf of the Company is likely to succeed.

Federal Investigation Agency (FIA)

During the second half of 2021, the Federal Investigation Agency (FIA) started a formal inquiry to probe the defaults incurred at banks on account of the Company. This inquiry focusses on individuals working for the Company (both Management and Board of Directors) and primarily National Bank of Pakistan. A formal First Investigation Report (FIR) was launched in January 2022 followed by a preliminary challan in High Court under the Anti Money Laundering act against thirty two (32) individuals. The Company is complying with the FIA to facilitate this investigation via provision of information. It is of extreme importance that the inquiry nor the challan is against the Company and the Company expects no outflow of economic benefit as a result of this case.

Securities and Exchange Commission of Pakistan (SECP)

In 2021, the Securities and Exchange Commission of Pakistan (SECP) appointed an inspector to investigate the affairs of the Company pertaining to historical financial statements till 2019. The investigations pertain to the individuals holding Management and Director position at that time. The Company is co-operating with SECP and providing all the requisite information's on a timely manner. Further, the Company is not expecting any financial adjustment in books of accounts as of result of this investigation.

19.2 Commitments

- (i) The facility for opening letters of credit (LCs) acceptances as at June 30, 2022 amounted to Rs 8,344 (2021: Rs 8,344) million of which the amount remaining unutilized as at that date was Rs 198 (2021: Rs 24) million.
- (ii) There are commitments for the purchases from Vitol Bahrain E.C, a party related to the Company, amounting to Rs. nil million. (2021: Rs. 84 million).

	(Un-audited) June 30, 2022	(Audited) December 31, 2021
	----- Rupees in '000 -----	
(iii) Bank guarantees	<u>150,000</u>	<u>150,000</u>
(iv) Commitments in respect of capital expenditure	<u>284,162</u>	<u>995,725</u>
(v) Commitments for rentals of assets under operating lease/ Ijarah :		
Not later than one year	<u>130,121</u>	<u>158,141</u>
Later than one year and not later than five years	<u>160,249</u>	<u>206,658</u>
	<u>290,370</u>	<u>364,799</u>

bn

20. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

This represents provision for expected credit losses - ECL under IFRS 9. Certain trade debt balances has been fully provided during the period.

	(Un-audited) June 30, 2022	(Un-audited) June 30, 2021
	----- Rupees in '000 -----	
21. TAXATION		
Current	160,618	286,297
22. CASH USED IN OPERATIONS		
Loss before taxation	(4,411,744)	(99,301)
<i>Adjustment for:</i>		
Depreciation on property, plant and equipment	798,757	799,462
Depreciation on right-of-use asset	190,560	279,742
Amortization	286	83
Provision for IFEM	-	948
Reversal against slow moving stock	-	(26)
(Reversal) / provision for doubtful debts	(255,849)	121,862
Exchange loss - unrealized	751,886	227,230
Provision for gratuity	23,426	14,363
Gain on disposal of operating fixed assets	(13,862)	(80,722)
Gain on termination of lease	-	(3,070,135)
Reversal of advance to supplier	-	(628,201)
Writeback of unclaimed liabilities	-	(82,724)
Markup / profit on bank deposits	(11,671)	(27,385)
Markup charged on lease liability	173,506	506,814
Finance cost	3,422,498	2,857,376
Changes in working capital	(2,314,909)	(2,001,395)
	<u>(1,647,116)</u>	<u>(1,182,009)</u>
22.1 Changes in working capital		
(Increase) / decrease in current assets		
Stock-in-trade	(2,705,441)	(2,565,653)
Trade debts	246,217	900,392
Advances	(111,508)	1,320,736
Deposits and prepayments	(137,536)	(26,735)
Other receivables	43,250	(12,445)
	(2,665,018)	(383,705)
Increase / (decrease) in current liabilities		
Trade and other payables	350,109	(1,617,690)
	<u>(2,314,909)</u>	<u>(2,001,395)</u>

bn

23. CASH AND CASH EQUIVALENTS

	(Un-audited) June 30, 2022	(Un-audited) June 30, 2021
	----- Rupees in '000 -----	
Cash and bank balances	956,421	2,319,339
Short-term borrowings	(39,563,438)	(33,983,776)
	<u>(38,607,017)</u>	<u>(31,664,437)</u>

24. 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.

Balances and significant transactions with related parties, other than those disclosed elsewhere in this unconsolidated condensed interim financial information, are as follows:

24.1 Transactions with related parties

			(Un-audited)	(Un-audited)
Name of related party	Nature of transaction	Percentage of shareholding	June 30, 2022	June 30, 2021
			----- Rupees in '000 -----	
Shareholding by the Company				
Karachi Hydrocarbon Terminal Limited	Rendering of services	15%	35,028	288,677
Hascol Lubricants (Private) Limited	Sale, purchase and others	100%	20,541	48,711
Other related parties				
Vitol Bahrain E.C	Procurement	N/A	8,176,535	18,246,634

24.2 Balances with related parties

Name of related party	Nature of transaction	Percentage of shareholding	(Un-audited)	(Audited)
			June 30,	December 31,
			2022	2021
----- Rupees in '000 -----				
Shareholding by the Company				
Karachi Hydrocarbon Terminal Limited	Advance against issue of shares	15%	2,500	2,500
Karachi Hydrocarbon Terminal Limited	Investments	15%	412,500	412,500
Karachi Hydrocarbon Terminal Limited	Rendering of services	15%	1,425,254	1,429,241
Hascol Lubricants (Private) Limited	Investments	100%	3,150,000	3,150,000
Hascol Lubricants (Private) Limited	Business support service	100%	28,311	48,852
Magic River Services Limited	Investments	25%	110,000	110,000
VAS LNG (Private) Limited	Advance against issue of shares	30%	1,023	1,023
VAS LNG (Private) Limited	Investments	30%	3,000	3,000
Other related parties				
Vitol Bahrain E.C	Procurement	N/A	15,173,229	15,386,212
VOS Petroleum Limited	Rendering of services	N/A	45,862	45,862

hm

25. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', corresponding figures in the condensed interim unconsolidated statement of financial position comprise of balances as per the audited financial statements of the Company for the year ended December 31, 2021 and the corresponding figures in the condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated statement of changes in equity and condensed interim unconsolidated statement of cash flows comprise of balances that are in conformity with the restatements made in the financial statements for the year ended December 31, 2021 that related to the six months of 2021.

26. DATE OF AUTHORISATION

These condensed interim unconsolidated financial statements have been authorised for issue on 10-NOV-2022 by the Board of Director the Company.

27. GENERAL

All amounts have been rounded to the nearest thousand.

by


Chief Executive Officer
Chief Financial Officer
Director

Hascol Petroleum Limited
Consolidated Condensed Interim Financial Statements
For the Half year ended June 30, 2022

HASCOL PETROLEUM LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022

		Un-audited 30-Jun-22	Audited 31-Dec-21
	Note	----- Rupees in '000 -----	
ASSETS			
Non-current assets			
Property, plant and equipment	6	25,998,704	26,773,775
Right-of-use assets	7	3,013,286	3,158,525
Intangible asset	8	1,530	1,816
Long-term investments	9	517,626	521,185
Deferred taxation - net	10	-	-
Long-term deposits		446,542	445,472
Total non-current assets		29,977,688	30,900,773
Current assets			
Stock-in-trade		13,437,546	10,770,349
Trade debts		946,993	902,425
Advances	11	637,804	431,682
Deposits and prepayments	12	362,538	224,694
Other receivables	13	2,684,092	2,733,052
Accrued mark-up and profit		-	2,623
Short term investments		98,700	98,700
Cash and bank balances		1,338,834	1,333,265
Total current assets		19,506,507	16,496,790
TOTAL ASSETS		49,484,195	47,397,563
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital		9,991,207	9,991,207
Reserves		(68,219,673)	(63,858,171)
Revaluation surplus on property, plant and equipment - net of tax		6,238,858	6,381,696
Total shareholders' deficit		(51,989,608)	(47,485,268)
LIABILITIES			
Non-current liabilities			
Long-term financing - secured	14	11,125,936	11,420,937
Lease liabilities	15	3,818,565	3,949,352
Deferred liabilities		711,364	689,148
Total non-current liabilities		15,655,865	16,059,437
Current liabilities			
Trade and other payables	16	32,040,544	30,887,404
Unclaimed dividend		356,930	356,930
Taxation - net		485,736	353,656
Accrued mark-up and profit		10,472,062	7,309,609
Short-term borrowings		39,563,438	37,280,935
Current portion of non-current liabilities	17	2,899,228	2,634,860
Total current liabilities		85,817,938	78,823,394
TOTAL LIABILITIES		101,473,803	94,882,831
TOTAL EQUITY AND LIABILITIES		49,484,195	47,397,563
CONTINGENCIES AND COMMITMENTS			
	18		

The annexed notes from 1 to 26 form an integral part of these condensed interim consolidated financial statements.


