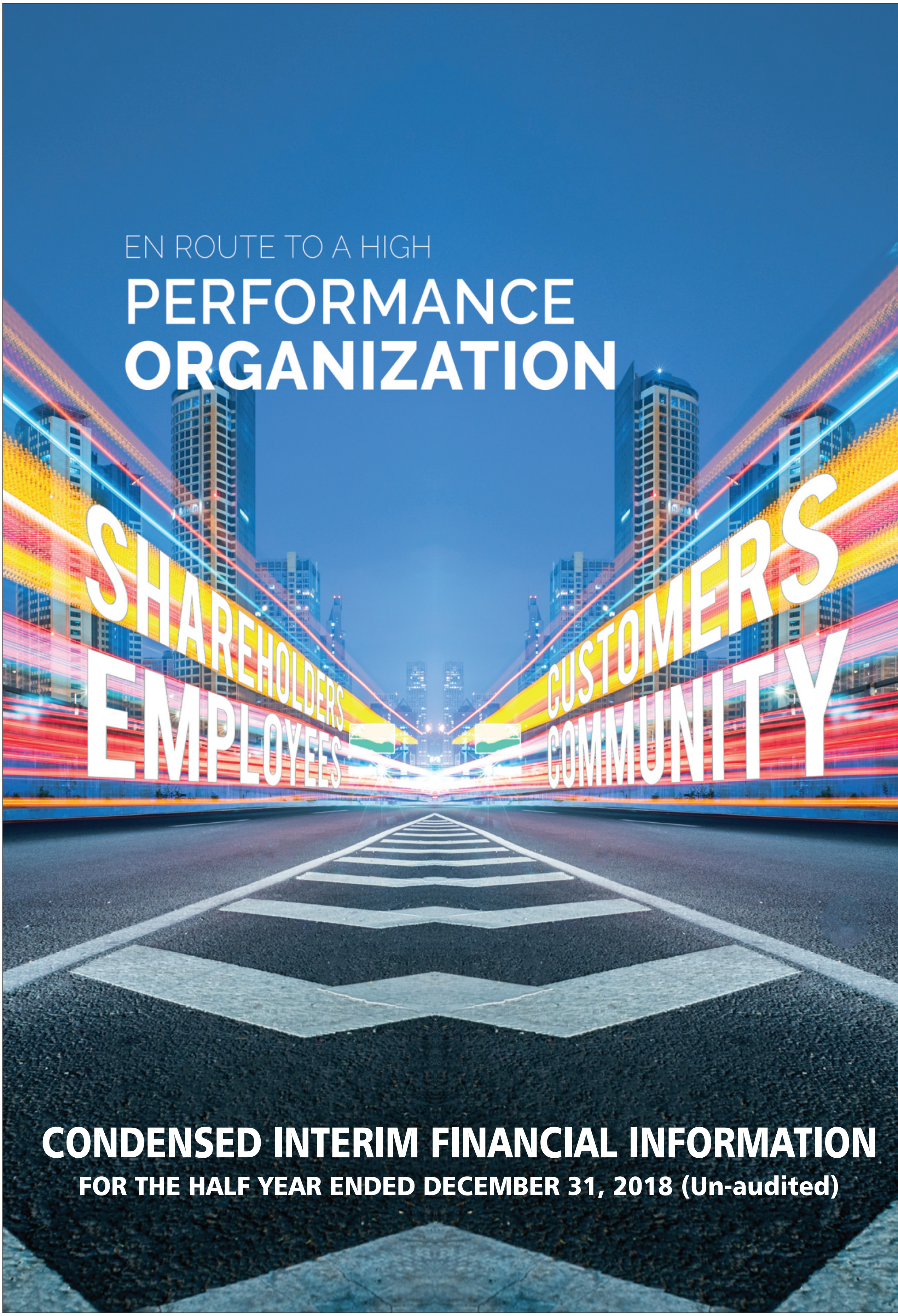


EN ROUTE TO A HIGH

PERFORMANCE ORGANIZATION

CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE HALF YEAR ENDED DECEMBER 31, 2018 (Un-audited)

Company Information

BOARD OF DIRECTORS

Mr. Shaukat Hassan
Chairman of the Board / Non Executive Director

Mr. Hassan Tahir
Chief Executive Officer / Executive Director

Mr. Muhammad Ali Hassan
Executive Director

Mr. Tahir Azam
Non Executive Director

Ms. Mavira Tahir
Non Executive Director

Mr. Faraz Akhtar Zaidi
Non Executive Director

Mr. Moon Seek Park
Non Executive Director (a nominee of SK Lubricants Co. Ltd.)