Chief Executive Officer


Chief Financial Officer


Director

HASCOL PETROLEUM LIMITED
CONDENSED INTERIM CONSOLIDATED PROFIT OR LOSS ACCOUNT - Unaudited
FOR THE HALF YEAR ENDED 30 JUNE 2022

		Six months period ended		Three months period ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	Note	----- Rupees in '000 -----			
Sales - net		23,626,398	45,878,681	10,590,606	23,622,287
Less: sales tax		(306,226)	(6,757,036)	(91,493)	(3,514,621)
Net sales		23,320,172	39,121,645	10,499,113	20,107,666
Other revenue		66,045	143,183	37,041	494,547
Net revenue		23,386,217	39,264,828	10,536,154	20,602,213
Cost of sales		(21,351,895)	(37,488,267)	(9,492,905)	(19,422,937)
Gross profit		2,034,322	1,776,561	1,043,249	1,179,276
Distribution and marketing expenses		(1,552,004)	(1,583,490)	(845,030)	(1,207,547)
Administrative expenses		(616,792)	(681,029)	(337,866)	(408,446)
Operating expenses		(2,168,796)	(2,264,519)	(1,182,896)	(1,615,993)
Provision of impairment losses on financial assets	19	-	(154,030)	-	(154,030)
Other expenses		(8,114)	-	(8,114)	1,050
Other income		313,218	3,932,673	292,845	3,769,301
Operating profit		170,630	3,290,685	145,084	3,179,604
Finance cost		(3,596,032)	(3,364,571)	(1,823,533)	(1,774,307)
Exchange loss - net		(921,356)	(44,339)	(389,971)	(708,931)
Share of profit / (loss) from associate		5,422	(1,468)	3,954	16,082
		(4,511,966)	(3,410,378)	(2,209,550)	(2,467,156)
(Loss) / profit before taxation		(4,341,336)	(119,693)	(2,064,466)	712,448
Taxation	20	(160,618)	(286,297)	(67,050)	(181,876)
(Loss) / profit for the period		(4,501,954)	(405,990)	(2,131,516)	530,572
(Loss) / earnings per share - basic and diluted		(4.51)	(0.41)	(2.13)	0.53

The annexed notes from 1 to 26 form an integral part of these condensed interim consolidated financial statements.


Chief Executive Officer


Chief Financial Officer


Director

HASCOL PETROLEUM LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - Unaudited
FOR THE HALF YEAR ENDED 30 JUNE 2022

	Six months period ended		Three months period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	----- Rupees in '000 -----			
(Loss) / profit for the period	(4,501,954)	(405,990)	(2,131,516)	530,572
<i>Items that will not be reclassified subsequently to unconsolidated profit or loss account</i>				
Remeasurement of actuarial gain on defined benefit obligation - net of tax	-	7,187	-	7,187
Total comprehensive (loss) / profit for the peirod	(4,501,954)	(398,803)	(2,131,516)	537,759

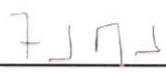
The annexed notes from 1 to 26 form an integral part of these condensed interim consolidated financial statements.



Chief Executive Officer



Chief Financial Officer



Director

HASCOL PETROLEUM LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 2022

	Share Capital	Capital reserves		Revenue reserve	Surplus on revaluation of property, plant and equipment	Total shareholders' deficit
		Share premium	Unrealized gain/ (loss) on remeasurement of FVTOCI investments	Unappropriated profit / (loss)		
----- Rupees in '000 -----						
Balance as at January 01, 2021 - audited	9,991,207	4,639,735	5,817	(64,879,133)	3,962,410	(46,279,964)
Effect of reclassification	-	-	-	(31,087)	-	(31,087)
	9,991,207	4,639,735	5,817	(64,910,220)	3,962,410	(46,311,051)
Total comprehensive loss for the period						
Loss for the period	-	-	-	(405,990)	-	(405,990)
Other comprehensive income						
Remeasurement of actuarial gain on defined benefit obligation - net of tax	-	-	-	7,187	-	7,187
Total comprehensive loss for the period	-	-	-	(398,803)	-	(398,803)
Transferred from surplus on revaluation of property, plant and equipment - net of tax	-	-	-	129,732	(129,732)	-
	-	-	-	(269,071)	(129,732)	(398,803)
Balance as at June 30, 2021 - unaudited	9,991,207	4,639,735	5,817	(65,179,291)	3,832,678	(46,709,854)
Balance as at January 01, 2022 - audited	9,991,207	4,639,735	5,817	(68,503,723)	6,381,696	(47,485,268)
Effect of reclassification	-	-	-	-	(2,386)	(2,386)
	9,991,207	4,639,735	5,817	(68,503,723)	6,379,310	(47,487,654)
Total comprehensive loss for the period						
Loss for the period	-	-	-	(4,501,954)	-	(4,501,954)
Other comprehensive income						
Remeasurement of actuarial gain on defined benefit obligation - net of tax	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(4,501,954)	-	(4,501,954)
Transferred from surplus on revaluation of property, plant and equipment - net of tax	-	-	-	140,452	(140,452)	-
	-	-	-	(4,361,502)	(140,452)	(4,501,954)
Balance as at June 30, 2022 - un-audited	9,991,207	4,639,735	5,817	(72,865,225)	6,238,858	(51,989,608)

The annexed notes from 1 to 26 form an integral part of these condensed interim consolidated financial statements.


Chief Executive Officer


Chief Financial Officer


Director

HASCOL PETROLEUM LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOW - Unaudited
FOR THE HALF YEAR ENDED 30 JUNE 2022

	Note	Six months period ended	
		June 30, 2022	June 30, 2021
		----- Rupees in '000 -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	21	(1,600,097)	(1,315,219)
Finance cost paid		(260,045)	(518,300)
Profit / mark-up received on bank deposits and TFC's		14,294	41,218
Taxes paid		(37,559)	75,863
Contributions to gratuity fund		-	(2,447)
Net cash used in operating activities		(1,883,407)	(1,718,885)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(30,712)	(146,794)
Proceeds from disposal of property, plant and equipment		18,502	1,010,428
Long-term deposits repaid - net		(1,070)	10,234
Net cash (used in) / generated from investing activities		(13,280)	873,868
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liability repaid - net		(380,247)	(764,996)
Dividend paid		-	(319)
Long-term finance (repaid) / obtained - net		-	(110,257)
Net cash used in financing activities		(380,247)	(875,572)
Net decrease in cash and cash equivalents		(2,276,934)	(1,720,589)
Cash and cash equivalents at the beginning of the year		(35,947,670)	(29,752,384)
Cash and cash equivalents at the end of the period	22	(38,224,604)	(31,472,973)

The annexed notes from 1 to 26 form an integral part of these condensed interim consolidated financial statements.


Chief Executive Officer


Chief Financial Officer


Director

HASCOL PETROLEUM LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2022

1 STATUS AND NATURE OF BUSINESS

1.1 The Group consists of:

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

Hascol Petroleum Limited

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 was listed on the Pakistan Stock Exchange Limited. The registered office of the Company is situated at 29th floor, Sky Tower, West Wing (Tower A), Dolmen City, Abdul Sattar Edhi Avenue, Block 4, Clifton, Karachi. The Company is engaged in the business of procurement, storage and marketing of petroleum, chemicals, LPG and related products. The Company obtained oil marketing license from Ministry of Petroleum and Natural Resources in the year 2005 and acquired assets of LPG licensed company in the year 2018.

Hascol Lubricants (Private) Limited

Hascol Lubricants (Private) Limited (the Subsidiary Company) was incorporated on January 31, 2017 as a private limited company under the repealed Companies Ordinance, 1984. The registered office of the Company is situated at 29th floor, Sky Tower, West Wing (Tower A), Dolmen City, Abdul Sattar Edhi Avenue, Block 4, Clifton, Karachi. The Company is formed to carry on the business of blending and producing of lubricating oils, greases and other petroleum products. The company is a wholly owned subsidiary of Hascol Petroleum Limited.

Hascombe Lubricants (Private) Limited

Hascombe Lubricants (Private) Limited (the Subsidiary Company) was incorporated on December 27, 2001 as a private limited company under the repealed 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. The Subsidiary Company has ceased to be as a going concern and therefore the financial statements of the Subsidiary Company has not been prepared on a going concern basis.

- 1.2** During the current period, the Group incurred a net loss of Rs. 4,502 million (2021: Rs. 406 million), resulting in net shareholders deficit of Rs. 52.0 billion (2021: Rs. 47.5 billion) as of the condensed interim consolidated statement of financial position date. Further, as of that date the current liabilities of the Group exceeded its current assets by Rs. 66.3 billion (2021: Rs. 62.3 billion) and has defaulted in majority of its outstanding loans with banks. These conditions may cast significant doubt on the Group's ability to continue as a going concern. However, in order to ensure the Group's ability to operate as a going concern, certain plans and measures have been taken to improve its liquidity and financial position which includes, but not limited to, the following:
- The Group is also planning a capital restructuring exercise, in consultation with major banks to reduce its debt burden and financial costs, which will help the Group improve its future operating and financial performance. Further, the Group has stopped payment of markup cost from last quarter of 2020.
 - The Group is also taking measures to reduce its storage costs through revision of existing agreements.
 - The Board of Directors (the board) have carried out a detailed review of the profitability and cashflow forecast of the Group for the twelve months from the date of approval of these condensed interim consolidated financial statements, which took into account the projected future working capital of the Group. The board believes that subject to the approval of restructuring plan with major banks the Group will have sufficient cash resources to continue its operations.

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements of the Group for the six month period ended June 30, 2022 is unaudited and have 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 Act, 2017 (the Act). In case where requirements differ, the provisions of or directives issued under the Act have been followed. These condensed interim consolidated financial statements are being submitted to the shareholders in accordance with section 237 of the Act and should be read in conjunction with the audited financial statements of the Group for the year ended December 31, 2021.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim consolidated financial information are the same as those applied in the preparation of audited annual financial statements of the Group for the year ended December 31, 2021.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 The preparation of these condensed interim consolidated financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements 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. However, actual results may differ from these estimates.

4.2 During the preparation of these condensed interim consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the audited annual financial statements for the year ended December 31, 2021.

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the annual audited consolidated financial statements of the Group as at and for the year ended December 31, 2021.

		(Un-audited) June 30, 2022	(Audited) December 31, 2021
	Note	----- Rupees in '000 -----	
6. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets		23,378,409	24,174,871
Capital work-in-progress	6.3	2,620,295	2,598,904
		<u>25,998,704</u>	<u>26,773,775</u>
6.1	Movement in capital work-in-progress during the period / year is as follows:		
Balance at the beginning of the year		2,598,904	4,932,186
Additions during the period / year		33,595	241,098
Transfers during the period / year		(12,204)	(1,142,815)
Provisions during the period / year		-	(1,431,565)
		<u>2,620,295</u>	<u>2,598,904</u>

6.2 The following assets were disposed off during the period/ year:

	Cost	Accumulated Depreciation	Net Book Value
	----- Rupees in '000 -----		
June 30, 2022 (un-audited)	15,680	11,040	4,640
December 31, 2021 (audited)	978,346	14,842	963,504
		(Un-audited) June 30, 2022	(Audited) December 31, 2021
		----- Rupees in '000 -----	
6.3 Capital work-in-progress			
Buildings		386,244	386,244
Machinery, tanks and pumps		2,041,298	2,027,307
Retail sites		28,875	21,600
Furniture, office equipment and other assets		25,540	25,415
Borrowing cost capitalized		138,338	138,338
		2,620,295	2,598,904
7. RIGHT OF USE ASSETS			
Storage facility		37,216	38,005
Pumpsites		2,672,636	2,771,933
Offices		303,434	348,587
		3,013,286	3,158,525
7.1 Movement in right of use assets during the period / year is as follows:			
Balance at the beginning of the period/year		3,158,525	13,257,222
Additions during the period/year		45,321	829,832
Disposals/terminations during the period/year		-	(10,463,846)
Depreciation charged during the period/year		(190,560)	(464,683)
Balance at the end of the period/year		3,013,286	3,158,525
8. INTANGIBLE ASSET			
Computer software		1,530	1,816
Net book value at the beginning of the period/year		3,007	3,007
Amortization charge for the period/year		(1,477)	(1,191)
Net book value at the end of the period/year		1,530	1,816

		(Un-audited) June 30, 2022	(Audited) December 31, 2021
	Note	----- Rupees in '000 -----	
Net book value			
Cost		14,518	14,518
Accumulated amortization		(12,988)	(12,702)
Net book value		<u>1,530</u>	<u>1,816</u>
Rate of amortization - %		<u>33.33</u>	<u>33.33</u>
9. LONG-TERM INVESTMENTS			
Investment in associate - unquoted			
VAS LNG (Private) Limited - unquoted	9.1	-	-
Magic River Services Limited	9.2	114,213	117,772
Karachi Hydrocarbon Terminal Limited - unquoted (formerly : Hascol Terminal Limited)	9.3	<u>399,890</u>	<u>399,890</u>
		<u>514,103</u>	<u>517,662</u>
Advance against purchase of shares - with related parties			
Karachi Hydrocarbon Terminal Limited - unquoted (formerly : Hascol Terminal Limited)		2,500	2,500
VAS LNG (Private) Limited - unquoted		<u>1,023</u>	<u>1,023</u>
		<u>517,626</u>	<u>521,185</u>
9.1 VAS LNG (Private) Limited - unquoted			
Balance at the beginning of the period / year		-	1,468
Share of loss for the period / year		-	(1,468)
Balance at the end of the year		<u>-</u>	<u>-</u>
9.2 Investment in Magic River Services Limited represents 25% shareholding in the business amounting to Rs. 110 million.			
Balance at the beginning of the period / year		117,772	116,582
Share of profit for the period / year		5,422	8,580
Profit received during the period / year		(8,981)	(7,390)
Balance at the end of the year		<u>114,213</u>	<u>117,772</u>
9.3 Investment in Karachi Hydrocarbon Terminals Limited (formerly Hascol Terminal Limited) represent 41.3 million shares (2021: 41.3 million) fully paid ordinary shares of Rs. 10 per share. The Company is engaged in providing storage facilities for imported and locally procured petroleum and related products.			
9.4 Investments in associated companies and undertakings have been made in accordance with the requirements of the Companies Act, 2017. The Management cannot assess the recoverable amount as of June 30, 2022 in accordance with the requirement of International Financial Reporting Standards (IFRS) as the audit of Hascol Lubricants (Private) Limited and Karachi Hydrocarbon Terminals Limited are still in process.			

	(Un-audited) June 30, 2022	(Audited) December 31, 2021
	----- Rupees in '000 -----	
10. DEFERRED TAXATION - NET		
This comprises the following:		
<i>Taxable temporary difference arising in respect of :</i>		
Accelerated depreciation	(1,739,136)	(1,540,001)
Revaluation of operating fixed assets	(1,179,293)	(1,220,716)
	(2,918,429)	(2,760,717)
<i>Deductible temporary difference arising in respect of :</i>		
Liabilities against assets subject to finance lease	987,211	783,143
Exchange loss	289,913	248,739
Provision for :		
- other liabilities	1,042	780
- retirement benefit	46,560	39,880
- doubtful debts	2,772,165	2,857,731
- short term investments - TFCs	1,816	1,820
Normal tax loss	21,288,720	15,443,658
	25,387,427	19,375,751
Unrecognized deferred tax asset	(22,468,998)	(16,615,034)
	-	-

10.1 Deferred tax asset of Rs. 22,469 million (2021: 16,615 million) has not been recognised in these condensed interim consolidated financial statements due to uncertainty in availability of future taxable profits based on financial projections of future years. However, in future years and based on the availability of taxable profits, the unutilized deferred tax asset will be recognized.

10.2 Had the Group recognized full amount of deferred tax asset the impact on these condensed interim consolidated financial statements would have been:

	June 30, 2022 Rupees in '000
Profit for the period	17,967,044
Shareholders' equity	(45,750,675)
Total non-current assets	52,446,686
Earnings per share	17.98

		(Un-audited) June 30, 2022	(Audited) December 31, 2021
		----- Rupees in '000 -----	
11.	ADVANCES - considered good, unsecured		
	To employees		
	- against expenses	14,288	13,810
	- against salaries	19,501	17,355
	Supplier & Service provider	2,641,051	2,437,553
	Provision for Supplier & Services Advance	(2,037,036)	(2,037,036)
		<u>637,804</u>	<u>431,682</u>
12.	DEPOSITS AND PREPAYMENTS		
	<i>Deposits</i>		
	- current portion of lease deposits	80,816	80,816
	- other deposits	157,154	64,271
		237,970	145,087
	<i>Prepayments</i>		
	- Insurance and others	62,005	13,225
	- Rent	62,563	66,382
		124,568	79,607
		<u>362,538</u>	<u>224,694</u>
13.	OTHER RECEIVABLES		
	Inland freight equalization margin receivable	3,960,705	4,140,421
	Miscellaneous receivables	168,318	73,770
	Receivable against regulatory duty ("RD")	25,533	25,533
	Sales tax refundable	216,345	150,310
	Price differential claims ("PDC")	13.1 7,618	37,445
	Provisioning of IFEM, RD and PDC	13.2 (1,694,427)	(1,694,427)
		<u>2,684,092</u>	<u>2,733,052</u>
13.1	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.		
13.2	This represents provision against regulatory duty (RD), price differential claim (PDC) and Inland Freight Equalization Margin (IFEM).		