Mr. Muhammad Tabassum Munir
Independent Director

Dr. Safdar Ali Butt
Independent Director

Syed Asad Abbas Hussain
Independent Director

CHIEF FINANCIAL OFFICER

Mr. Muhammad Imran
Phone: +92-42-111-645-645
Fax: +92- 42-3631-18-14

COMPANY SECRETARY & CHIEF COMPLIANCE OFFICER

Mr. Fraz Amjad Khawaja
Phone: +92-42-111-645-645
Fax: +92- 42-3631-18-14

EXTERNAL AUDITORS

M/S Riaz Ahmed & Company, Chartered Accountants
10-B, Saint Marry Park, Main Boulevard Gulberg, Lahore
Phone: +92-42-35718137
Fax: +92-42-35714340

SHARE REGISTRAR

Share Registrar Services,
Central Depository Company of Pakistan Limited,
CDC House, 99-B, Block 'B', S.M.C.H.S. Main
Shahra-e-Faisal, Karachi-74400
Phone: +92-21-111-111-500

REGISTERED / HEAD OFFICE

1-A , Danepur Road, GOR - 1, Lahore
Phone: +92-42-111-645-645
Fax: +92- 42-3631-18-14
Email Address: info@masgroup.org

WEBSITE:

www.hitechlubricants.com
www.zicoil.pk

LEGAL ADVISOR

Mr. Ijaz Lashari
Lashari Law Associates, 22-Munawar Chamber
1-Mozang Road, Lahore
Phone: +92-42-37359287
Fax: 92-42-37321471

INTERNAL AUDITORS

EY Ford Rhodes, Chartered Accountants
96-B/ 1, Pace Mall Building 4th Floor,
M.M. Alam Road,Gulberg II Lahore
Phone: +92-42-35778402
Fax: +92-42-35778412

BANKERS

ISLAMIC BANKS
Meezan Bank Limited
AL-Baraka Bank Limited
Dubai Islamic Bank Limited

CONVENTIONAL BANKS

MCB Bank Limited
Standard Chartered Bank Limited
Habib Metropolitan Bank Limited
The Bank of Punjab
Bank AL-Habib Limited
National Bank of Pakistan
Askari Bank Limited
JS Bank Limited
Habib Bank Limited
United Bank Limited
Summit Bank Limited
Samba Bank
Faysal Bank
Bank Alfalah Limited

Directors' Review

Dear Shareholders,

On behalf of the Board of Directors, we are sharing financial statements for the second quarter and half year ended December 31, 2018. The Company incurred a loss of PKR 1.11 per share on a consolidated basis whereas incurred total loss of PKR 2.34 per share for the six months on consolidated basis, driven primarily by foreign exchange losses of PKR 88 m caused by the devaluation of rupee against the dollar.

Uncertainty in the economy, sliding exchange rates and increases in interest rates continued to impact the market. In addition, the price sensitivity of the consumer has increased pressure on our gross margins. This resulted in a 17% decline, in value terms, in our gross sales for the quarter from the equivalent quarter last year. However we increased our volumes in Passenger Car Motor Oil (PCMO) and a good portion of decline was contributed by our diesel segment due to slowdown in transport / Industrial / Agriculture sector.

Despite less than satisfactory results, caused by external factors, the Board is confident of improvement in the situation as the management has taken thoughtful steps to streamline its distribution and administrative processes. Additionally, strategic reviews of sales and gross margins have been carried out to ensure future profitability.

Position of IPO Funds

Bank balances of Rupees 55 million (31 December 2017: Rupees 72 million) and short term investments of Rupees 862 million (31 December 2017: Rupees 962 million) at 31 December 2018 represent un-utilized proceeds of the initial public offer and can only be utilized for the purpose of expansion through OMC Project of the Company.

Going forward

Our aim is to expand in the following areas where we have the potential of growth.

HTL Express

The Company continues its expansion plan in HTL Express and development of new service centers across Pakistan. We have 5 operational centers in Pakistan with additional centers under construction. We plan to launch a new HTL Express Franchise model this year in order to expand our market penetration. These centers are aimed at enhancing our sales in the retail segment, thereby improving our gross margins.

Oil Marketing Company (OMC)

Our first oil storage depot is ready for operation and its formal approval is under process. With the capacity of approx. 3000 tons, Oil and Gas Regulatory Authority (OGRA) has issued us a provisional license to construct 26 Fuel stations in Punjab. Our plan is to construct Fuel station on international design with unique facilities available to all motorists in shape of Petro Marts and HTL Express.

Hi-Tech Blending (Private) Limited (HTBL)

Our blending plant has been a very successful venture and is producing results every year. For the first time since its inception, we have successfully blended products under the brand name ZIC. These locally blended products cater to various segments of the market consisting of Passenger Car Motor Oil (PCMO), Heavy Duty Diesel Oil (HDDO) and Motorcycle Oil (MCO). We have received overwhelmingly favorable response on the sampling of these products and we plan to add more variants in our blending line.

The Company thanks its shareholders, employees and customers for their continued support.

Mr. Hassan Tahir
(Chief Executive)

Mr. Shaukat Hassan
(Chairman)

Lahore
February 07, 2019

ڈائریکٹرز کا جائزہ

عزیز حصص داران!

بورڈ آف ڈائریکٹرز کی جانب سے ہم دوسری سہ ماہی اور پہلی ششماہی مختتمہ 31 دسمبر 2018 کی مالیاتی معلومات پیش کر رہے ہیں۔ اس سہ ماہی میں کمپنی کو مجموعی طور پر 1.11 روپے فی شیئر کے حساب سے گھاٹا ہوا جبکہ ششماہی کا مجموعی گھاٹا 2.34 روپے فی شیئر رہا جس کی بنیادی وجہ ڈالر کے مقابلے میں روپے کی قدر میں کمی سے زرمبادلہ میں 88 ملین روپے کا نقصان ہونا تھی۔

مارکیٹ پر معیشت کی غیر یقینی صورتحال، زرمبادلہ کی شرح میں کمی اور شرح سود میں اضافہ کے اثرات جاری رہے۔ اس کے علاوہ صارف کی جانب سے قیمت کے بارے میں حساسیت سے ہمارے مجموعی منافع پر دباؤ میں اضافہ ہوا۔ اس کے نتیجے میں قدر کے لحاظ سے گزشتہ سال کی اسی مدت کے مقابلے میں اس سال 17% کمی ہوئی۔ تاہم ہم نے پسنجر کار موٹر آئل (PCMO) کی مقدار میں اضافہ کیا جب کہ ہمارے نقصان کی بڑی وجہ ٹرانسپورٹ / صنعت / زراعت کے شعبہ میں سست روی کے باعث ڈیزل کے شعبہ میں کمی آنا تھی۔

بیرونی عناصر کی وجہ سے ہمارے نتائج تسلی بخش سطح سے کم رہے، تاہم بورڈ کو صورتحال میں بہتری کا یقین ہے کیونکہ منیجمنٹ نے اپنے تقسیم کاری اور انتظامی طریقۂ کار میں سمجھداری کے ساتھ ردوبدل کے اقدامات کئے ہیں۔ اس کے علاوہ سیلز اور خام منافع کے حکمتِ عملی کے لحاظ سے جائزہ کے سبب مستقبل میں منفعت کے امکانات روشن ہیں۔

آئی پی او فنڈز کی پوزیشن

31 دسمبر 2018 کو 55 ملین روپے کا بینک بیلنس (31 دسمبر 2017 کو 72 ملین روپے) اور مختصر میعاد کی 862 ملین روپے کی سرمایہ کاری (31 دسمبر 2017 کو 962 ملین روپے) ابتدائی پبلک آفر سے حاصل غیر استعمال شدہ آمدنی کی نمائندگی کرتی ہے اور صرف کمپنی کے OMC پراجیکٹ کے پھیلاؤ کے مقاصد کے لئے استعمال ہوسکتی ہے۔

آئندہ کا لائحہ عمل

ہمارا مقصد درج ذیل حلقہ جات کو وسیع کرنا ہے جہاں بڑھوتی کے مواقع موجود ہیں:

ایچ ٹی ایل ایکسپریس

کمپنی ایچ ٹی ایل کے توسیعی منصوبوں اور پاکستان بھر میں نئے سروس سینٹرز کے قیام کیلئے سرگرم عمل ہے۔ اس وقت پاکستان میں ہمارے 5 سینٹرز کام کر رہے ہیں اور مزید سینٹرز زیرِ تعمیر ہیں۔ مارکیٹ میں زیادہ سے زیادہ موجودگی کی غرض سے اس سال ہم نئے ایچ ٹی ایل ایکسپریس فرنچائز ماڈل کا آغاز کر رہے ہیں۔ ان سینٹرز کا مقصد ریٹیل کے شعبہ میں اپنی سیلز میں اضافہ کرنا ہے جس کے باعث ہمارے خام منافع میں بہتری آسکے۔

آئل مارکیٹنگ کمپنی (OMC)

ہمارا پہلا آئل اسٹوریج ڈپو آپریشن کیلئے تیار ہے اور اس کی رسمی منظوری کا کام جاری ہے۔ تقریباً 3000 ٹن کی گنجائش کے ساتھ آئل اینڈ گیس ریگولیٹری اتھارٹی (اوگرا) نے پنجاب میں 26 فیول اسٹیشن تعمیر کرنے کیلئے عبوری لائسنس جاری کر دیا ہے۔ ہمارا منصوبہ ہے کہ یہ فیول اسٹیشن بین الاقوامی ڈیزائن کے مطابق تعمیر کئے جائیں جہاں موٹر گاڑی والوں کیلئے پیٹرومارٹ اور ایچ ٹی ایل ایکسپریس جیسی منفرد سہولتیں میسّر ہوں۔

ہائی ٹیک بلینڈنگ (پرائیویٹ) لمیٹڈ (HTBL)

ہمارا بلینڈنگ پلانٹ نہایت کامیابی کے ساتھ کام کر رہا ہے اور ہر سال اچھے نتائج فراہم کر رہا ہے۔ اپنے قیام کے بعد سے پہلی بار ہم نے ZIC کے برانڈ نام کے ساتھ اپنی برانڈڈ پروڈکٹس پیش کی ہیں۔ پسنجر کار موٹر آئل (PCMO)، ہیوی ڈیوٹی ڈیزل آئل (HDDO) اور موٹر سائیکل آئل (MCO) کے نام سے مقامی طور پر بلینڈڈ پروڈکٹس مارکیٹ کے مختلف شعبہ جات کو فراہم کی جا رہی ہیں۔ مارکیٹ میں پیش کئے جانے والے ان پروڈکٹس کے نمونوں کا مثبت اور نہایت پرجوش خیر مقدم کیا گیا ہے اور ہمارا منصوبہ ہے کہ ہم اپنی برانڈنگ لائن میں مزید مختلف النوع کی پروڈکٹ پیش کریں۔

کمپنی اپنے شیئر ہولڈرز، ملازمین اور صارفین کے مسلسل تعاون کی بے حد شکر گزار ہے۔

جناب حسن طاہر

چیف ایگزیکٹیو

جناب شوکت حسن

(چیئرمین)

لاہور 7 فروری 2019

Riaz Ahmad & Company
Chartered Accountants

10-B, Saint Mary Park
Main Boulevard, Gulberg-III
Lahore 54660, Pakistan
T: +92 (42) 3571 81 37-9
F: +92 (42) 3571 81 36
racolhr@racopk.com
www.racopk.com

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of Hi-Tech Lubricants Limited
Report on review of Unconsolidated Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of HI-TECH LUBRICANTS LIMITED as at 31 December 2018 and the related unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim statement of changes in equity, and unconsolidated condensed interim statement of cash flows, and notes to the unconsolidated condensed interim financial statements for the half year then ended (here-in-after referred to as the "unconsolidated condensed interim financial statements"). Management is responsible for the preparation and presentation of these unconsolidated condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these unconsolidated condensed interim financial statements based on our review. The figures of the unconsolidated condensed interim statement of profit or loss and unconsolidated condensed interim statement of comprehensive income for the quarters ended 31 December 2018 and 31 December 2017 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the half year ended 31 December 2018.