		(Un-audited) June 30, 2022	(Audited) December 31, 2021
		----- Rupees in '000 -----	
14.	LONG TERM FINANCING - secured		
	Borrowing from conventional banks	13,044,558	13,044,558
	Borrowing from non banking financial institutions	92,857	92,857
	Sukuk certificates	500,000	500,000
		13,637,415	13,637,415
	Less: Current portion of long term financing		
	Borrowing from conventional banks	(1,918,622)	(1,623,621)
	Borrowing from non banking financial institutions	(92,857)	(92,857)
	Sukuk certificates	(500,000)	(500,000)
		(2,511,479)	(2,216,478)
	Non-current portion of long term financing	11,125,936	11,420,937
15.	LEASE LIABILITIES		
	Finance lease liability	15.1 253,631	419,012
	Lease liability against right of use asset	15.2 3,564,934	3,530,340
		3,818,565	3,949,352
15.1	Finance lease liability		
	Present value of future minimum lease payments	527,274	705,023
	Less: Current portion	(273,643)	(286,011)
	Non current portion	253,631	419,012
15.2	Lease liability against right of use asset		
	Present value of future minimum lease payments	3,679,040	3,662,711
	Less: Current portion	(114,106)	(132,371)
	Non current portion	3,564,934	3,530,340
16.	TRADE AND OTHER PAYABLES		
	Trade creditors	16,327,148	16,645,691
	Payable to cartage contractors	1,054,079	933,818
	Advance from customers - unsecured	977,793	1,138,502
	Dealers' and customers' security deposits	528,750	514,780
	Other liabilities	13,152,774	11,654,613
		32,040,544	30,887,404
17.	CURRENT PORTION OF NON-CURRENT LIABILITIES		
	Current portion of long term financing	14 2,511,479	2,216,478
	Current portion of liabilities subject to finance lease	15.1 273,643	286,011
	Current portion of lease liability of right of use assets	15.2 114,106	132,371
		2,899,228	2,634,860

18. CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

18.1.1 Non-banking contingencies

Minimum value tax:

The Collector (Adjudication) - Customs House Karachi, has issued a show cause notice dated February 06, 2019 regarding clearance of 52 and 84 consignments of HSFO under PCT heading 2710.1941 without alleged payment of minimum value additional tax @ 3% of value of the goods of Rs. 481 million.

A petition was filed by the Company on March 20, 2019 challenging the impugned show-cause notice on the ground that the impugned notifications and Chapter X of the Rules 2007 particularly 58B and 58C are ultra vires to the Constitution of Islamic Republic of Pakistan against which an interim order was passed on March 22, 2019. The petition is pending for hearing and the legal counsel is hopeful about success of this petition.

Workers participation fund:

C.P. No.D-209 of 2019 has been filed by the Company against giving retrospective effects to Sindh Companies Profits Workers Participation Act, 2015 and the Department's demand for payment of workers participation fund for the period from 2011 to 2017 vide Show Cause Notice dated 26th May 2018.

This petition is pending before the Honorable High Court of Sindh at Karachi. The Company seems to have good arguable case.

Income tax assessments/audit proceedings:

Tax year 2019:

The return filed for tax year 2019 has been selected for audit under section 177 of income tax ordinance. The order after completion of audit proceedings under section 177 has been passed by the DCIR under section 122(1)/(5) imposing tax demand of Rs 645,750,113.

Against this order imposing tax, appeal has been filed with the Commissioner Appeal which has been heard and is pending for appeal order.

Tax year 2018:

In tax year 2018, the return was not selected for audit but notice under section 122(9) was issued and order under section 122(5A) was passed.

In the order, under section 122(5A) minimum tax under section 113 was imposed by including Petroleum Levy of Rs 21,768,506,000 in the turnover, Exchange loss of Rs. 307,682,807/- on import was disallowed, commission amount of Rs. 227,932,000 was disallowed for not withholding @ 20% under section 156, disallowing of Tax Credit for Enlistment on Stock Exchange claimed under section 65C Rs. 58,771,214/-, taxing franchise fee Rs. 35,210,000 and not allowing refund adjustment of Rs. 85,136,781.

Against this order under section 122(5A), an appeal was filed before Commissioner (Appeals). In the appeal order the Commissioner (Appeals) accepted the Company's appeal on the point of minimum tax u/s113 on account of petroleum levy and as well in respect of disallowance of Commission and partly on the other points.

The Company has filed an appeal on the points the Company's appeal was not accepted by the Commissioner (Appeals) which is pending before the Appellate Tribunal Inland Revenue. Therefore, no tax demand is outstanding.

The department has further initiated audit proceedings under section 177 of the Ordinance which has been challenged by the Company before Sindh High Court (SHC) and SHC has suspended the audit proceeding through interim order.

Tax year 2017:

ACIR passed assessment order dated February 24, 2018 under section 122(5A) of the Ordinance creating additional tax demand of Rs. 231,680,958.

Appeal was filed before the CIRA against the aforesaid assessment order who vide appellate order dated October 29, 2018 decided one issue in favor of the Company whilst other issues were decided in favor of the Department. So far no appeal effect order has been passed.

Appeal has been filed by the Company before the Appellate Tribunal Inland Revenue (ATIR) against CIRA's order on the points on which appeal was not accepted and the appeal is pending for hearing.

The department has initiated audit proceedings under section 177 of the Ordinance which has been challenged by the Company before SHC and SHC has suspended the audit proceeding through interim order.

Tax year 2016:

The return of income for tax year 2016 was not selected for audit but notice under section 122(9) was issued and order under section 122(5A) was passed in which only expenses (sales promotion/royalty) and others have been disallowed against which appeal was filed before the Commissioner Appeals and in the appeal order, addition of sales promotion expense of Rs. 142,066,3100 was deleted and there was part set aside on other points.

The department has initiated audit proceedings under section 177 of the Ordinance which has been challenged by the Company before Sindh High Court which has suspended the audit proceeding through interim order.

Tax year 2015:

The case was selected for audit and order was passed under section 122(1)/(5) for tax year 2015 in which income has been assessed at Rs 1,003,956,567 after making the additions of Sales promotion expenses disallowed Rs. 191,639,000/- as well as disallowing first year allowance claimed under section 23A.

In the order minimum tax of Rs. 392,096,071/- plus super tax of Rs. 25,942,290/- has been imposed but minimum tax credit of Rs. 60,790,404/- has been carried forward for adjustment against normal tax in subsequent years against the order under section 122(1) imposing tax for tax year 2015.

Appeal was filed which was decided by the Commissioner Appeal in which the addition of Rs. 191,639,000/- was remanded back and the imposition of super tax was upheld. Thus, this order was part set aside.

Tax Year 2014, 2013, 2011 and 2010:

DCIR initiated proceedings for amendment of assessment under section 122 (1)(5) of the Ordinance for the above tax years which were closed through order dated June 29, 2016, June 30, 2016 and July 18, 2016, respectively creating additional tax demand of Rs. 13,141,481 for tax year 2010, Rs. 5,292,546 for tax year 2011, Rs. 24,184,624 for tax year 2013 and Rs. 126,017,974 for tax year 2014.

Appeal were filed by the Company before CIRA against the aforesaid assessment orders which were decided through combined appellate order dated November 22, 2018 whereby all the additions made by the DCIR were confirmed.

Appeals have been filed by the Company against CIRA's aforesaid order before ATIR which is pending for hearing.

Direct tax - Monitoring proceedings:

Tax Year 2020:

Tax Monitoring proceedings were initiated by the DCIR and order was passed under section 161 imposing tax for assumed default in tax withholding from payments under various heads in tax year 2020.

Against the order passed by the Deputy Commissioner Inland Revenue Audit under section 161(1) of the Income Tax Ordinance, 2001 dated 20-07-2022 for tax year 2020 appeal has been filed which is under hearing and the tax imposed under section 161 is likely not to be upheld in appeal. The tax imposed under section 161 is likely to be deleted in appeal.

Tax Year 2019:

Monitoring proceedings under section 161(1A) of the Ordinance has been re-initiated by the DCIR on January 21, 2022 and subsequently order dated February 28, 2022 has passed under section 161/205 of the ordinance.

Appeal has been filed by the Company against the aforesaid order before the CIRA and heard on April 2022, however, no appellate order has passed in this respect. This appeal is filed by M/s. Grant Thornton on behalf of the Company.

Tax Year 2018:

Monitoring proceedings under section 161(1A) of the Ordinance had been initiated by the DCIR on January 10, 2019. All requisite details and information had been submitted however, no order has been passed.