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 unconsolidated condensed interim 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.

Conclusion

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

The engagement partner on the review resulting in this independent auditor's review report is Mubashar Mehmood.

RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore

Date: February 07, 2019

A member of Nexia International

HI-TECH LUBRICANTS LIMITED

UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2018 (Un-audited)

Unconsolidated Condensed Interim Statement Of Financial Position (Un-audited)

As At December 31, 2018

	Note	Un-audited 31 December 2018 Rupees	Audited 30 June 2018 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
150,000,000 (30 June 2018: 150,000,000) ordinary shares of Rupees 10 each		1,500,000,000	1,500,000,000
Issued, subscribed and paid-up share capital		1,160,040,000	1,160,040,000
Reserves		2,085,573,350	2,732,681,018
Total equity		3,245,613,350	3,892,721,018
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	4	7,394,164	14,894,163
Liabilities against assets subject to finance lease	5	59,351,055	79,105,383
Long term deposits		1,000,000	1,500,000
Deferred income tax liability - net		-	12,068,590
		67,745,219	107,568,136
CURRENT LIABILITIES			
Trade and other payables		944,307,907	613,957,734
Accrued mark-up		54,595,029	18,217,096
Short term borrowings	6	3,296,483,171	707,635,668
Current portion of non-current liabilities		64,078,048	61,093,852
Unclaimed dividend		6,350,187	4,297,369
Taxation - net		93,520,113	116,775,146
		4,459,334,455	1,521,976,865
Total liabilities		4,527,079,674	1,629,545,001
CONTINGENCIES AND COMMITMENTS	7		
TOTAL EQUITY AND LIABILITIES		7,772,693,024	5,522,266,019

The annexed notes form an integral part of these unconsolidated condensed interim financial statements.

Chief Executive | Director | Chief Financial Officer

	Note	Un-audited 31 December 2018 Rupees	Audited 30 June 2018 Rupees
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	8	1,529,962,768	1,386,311,847
Intangible assets	9	4,709,410	2,894,585
Investment in subsidiary company	10	1,300,000,600	1,300,000,600
Long term loans to employees		70,065	280,132
Long term security deposits		38,927,934	38,612,406
Deferred income tax asset - net		26,027,492	-
		2,899,698,269	2,728,099,570
CURRENT ASSETS			
Stock-in-trade	11	2,421,284,530	961,206,375
Trade debts		235,993,618	236,936,937
Loans and advances		1,022,625,534	146,456,105
Short term deposits and prepayments		35,651,571	27,933,788
Other receivables		168,180,863	17,340,333
Accrued interest		10,061,745	15,334,604
Short term investments		865,754,501	917,353,557
Cash and bank balances		113,442,393	471,604,750
		4,872,994,755	2,794,166,449
TOTAL ASSETS		7,772,693,024	5,522,266,019

Chief Executive Director Chief Financial Officer

Unconsolidated Condensed Interim Statement Of Profit Or Loss (Un-audited)

For The Half Year Ended December 31, 2018

	HALF YEAR ENDED		QUARTER ENDED	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	Rupees	Rupees	Rupees	Rupees
SALES-net	5,144,197,384	5,973,809,180	3,040,093,187	3,728,826,710
Sales tax	(909,367,851)	(574,903,105)	(553,981,022)	(366,820,274)
NET SALES	4,234,829,533	5,398,906,075	2,486,112,165	3,362,006,436
COST OF SALES	(3,823,720,546)	(4,215,284,064)	(2,376,353,502)	(2,598,775,583)
GROSS PROFIT	411,108,987	1,183,622,011	109,758,663	763,230,853
DISTRIBUTION COST	(369,063,439)	(422,713,865)	(78,630,737)	(268,514,135)
ADMINISTRATIVE EXPENSES	(255,696,570)	(168,212,478)	(123,019,645)	(84,265,059)
OTHER EXPENSES	(66,772,362)	(49,526,450)	(44,520,379)	(32,221,214)
	(691,532,371)	(640,452,793)	(246,170,761)	(385,000,408)
OTHER INCOME	45,171,025	52,876,449	27,552,593	27,986,227
(LOSS) / PROFIT FROM OPERATIONS	(235,252,359)	596,045,667	(108,859,505)	406,216,672
FINANCE COST	(82,860,293)	(38,820,007)	(59,302,897)	(21,592,231)
(LOSS) / PROFIT BEFORE TAXATION	(318,112,652)	557,225,660	(168,162,402)	384,624,441
TAXATION	(106,197,725)	(175,628,466)	(52,136,150)	(121,024,448)
(LOSS) / PROFIT AFTER TAXATION	(424,310,377)	381,597,194	(220,298,552)	263,599,993
(LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED	(3.66)	3.29	(1.90)	2.27