Tax Year 2015:

Monitoring proceedings were initiated by the DCIR and subsequently order dated May 26, 2016 was passed under section 161/205 of the Ordinance.

Appeal was filed by the Company against the aforesaid order before the CIRA who remanded back the issues to the DCIR for re-adjudication because of non-provision of opportunity of hearing whilst at the same time accepted the Company's stance on all the issues on merit. No appeal effect proceeding has been initiated.

Indirect tax:

Against the Sales Tax Order in Original No 02/42/2016 dated 29/06/2016 for the period Jan 2012 to Dec 2013 imposing tax on the bunkering oil supply at zero rating / not withholding sales tax and other appeal was filed and Commissioner Appeal vide his order in appeal dated 18/10/2016 set aside the ONO. Against the set aside order of the Commissioner Appeal appeal has been filed with ATIR which is pending for hearing and there is no tax demand in the field.

Against the department's order in which company appeal is not accepted by CIRA, the company has filed various appeals before the Appellate Tribunal against orders passed by the Commissioner Appeals. These appeals are mostly against remanding back of the matter relating to taxability on bunkering activity for the 12-month tax periods ended December 2014, December 2015, December 2016 and December 2017. These appeals are filed by M/s. Grant Thornton on behalf of the company.

The Company has filed appeal against the order reference 01 of 2020 dated 30-09-2020 and order reference 02 of 2020 dated 30-09-2020 passed by Deputy Commissioner Inland Revenue relating to late filing of sales tax returns for the tax periods April 2020 to June 2020 and July 2020 imposing penalty and default surcharge amounting to Rs. 14 million and Rs. 52.5 million respectively. This appeal is filed by M/s. Grant Thornton on behalf of the company.

An appeal has been filed against the order reference 011/121/2021 dated October 15, 2021 passed by Deputy Commissioner Inland Revenue relating to claiming input tax twice in the respective Federal sales tax returns for the tax periods April 2018, July 2018, October 2019, December 2019, November 2020, December 2020 and January 2021 amounting to Rs. 37,115,654 along with imposing penalty of Rs. 1,855,783 and default surcharge (to be calculated) respectively on claiming of the input tax twice in respective sales tax return. This appeal is filed by M/s. Grant Thornton on behalf of the company.

Sindh Revenue Board

Period 2013-2019:

One combined Order No. 1139 of 2022 dated 23rd May 2022 u/s 23/47 of the Sindh Sales Tax on Services Act 2011 has been passed by the Assistant Commissioner in the case of the company for the 7 years period January 2013 to December year 2019. By this SRB Order no. 1139 Of 2022 dated May 23, 2022, the officer has alleged that the company has not made payment of the sales tax pertaining to Royalty Fee, Franchise Fee and Joining fee for the tax periods January 2013 to December 1019. Against this SRB order imposing tax, an appeal has been filed before Commissioner Appeals, SRB which is under hearing.

Other SRB Appeals:

(a) The Company is contesting before the Commissioner Appeals SRB the order no 321 of 2021 dated July 02, 2021 amounting Rs. 134,137,132 passed by Assistant Commissioner Sindh Revenue Board primarily imposing liability of withheld Sindh sales tax not deposited by the company into Singh government treasury on oil transportation services acquired from specified vendors for the tax periods January 2018 to October 2020. This appeal is filed by M/s. Grant Thornton on behalf of the Company.

(b) The Company is contesting before the Commissioner Appeals SRB, the imposition of the alleged differential principal withheld sales tax amount liability of Rs. 472,422 pertaining to the oil transportation services received from specified vendors in the tax period November 2020 through the Order no 322 of 2021 dated July 13, 2021 passed by Assistant Commissioner — Sindh Revenue Board. This appeal is filed by M/s. Grant Thornton on behalf of the company.

(c) The Company is contesting before the Commissioner Appeals SRB, the imposition of the alleged principal amount of sales tax liability to the tune of Rs. 33,662,070/- pertaining to providing Business Support Service to Karachi Hydrocarbon Terminal Limited and Hascol Lubricant (Private) Limited in the tax periods January 2017 to December 2019 through the Order no 808 of 2021 dated November 26, 2021, passed by Assistant Commissioner — Sindh Revenue Board. This appeal is filed by M/s. Grant Thornton on behalf of the company.

Punjab Revenue Authority

a) The Company is contesting before the Commissioner Appeals PRA, Lahore the imposition of the alleged principal amount of sales tax liability to the tune of Rs. 989,229,120/- pertaining to expenditure incurred under the head of Capital Work in Progress in the tax periods January 2017 to December 2018 through the Order no 19 of 2020 dated 30-01-2020, passed by Additional Commissioner — Punjab Revenue Authority. This appeal is filed by M/s. Grant Thornton on behalf of the company.

b) The company is contesting before the Commissioner Appeals PRA, Lahore the imposition of the alleged principal amount of sales tax liability to the tune of Rs. 108,199,360/- pertaining to Distribution, Selling & Administration Expenses in the tax periods January 2017 to December 2017 through the Order no 15 of 2020 dated 30-12-2019, passed by Additional Commissioner — Punjab Revenue Authority. This appeal is filed by M/s. Grant Thornton on behalf of the company.

c) The company contested before the Commissioner Appeals PRA, Lahore the imposition of the alleged principal amount of sales tax liability to the tune of Rs. 12,066,400/- pertaining to Business Support Services in the tax periods January 2017 to December 2018 through the Order no 16 of 2019 dated 30-12-2019, passed by Additional Commissioner — Punjab Revenue Authority. This appeal under section 63 of the PSTS'12 was filed by M/s. Grant Thornton on behalf of the company. Original Order was upheld by the Commissioner Appeal, Punjab Revenue Authority vide Appeal Order No. 72/2020 dated 17-03-2021 which was received much later in Year 2022. The Appeal is being prepared along with Condonation Application to prefer before the Appellate Tribunal under section 66 of the Punjab Sales Tax on Services Act, 2012.

d) Writ Petition bearing # 66216/2019 was filed before the Honorable Lahore High Court at Lahore against the issuance of Show Cause Notice dated October 09, 2019 issued by the Additional Commissioner, Enforcement-I, Punjab Revenue Authority, Lahore to charge/recover Provincial Sales Tax (Punjab Sales Tax on Services) amounting to Rs.1,338,840,592/- allegedly levied on IFEM, OMC's Margin and Dealer's Commission for the Tax Periods July-2017 to June-2018. The said Petition was listed for preliminary hearing on November 05, 2019 before Mr. Justice Shahid Jamil Khan. On the said date, the Learned Judge in chamber was pleased to issue Notices to the Respondents with the directions that no proceedings under the impugned Notice be taken till the next date of hearing. The said Writ Petition is listed for hearing on October 13, 2022.

KWIK CNG VS Company

The suit has been filed for settlement of due amount to the tune of Rs. 2,950,000/- with a claim that KWIL CNG has already made the payment and there is no outstanding amount towards the Company. The Company has filed its written statement and now the suit is fixed for evidence of KWIK CNG for 19.09.2022. Our client is vigorously pursuing this suit and in our view has a strong defense and is likely to succeed in this matter. That in case of suit is decreed in favor of the KWIK CNG the Company could face loss of receivables.

Cantonment Board vs Company

Chaklala Cantonment Board:

(a) This is the Intra Court Appeal filed by the Chaklala Cantonment Board in which they have challenged the judgment dated 09.03.2020 passed by the Honorable Lahore High Court Lahore, Rawalpindi Bench, passed by Mr. Shamas Mehmood Mirza, Honorable Judge, Lahore High Court Lahore, Rawalpindi Bench. The ICA is fixed for 19.05.2022 before Division Bench of Honorable Mis Justice Ch. Muhammad Masood Jahangir & Justice Ahmad Nadeem Arshad.

The financial implication of the litigation on our Client's account is PKR 1,836,786/- which amount is being claimed as taxes for advertisements within cantonment areas.

Our Client is vigorously pursuing this appeal and, in our view, has a strong defense and is likely to succeed in this matter.

(b) This is the Intra Court Appeal filed by the Chaklala Cantonment Board in which they have challenged the judgment dated 09.03.2020 passed by the Honorable Lahore High Court Lahore, Rawalpindi Bench, passed by Mr. Shamas Mehmood Mirza, Honorable Judge, Lahore High Court Lahore, Rawalpindi Bench. The ICA is fixed for 19.05.2022 before Division Bench of Honorable Mis Justice Ch. Muhammad Masood Jahangir & Justice Ahmad Nadeem Arshad. The financial implication of the litigation on our Client's account is PKR 1,317,024/- which amount is being claimed as taxes for advertisements within cantonment areas. Our Client is vigorously pursuing this appeal and, in our view, has a strong defense and is likely to succeed in this matter.