The annexed notes form an integral part of these unconsolidated condensed interim financial statements.

Chief Executive | Director | Chief Financial Officer

Unconsolidated Condensed Interim
Statement of Comprehensive Income (Un-audited)
For The Half Year Ended December 31, 2018

	HALF YEAR ENDED		QUARTER ENDED	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	Rupees	Rupees	Rupees	Rupees
(LOSS) / PROFIT AFTER TAXATION	(424,310,377)	381,597,194	(220,298,552)	263,599,993
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss	-	-	-	-
Items that may be reclassified subsequently to profit or loss	-	-	-	-
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	(424,310,377)	381,597,194	(220,298,552)	263,599,993

The annexed notes form an integral part of these unconsolidated condensed interim financial statements.

Chief Executive | Director | Chief Financial Officer

Unconsolidated Condensed Interim
Statement Of Changes In Equity (Un-audited)

For The Half Year Ended December 31, 2018

	SHARE CAPITAL	RESERVES			TOTAL EQUITY
		CAPITAL	REVENUE	TOTAL RESERVES	
		SHARE PREMIUM	UN-APPROPRIATED PROFIT		
	(--------------------		Rupees	--------------------)	
Balance as at 30 June 2017 - audited	1,160,040,000	1,441,697,946	1,142,567,891	2,584,265,837	3,744,305,837
Transaction with owners:					
Final dividend for the year ended 30 June 2017 @ Rupee 1.75 per share	-	-	(203,007,000)	(203,007,000)	(203,007,000)
Profit for the half year ended 31 December 2017	-	-	381,597,194	381,597,194	381,597,194
Other comprehensive income for the half year ended 31 December 2017	-	-	-	-	-
Total comprehensive income for the half year ended 31 December 2017	-	-	381,597,194	381,597,194	381,597,194
Balance as at 31 December 2017 - un-audited	1,160,040,000	1,441,697,946	1,321,158,085	2,762,856,031	3,922,896,031
Transaction with owners:					
Interim dividend for the year ended 30 June 2018 @ Rupee 1.75 per share	-	-	(203,007,000)	(203,007,000)	(203,007,000)
Profit for the half year ended 30 June 2018	-	-	172,831,987	172,831,987	172,831,987
Other comprehensive income for the half year ended 30 June 2018	-	-	-	-	-
Total comprehensive income for the half year ended 30 June 2018	-	-	172,831,987	172,831,987	172,831,987
Balance as at 30 June 2018 - audited	1,160,040,000	1,441,697,946	1,290,983,072	2,732,681,018	3,892,721,018
Adjustment on adoption of IFRS -9 (Note 3.2)	-	-	(19,790,291)	(19,790,291)	(19,790,291)
Adjusted total equity as at 01 July 2018	1,160,040,000	1,441,697,946	1,271,192,781	2,712,890,727	3,872,930,727
Transaction with owners:					
Final dividend for the year ended 30 June 2018 @ Rupee 1.75 per share	-	-	(203,007,000)	(203,007,000)	(203,007,000)
Loss for the half year ended 31 December 2018	-	-	(424,310,377)	(424,310,377)	(424,310,377)
Other comprehensive income for the half year ended 31 December 2018	-	-	-	-	-
Total comprehensive loss for the half year ended 31 December 2018	-	-	(424,310,377)	(424,310,377)	(424,310,377)
Balance as at 31 December 2018 - un-audited	1,160,040,000	1,441,697,946	643,875,404	2,085,573,350	3,245,613,350

The annexed notes form an integral part of these unconsolidated condensed interim financial statements.