Rawalpindi Cantonment Board:

This is the Intra Court Appeal filed by the Rawalpindi Cantonment Board in which they have challenged the judgment dated 09.03.2020 passed by the Honorable Lahore High Court Lahore, Rawalpindi Bench, passed by Mr. Shamas Mehmood Mirza, Honorable Judge, Lahore High Court Lahore, Rawalpindi Bench. The ICA is fixed for 19.05.2022 before Division Bench of Honorable Mis Justice Ch. Muhammad Masood Jahangir & Justice Ahmad Nadeem Arshad. The financial implication of the litigation on our Client's account is PKR 1,050,120/- which amount is being claimed as taxes for advertisements within cantonment areas. Our Client is vigorously pursuing this appeal and, in our view, has a strong defense and is likely to succeed in this matter.

Muhammad Farook & Others

This suit was filed by the Company seeking declaration and Mandatory Injunctions along with a claim for Recovery of Damages amounting to Rs. 21.450 million against the defendants. An interim injunctions granted in favor of the Company (stay order) by the honorable Court and the suit is next fixed for arguments on the confirmation of existing interim injunction. There is a likelihood that the civil suit filed by the Company will be decreed in its favor by the honorable Court.

Regulatory duty

The Company filed a petition against Federation of Pakistan, Federal Board of Revenue and Collector of Customs in relation to levy of customs duty under Free Trade Agreement (FTA) with Peoples Republic of China. The matter is pending in the High Court of Sindh and the learned counsel submits that the Company is required to pay full amount of Petroleum levy and secure regulatory duty at 10% by way of bank guarantee or pay order with the collector of customs as to release the consignment. In case is decided in favor of HPL, such deposited P/O shall be released and HPL counsel is of firm opinion of success of case in favor of HPL.

Mr. Rehmat Khan Wardag

A Suit has been filed on April 10, 2019 by Mr. Rehmat Khan Wardag (Contractor & Dealer of Hascol) for recovery of amount of Rs. 53 million and damages of Rs. 50 million against the Company. Mr. Rehmat Khan claims that his receivable amount of carriage bills were unlawfully adjusted against the invoices of products received at petrol pump, M/s. Hamid Trucking Station. Suit is pending in Court for hearing of application. Legal counsel is of the considered view that there is no merit in the claims of the dealer and hence, there is no possibility that there is any liability being attributed towards HPL.

Shahzeb Rind

The instant case is currently on hearing of the Application under S. 16 (1) SRPO, 1979, for the purpose of clarity we expect that after a hearing on this Application the outstanding rental amount totaling Rupees 7,410,000/- will be required to be deposited by the Company in court within the time period as decided by the rent controller (usually within 5-10 days). The next date of this rent case is on October 3rd, 2022 for hearing. The Company is vigorously contesting the case and a favorable order may be expected.

Aslam Noor Kamani

The instant case is fixed for final arguments on October 5th, 2022 and the Company is depositing monthly rent totaling Rupees 245,000/- (before the 10th of every calendar month) as per the respective lease deed in court in terms of the Sindh Rental Premises Ordinance, 1979. The next date of the case is October 5th, 2022. The Company is vigorously contesting the case and a favorable order may be expected.

Shams Lubricants Pvt Ltd

The Company has filed an application for unconditional leave to defend instead of depositing a surety amount of Rs. 45,17,480/-. The case is currently pending for arguments on whether the Leave to Defend filed by the Company should be allowed or dismissed. The next date of hearing is October 2022. The Company is vigorously contesting the case and a favorable order may be expected.

18.1.2 Banking contingencies

United Bank Limited (UBL)

A suit under Section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 (the Ordinance) was filed against the Company and its former CEO/Director, in his personal capacity as a guarantor of the Company's liabilities, for the recovery of PKR 776,768,111.37. The aforementioned amount was claimed against the allegedly outstanding finance facility, amounting to PKR 746,862,015.77 including markup amounting to PKR29,906,095.90.

An application under Section 10 of the Ordinance has been filed on behalf of the Company seeking leave to defend the suit. The grounds raised in the application are, inter alia, the Plaintiff's failure to comply with the mandatory requirements of Section 9 of the Ordinance, which would render the suit liable to be dismissed, as well as the Plaintiff's failure to disclose: the cause of action, the particular finance(s) (as the term is defined in the Ordinance) and facility on which the suit is founded, whether any finance or facility was ever extended or disbursed to or availed by the Company, the terms and conditions of the finance/facility availed, if any and its repayment date. The Company has further contended therein that it has a constitutionally guaranteed right of trial under Article 10-A of the Constitution of the Islamic Republic of Pakistan, 1973 (the 1973 Constitution) and therefore, the requirement to obtain leave to appear and defend the suit under Section 10 of the Ordinance is ultra vires of the Constitution.

In response to the Company's leave to defend application, the Plaintiff has submitted its replication application requesting the Court to dismiss the Company's application for leave to defend.

The Plaintiff has simultaneously with the suit, filed an application under Section 16 of the Ordinance praying for the Court to restrict the Company from creating any third-party interest/rights on the immoveable properties owned by the Company, to which the Company has filed its counter-affidavit objecting inter alia that the application for attachment of property is not maintainable under Section 16 of the Ordinance for failing to satisfy the necessary ingredients mandated by law for grant of relief.

In response to the above application for attachment of properties, the Company has filed its counter-affidavit objecting inter alia that the lawsuit was not properly instituted and the application is not maintainable under the Ordinance, as the properties in question have no nexus with the Plaintiff bank, and for failing to disclose any apprehension with regards to the disposal of properties.

As of the date of this letter, all applications are pending hearing. It is our view that the application for leave to defend filed on behalf of the Company is likely to succeed and that the Plaintiff will not succeed at the *inter parties* hearing, to attach or otherwise adversely affect the Company's properties.

The Bank of Punjab (BOP)

The Plaintiff has filed a suit under Section 9 of the Ordinance for the payment and recovery of PKR 2,192,841,925.01 along with cost of funds from the date of default, and for the sale of the Company's hypothecated assets/goods/attached assets/properties. The aforementioned outstanding amount was claimed against the following facilities:

An application under Section 10 of the Ordinance for leave to defend the suit was filed on behalf of the Company claiming that the instant suit is liable to be rejected as it has not been validly instituted and fails to comply with the mandatory requirements of the Ordinance and does not disclose a cause of action. The grounds raised in the application are, inter alia: the particular finance(s) (as the term is defined in the Ordinance) on which the suit is found as due and payable by the Company is unidentified and not shown to be extended to the Company within the statement of accounts attached by the Plaintiff, and the suit has been instituted without a valid power of attorney. Additionally, the statement of accounts attached by the Plaintiff were not certified according to the Bankers Evidence Act.

In response to the Company's leave to defend application, the Plaintiff has submitted its replication application requesting the Court to dismiss the Company's application for leave to defend.

Alongside the suit, the Plaintiff has also filed an application under Section 16 of the Ordinance seeking to restrain the Company from creating any third-party interest in the immovable properties owned by the Company as well as passing an order for attachment of those properties till the disposal of the suit.

The Plaintiff subsequently filed another application under Section 16 of the Ordinance for the attachment of certain other immovable properties belonging to the Company and prayed for the Company to be restrained from creating any third-party interest in these properties as well.

The Company has filed its counter-affidavits to the two applications for injunction and attachment, denying the averments made by the Plaintiff, highlighting that the necessary ingredients for the grant of any relief under the provisions of the Ordinance had not been met. The Company has submitted that in the absence of the suit establishing a valid cause of action or a failure to show the Company's intent to dispose of or remove the property over which a security has been created, the attachment application of the Plaintiff cannot be granted.

On 20 September 2021, the Honorable Court was pleased to pass an order granting a stay against the Company restraining it from creating any third-party interests in immovable properties owned by the Company. The second application for injunction is currently pending hearing.

As of the date of this letter, all applications are pending hearing. It is our view that the application for leave to defend filed on behalf of the Company is likely to succeed and that the Plaintiff will not succeed at the inter parties hearing, to attach or otherwise adversely affect the Company's properties.

MCB

The Plaintiff has filed a suit for recovery under Section 9 of the Ordinance in respect of an amount of PKR 478,002,798.04, along with costs, cost of fund from the date of default till realization of the decretal amount, charges, expense etc. against the alleged finance facilities availed by the Company. The Plaintiff has also prayed for the Court to grant a decree for recovery of the outstanding amount through the sale of hypothecated/charged properties and assets of the Company.

The Company has, in response to the suit, filed its application for leave to defend under Section 10 of the Ordinance seeking that the suit be rejected and/or dismissed on the basis that it falls foul of the requirements of Section 9 of the Ordinance *inter alia* the following reasons: failure of the Plaintiff to disclose the cause of action or the disbursements made against any identified finance (the term as defined under the Ordinance) facilities claimed to be extended by the Plaintiff, and the cause of action alleged to occur is time-barred. The statement of accounts attached as an annexure to the suit by the Plaintiff bank fail to comply with the requirements of the Bankers Book Evidence Act, 1891, (Bankers Evidence Act).

Simultaneously with the suit, the Plaintiff has filed an application under Section 16 of the Ordinance for attachment of the property owned by the Company till the final decision of the recovery suit; thereby seeking to restrain the Company from inter alia, selling, transferring, alienating, or mortgaging its property, which the Plaintiff has alleged would cause irreparable loss and gravely prejudice its interests.

In response to the above application for attachment of properties, the Company has filed its counter-affidavit objecting *inter alia* that the lawsuit was not property instituted and the application is not maintainable under the Ordinance, as the properties in question have no nexus with the Plaintiff bank, and the absence of a basis for apprehension with regards to the disposal of properties. An order has since been passed on this application on 1 October 2021 directing the Company to not create any third-party interest on its immovable properties till the next date of hearing.

As of the date of this letter, all applications are pending hearing. It is our view that the application for leave to defend filed on behalf of the Company is likely to succeed and that the Plaintiff will not succeed at the *inter parties* hearing, to attach or otherwise adversely affect the Company's properties.

Samba Bank Limited

A suit under Section 9 of the Ordinance was filed against the Company and its former CEO/Director, Mr. Mumtaz Hasan Khan, (in his personal capacity as a guarantor of the Company's liabilities) for the recovery of PKR 1,018,709,744.57 against several finance facilities allegedly availed by the Company from the Plaintiff bank.

Additionally, during the pendency of the suit, the Company's assets were prayed to be attached for the settlement of the allegedly outstanding amount. However, separate applications seeking an interim injunction or attachment of the properties have not been filed by the Plaintiff.

In response, the Company filed its application for leave to defend under Section 10 of the Ordinance praying that the suit is liable to be rejected inter alia the following grounds, which renders it impossible for the Company to know the case that has to be met by it: no cause of action has been disclosed by the Plaintiff against the Company, the Plaintiff has failed to disclose or identify any particular finance(s) or finance facility(ies) (as defined in the Ordinance) on which the suit is founded, the attached documents do not support the Plaintiff's assertions especially since the liability they allegedly establish has not lapsed as of the date of the institution of the suit and that it falls foul of the disclosure requirements to be strictly met under the Ordinance. Since the statement of accounts attached as an annexure in the suit itself fail to establish any nexus with the alleged facilities in question or any disbursements to the Company of the amounts under dispute, the assertions of the Plaintiff stand unsubstantiated in establishing an 'open and shut case'.

The Company has also highlighted that the Plaintiff failed to show the nexus of the Hypothecation Agreement dated 12 October 2018 to the facility under dispute, and would also be in violation of the Agreement in the event that it seeks to enforce the securities created thereunder by way of this suit. Additionally, the statement of accounts attached by the Plaintiff were not certified according to the Bankers Evidence Act.

As of the date of this letter, all applications are pending hearing. It is our view that the application for leave to defend filed on behalf of the Company is likely to succeed and that the Plaintiff will not succeed at the inter parties hearing, to attach or otherwise adversely affect the Company's properties.

National Bank Of Pakistan (NBP)

A suit of recovery under Section 9 of the Ordinance for PKR 4,019,323,714 along with liquidated damages, cost of funds, charges and costs till realization was instituted by the National Bank of Pakistan in respect of the term finance facility of PKR 4,000,000,000 allegedly extended by the Plaintiff to Karachi Hydro Carbon Terminal Limited (Defendant No.1), a subsidiary of the Company, and the Company as Defendant No. 2 acting as the guarantor in respect of the finance facility.

An application for leave to defend the suit under Section 10 of the Ordinance has been filed on behalf of the Company. The grounds raised therein include inter alia: the Plaintiff's failure to show any cause of action against the Company or comply with the mandatory requirements of the Ordinance, the suit being barred by limitation or otherwise premature with respect to other amounts claimed, absence of true and correct statements of accounts in support of the contention and the Plaintiff's failure to disclose the extension or disbursement of particular finances (the term as defined in the Ordinance) on the basis of which the suit is founded.

It is our view that the application for leave to defend filed on behalf of the Company is likely to succeed.

Sindh Bank Limited

The Plaintiff has filed a suit under Section 9 of the Ordinance for the recovery of PKR 2,334,776,939.97 along with cost of funds.

The Plaintiff also prayed for permanent injunction to restrain the Company, its employees, agents or any other persons acting for and, on its behalf, directly and/or indirectly, from selling, alienating, disposing of or creating third party rights in any manner whatsoever in respect of the allegedly hypothecated assets as well as moveable and immoveable properties.

Additionally, it was prayed that a judgement and decree for attachment and sale of all other assets and properties of the Company is passed to recover the outstanding amount. However, separate applications seeking an interim injunction or attachment of the properties during the pendency of the proceedings have not been filed by the Plaintiff.

An application under Section 10 of the Ordinance for leave to defend the suit has been filed on behalf of the Company contesting the allegations averred against the Company. The grounds raised in the application are, inter alia, the Plaintiff's failure to comply with the mandatory requirements of the Ordinance or to establish that: the Company as its 'customer', there is a cause of action against the Company, the particular finance(s) (as the term is defined in the Ordinance) on which the suit is found as due and payable by the Company, and/or whether any finance facility was actually disbursed to the Company pursuant to the so-called facility letters. Additionally, the statement of accounts attached by the Plaintiff were not certified according to the Bankers Evidence Act. The documents attached as supporting documents to the Plaintiff's suit, inter alia the promissory notes and letter(s) of lien/setoff, suggest that certain claims are also time barred under the Ordinance.

It is our view that the application for leave to defend filed on behalf of the Company is likely to succeed.

Summit Bank Limited

The Plaintiff filed a suit for recovery of PKR 547,253,184.24 against the Company under Section 9 of the Ordinance. In addition, the Plaintiff bank also prayed for the Company's assets to be attached for sale to cover the outstanding costs. A separate application under Section 16 of the Ordinance seeking such attachment during the pendency of proceedings has not been filed by the Plaintiff.

In response to the Plaintiff's suit, a leave to defend application under Section 10 of the Ordinance was filed by the Company notwithstanding any prejudice to the Plaintiff's contention that the provisions of the Ordinance are contrary to Article 10-A of the 1973 Constitution. In its application, the Company argued that the Plaintiff's suit is not valid and maintainable for the following reasons, for which it is liable to be dismissed: the suit has been instituted without a valid power of attorney, no cause of action has been established against the Company by the Plaintiff, the Plaintiff's assertions that the finance facilities (the term as defined in the Ordinance) were obtained by or recovered from the Company is not supported by any evidence, and the suit fails to comply with the mandatory provisions of the Ordinance.

It is our view that the application for leave to defend filed on behalf of the Company is likely to succeed.

Bank Alfalah Limited (BAFL)

The Plaintiff has filed a suit for recovery under Section 9 of the Ordinance in respect of an amount of PKR 1,130,340,813.09, along with costs, cost of funds, compensatory charges and liquidated damages from the date of default till realization. The Plaintiff has also prayed for the Court to grant a decree for recovery of the outstanding amount through the sale of hypothecated/charged properties and assets of the Company.

In response, an application for leave to defend under Section 10 of the Ordinance has been filed on behalf of the Company on inter alia the following grounds: no cause of action has been disclosed by the Plaintiff against the Company; the Plaintiff has failed to disclose or appropriately identify the particular finance(s) or finance facility(ies) (as defined in the Ordinance) allegedly availed by the Company so as to allow the Company to know the case that has to be met by it; and the attached documents do not support the Plaintiffs assertions and fall foul of the disclosure requirements to be strictly met under the Ordinance.

It has further been stated that since the statements of accounts attached as annexures in the suit fail to establish any nexus with the alleged facilities in question or any disbursements to the Company of the amounts under dispute, the assertions of the Plaintiff stand unsubstantiated in establishing an 'open and shut case'. Additionally, the statements of accounts attached by the Plaintiff are not certified according to the Bankers Evidence Act.

Simultaneously with the suit, the Plaintiff has filed an application under Section 16 of the Ordinance for attachment of the property owned by the Company till the final decision of the recovery suit, thereby seeking to restrain the Company from inter alia, selling, transferring, alienating, or mortgaging its property, which the Plaintiff has alleged would cause irreparable loss and gravely prejudice its interests.

In response to the above application for attachment of properties, a counter-affidavit has been filed on behalf of the Company on the grounds that the application is not maintainable under the Ordinance, as the properties in question have no nexus with the Plaintiff. Notwithstanding this, the Plaintiff has not provided any basis for apprehension of disposal of the properties.

It is our view that the application for leave to defend filed on behalf of the Company is likely to succeed; and the Plaintiff will not succeed at the inter parties hearing to attach or otherwise adversely affect the Company's properties.