Chief Executive **Director** **Chief Financial Officer**

Unconsolidated Condensed Interim Statement OF Cash Flows (Un-audited)

For The Half Year Ended December 31, 2018

	Note	HALF YEAR ENDED 31 December 2018 Rupees	HALF YEAR ENDED 31 December 2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	12	(1,872,047,224)	963,910,101
Finance cost paid		(46,482,360)	(33,096,995)
Income tax paid		(167,548,840)	(155,803,380)
Net decrease in long term loans to employees		558,895	761,779
Net increase in long term security deposits		(1,615,400)	(7,471,800)
Net decrease in long term deposits		(500,000)	(500,000)
Net cash (used in) / generated from operating activities		(2,087,634,929)	767,799,705
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property and equipment		(174,785,624)	(164,725,530)
Capital expenditure on intangible assets		(3,372,575)	(649,834)
Proceeds from disposal of property and equipment		4,884,225	5,748,819
Loan to subsidiary company		(587,350,000)	(296,500,000)
Repayment of loan from subsidiary company		37,550,000	-
Short term investments - net		51,705,425	91,012,099
Dividend income		148,500	123,750
Interest received on loans to subsidiary company		15,320,519	-
Profit received on bank deposits and short term investments		27,107,312	31,290,093
Net cash used in investing activities		(628,792,218)	(333,700,603)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of liabilities against assets subject to finance lease		(22,128,532)	(13,286,413)
Long term financing - net		(7,499,999)	16,187,083
Dividend paid		(200,954,182)	(203,669,006)
Short term borrowings - net		2,588,847,503	218,860,139
Net cash from financing activities		2,358,264,790	18,091,803
Net (decrease) / increase in cash and cash equivalents		(358,162,357)	452,190,905
Cash and cash equivalents at beginning of the period		471,604,750	75,112,775
Cash and cash equivalents at end of the period		113,442,393	527,303,680

The annexed notes form an integral part of these unconsolidated condensed interim financial statements.

Chief Executive | **Director** | **Chief Financial Officer**

Selected Notes To The Unconsolidated Condensed Interim Financial Statements (Un-audited)

For The Half Year Ended December 31, 2018

1. THE COMPANY AND ITS OPERATIONS

Hi-Tech Lubricants Limited ("the Company") was incorporated under the repealed Companies Ordinance, 1984 (Now Companies Act, 2017) and listed on Pakistan Stock Exchange Limited. The registered office of the Company is situated at 1-A, Danepur Road, GOR-1, Lahore. The principal activity of the Company is to procure and distribute petroleum products. During the year ended 30 June 2017, Oil and Gas Regulatory Authority (OGRA) has granted license to the Company to establish an Oil Marketing Company (OMC), subject to some conditions.

2. BASIS OF PREPARATION

2.1 These unconsolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard 34: "Interim Financial Reporting" (IAS 34), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 These unconsolidated condensed interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended 30 June 2018. These unconsolidated condensed interim financial statements are un-audited, however, have been subjected to limited scope review by the auditors and are being submitted to the shareholders as required by the Listed Companies (Code of Corporate Governance) Regulations, 2017 and Section 237 of the Companies Act, 2017.

3. ACCOUNTING POLICIES

The accounting policies and methods of computations adopted for the preparation of these unconsolidated condensed interim financial statements are the same as applied in the preparation of the preceding audited annual published financial statements of the Company for the year ended 30 June 2018 except for the changes in accounting policies as stated in note 3.2 to these unconsolidated condensed interim financial statements.

3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these condensed interim financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During preparation of these unconsolidated condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Company for the year ended 30 June 2018.

3.2 CHANGES IN ACCOUNTING POLICIES DUE TO APPLICABILITY OF CERTAIN INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The following changes in accounting policies have taken place effective from 01 July 2018:

3.2.1 IFRS 9 'Financial Instruments'

The Company has adopted IFRS 9 "Financial Instruments" from 01 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the Company makes an irrevocable election on initial recognition to present gains and losses on equity instruments in other comprehensive income. Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the Company's own credit risk to be presented in other comprehensive income (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the Company. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The Company has adopted IFRS 9 without restating the prior year results.