Meezan Bank Limited

The Plaintiff has filed a suit under Section 9 of the Ordinance against the Company and its former CEO/Director, Mr. Mumtaz Hasan Khan (in his personal capacity as a guarantor of the Company's liabilities), for the recovery of PKR 4,580,304,393 against several finance facilities allegedly availed by the Company from the Plaintiff bank. The Plaintiff has also prayed for the attachment of the Company's properties for the settlement of the alleged outstanding amount (a separate application seeking an interim injunction or attachment of the properties has not been filed).

In response, the application for leave to defend under Section 10 of the Ordinance has been filed on behalf of the Company on the grounds, inter alia, that: no cause of action has been disclosed by the Plaintiff against the Company; the Plaintiff has failed to disclose the particulars of the amounts claimed and finance(s) (as defined in the Ordinance) allegedly availed by the Company so as to allow the Company to know the case that has to be met by it; and the attached documents do not support the Plaintiff's assertions. Since the statement of accounts attached as an annexure in the suit itself fail to establish any nexus with the alleged facilities in question or any disbursements to the Company of the amounts under dispute, the assertions of the Plaintiff stand unsubstantiated in establishing an 'open and shut case'. Additionally, the statement of accounts attached by the Plaintiff are not certified according to the Bankers Evidence Act. It has also been highlighted that the Plaintiff has failed to show the nexus of the Hypothecation Agreement dated 12 October 2018 to the facility under dispute, and would also be in violation of the Agreement in the event that it seeks to enforce the securities created thereunder in the suit.

It is our view that the application for leave to defend filed on behalf of the Company is likely to succeed.

Bank Islami Pakistan Limited

The Plaintiff has filed a suit for recovery of PKR 1,867,797,823.80 against the Company under Section 9 of the Ordinance. The Plaintiff has also prayed for a decree for recovery of the outstanding amount through the sale of hypothecated/charged properties and assets of the Company. However, a separate application seeking an interim injunction or attachment of the property has not been filed by the Plaintiff.

In response, an application for leave to defend under Section 10 of the Ordinance has been filed on behalf of the Company on inter alia the following grounds: no cause of action has been disclosed by the Plaintiff against the Company; the Plaintiff has failed to disclose material particulars or identify the basis of the finance(s) (as defined in the Ordinance) allegedly availed by the Company so as to allow the Company to meaningfully defend itself; and the attached documents do not support the Plaintiff's assertions regarding the Company's alleged liability. It has also been highlighted that the Plaintiff has failed to show the nexus of the Hypothecation Agreement dated 12 October 2018 to the facility under dispute, and would also be in violation of the Agreement in the event that it seeks to enforce the securities created thereunder in the suit. It is our view that the application for leave to defend filed on behalf of the Company is likely to succeed.

Federal Investigation Agency (FIA)

During the second half of 2021, the Federal Investigation Agency (FIA) started a formal inquiry to probe the defaults incurred at banks on account of the Company. This inquiry focusses on individuals working for the Company (both Management and Board of Directors) and primarily National Bank of Pakistan. A formal First Investigation Report (FIR) was launched in January 2022 followed by a preliminary challan in High Court under the Anti Money Laundering act against thirty two (32) individuals. The Company is complying with the FIA to facilitate this investigation via provision of information. It is of extreme importance that the inquiry nor the challan is against the Company and the Company expects no outflow of economic benefit as a result of this case.

Securities and Exchange Commission of Pakistan (SECP)

In 2021, the Securities and Exchange Commission of Pakistan (SECP) appointed an inspector to investigate the affairs of the Company pertaining to historical financial statements till 2019. The investigations pertain to the individuals holding Management and Director position at that time. The Company is co-operating with SECP and providing all the requisite information's on a timely manner. Further, the Company is not expecting any financial adjustment in books of accounts as of result of this investigation.

18.2 Commitments

- (i) The facility for opening letters of credit (LCs) acceptances as at June 30, 2022 amounted to Rs 8,344 (2021: Rs 8,344) million of which the amount remaining unutilized as at that date was Rs 198 (2021: Rs 24) million.
- (ii) There are commitments for the purchases from Vitol Bahrain E.C, a party related to the Company, amounting to Rs. nil million. (2021: Rs. 84 million).

	(Un-audited) June 30, 2022	(Audited) December 31, 2021
	----- Rupees in '000 -----	
(iii) Bank guarantees	<u>150,000</u>	<u>150,000</u>
(iv) Commitments in respect of capital expenditure	<u>284,162</u>	<u>995,725</u>
(v) Commitments for rentals of assets under operating lease/ Ijarah :		
Not later than one year	<u>130,121</u>	158,141
Later than one year and not later than five years	<u>160,249</u>	206,658
	<u>290,370</u>	<u>364,799</u>

19. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

This represents provision for expected credit losses - ECL under IFRS 9. Certain trade debt balances has been fully provided during the period.

	(Un-audited) June 30, 2022	(Un-audited) June 30, 2021
	----- Rupees in '000 -----	
20. TAXATION		
Current	160,618	286,297

21. CASH USED IN OPERATIONS

Loss before taxation (4,341,336) (119,693)

Adjustment for:

Depreciation and amortization	799,043	850,026
Depreciation on right-of-use asset	190,560	279,742
Provision for IFEM	-	948
Reversal against slow moving stock	-	(26)
(Reversal) / provision for doubtful debts	(255,849)	121,862
Exchange loss - unrealized	751,886	227,230
Provision for gratuity	23,426	14,363
Gain on disposal of operating fixed assets	(13,862)	(80,722)
Gain on termination of lease	-	(3,070,135)
Reversal of advance to supplier	-	(628,201)
Markup / profit on bank deposits	(11,671)	(30,256)
Markup charged on lease liability	173,506	506,814
Finance cost	3,422,498	2,857,376
Share of profit / (loss) from associate	(5,422)	1,468
Changes in working capital	(2,332,876)	(2,246,015)
	<u>(1,600,097)</u>	<u>(1,315,219)</u>

21.1 Changes in working capital

(Increase) / decrease in current assets

Stock-in-trade	(2,667,197)	(2,570,935)
Trade debts	211,281	835,721
Advances	(206,123)	(151,887)
Deposits, prepayments and other receivables	(126,514)	1,351,395
	<u>(2,788,553)</u>	<u>(535,706)</u>

Increase / (decrease) in current liabilities

Trade and other payables	455,677	(1,710,309)
	<u>(2,332,876)</u>	<u>(2,246,015)</u>

	(Un-audited) June 30, 2022	(Un-audited) June 30, 2021
	----- Rupees in '000 -----	
22. CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,338,834	2,510,803
Short-term borrowings	(39,563,438)	(33,983,776)
	<u>(38,224,604)</u>	<u>(31,472,973)</u>

23. 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.

Balances and significant transactions with related parties, other than those disclosed elsewhere in this consolidated condensed interim financial information, are as follows:

23.1 Transactions with related parties

			(Un-audited)	(Un-audited)
Name of related party	Nature of transaction	Percentage of shareholding	June 30, 2022	June 30, 2021
----- Rupees in '000 -----				
Shareholding by the Company				
Karachi Hydrocarbon Terminal Limited	Rendering of services	15%	35,028	288,677
Other related parties				
Vitol Bahrain E.C	Procurement	N/A	8,176,535	18,246,634

23.2 Balances with related parties

Name of related party	Nature of transaction	Percentage of shareholding	(Un-audited)	(Audited)
			June 30, 2022	December 31, 2021
----- Rupees in '000 -----				
Shareholding by the Company				
Karachi Hydrocarbon Terminal Limited	Advance against issue of shares	15%	2,500	2,500
Karachi Hydrocarbon Terminal Limited	Investments	15%	412,500	412,500
Karachi Hydrocarbon Terminal Limited	Rendering of services	N/A	1,425,254	1,429,241
Magic River Services Limited	Investments	25%	110,000	110,000
VAS LNG (Private) Limited	Advance against issue of shares	30%	1,023	1,023
VAS LNG (Private) Limited	Investments	30%	3,000	3,000
Other related parties				
Vitol Bahrain E.C	Procurement	N/A	15,173,229	15,386,212
VOS Petroleum Limited	Rendering of services	N/A	45,862	45,862

24. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', corresponding figures in the condensed interim consolidated statement of financial position comprise of balances as per the audited financial statements of the Group for the year ended December 31, 2021 and the corresponding figures in the condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows comprise of balances that are in conformity with the restatements made in the financial statements for the year ended December 31, 2021 that related to the six months of 2021.

25. DATE OF AUTHORISATION

These condensed interim consolidated financial statements have been authorised for issue on **10 November 2022** by the Board of Directors the Group.

26. GENERAL

All amounts have been rounded to the nearest thousand.



Chief Executive Officer

Chief Financial Officer

Director