Key changes in accounting policies resulting from application of IFRS 9

i) Classification and measurement of financial instruments

IFRS 9 largely retains the existing requirements in IAS 39 "Financial Instruments: Recognition and Measurment" for the classification and measurement of financial liabilities. However, it replaces the previous IAS 39 categories for financial assets i.e. loans and receivables, fair value through profit or loss (FVTPL), available for sale and held to maturity with the categories such as amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVTOCI).

Investments and other financial assets

a) *Classification*

From 01 July 2018, the company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

b) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in statement of profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in statement of profit or loss and presented in other income / (other expenses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Fair value through other comprehensive income (FVTOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the asset's cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through statement of comprehensive income, except for the recognition of impairment losses (reversal of impairment losses), interest income and foreign exchange gains and losses which are recognised in statement of profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in statement of comprehensive income is reclassified from equity to profit or loss and recognised in other income / (other expenses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income / (other expenses) and impairment losses are presented as separate line item in the statement of profit or loss.

Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in statement of profit or loss and presented net within other income / (other expenses) in the period in which it arises.

Equity instruments:

The Company subsequently measures all equity investments at fair value for financial instruments quoted in an active market, the fair value corresponds to a market price (level 1). For financial instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving financial instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3).

Fair value through other comprehensive income (FVTOCI)

Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to statement of profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Fair value through profit or loss (FVTPL)

Changes in the fair value of equity investments at fair value through profit or loss are recognised in other income / (other expenses) in the statement of profit or loss as applicable.

Dividends from such investments continue to be recognised in statement of profit or loss as other income when the Company's right to receive payments is established.

I) Impairment

From 01 July 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade debts and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

ii) Hedge accounting

IFRS 9 requires that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

There is no impact of the said change on these unconsolidated condensed interim financial statements as there is no hedge activity carried on by the Company during the period ended 31 December 2018.

Impacts of adoption of IFRS 9 on these unconsolidated condensed interim financial statements as on 01 July 2018

On 01 July 2018, the Company's management has assessed which business models apply to the financial assets held by the Company at the date of initial application of IFRS 9 (01 July 2018) and has classified its financial instruments into appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets – (01 July 2018)

	Loans and receivables Rupees	Amortised cost Rupees
Opening balance	236,936,937	-
Adjustments due to adoption of IFRS 9:		
Reclassification of trade debts	(236,936,937)	236,936,937
Recognition of expected life time credit losses on trade debts	-	(19,790,291)
	-	217,146,646

The impact of these changes on the Company's un-appropriated profit and equity is as follows:

Un-appropriated profit and equity (01 July 2018)

	Effect on un-appropriated profit Rupees	Effect on total equity Rupees
Opening balance	1,290,983,072	3,892,721,018
Adjustment on adoption of IFRS 9 due to recognition of expected life time credit losses on trade debts	(19,790,291)	(19,790,291)
	1,271,192,781	3,872,930,727

Reclassifications of financial instruments on adoption of IFRS 9

On the date of initial application, 01 July 2018, the classification and measurement of financial instruments of the Company were as follows:

	Measurement category		Carrying amounts		
	Original	New	Original	New	Difference
	(IAS 39)	(IFRS 9)	Rupees		
Non-current financial assets					
Loans and advances	Loans and receivables	Amortised cost	4,388,899	4,388,899	-
Deposits	Loans and receivables	Amortised cost	15,733,300	15,733,300	-
Trade debts	Loans and receivables	Amortised cost	236,936,937	217,146,646	19,790,291
Other receivables	Loans and receivables	Amortised cost	17,340,604	17,340,604	-
Accrued interest	Loans and receivables	Amortised cost	15,334,604	15,334,604	-
Current financial assets					
Short term investments:					
Term deposit receipts	Held to maturity	Amortised cost	851,833,801	851,833,801	-
Other short term investments	At fair value through profit or loss	At fair value through profit or loss	65,519,756	65,519,756	-
Cash and bank balances	Loans and receivables	Amortised cost	471,604,750	471,604,750	-
Non-current financial liabilities					
Long term financing	Amortised cost	Amortised cost	29,894,166	29,894,166	-
Liabilities against subject to finance lease	Amortised cost	Amortised cost	125,199,232	125,199,232	-
Long term deposits	Amortised cost	Amortised cost	1,500,000	1,500,000	-
Current financial liabilities					
Trade and other payables	Amortised cost	Amortised cost	330,463,137	330,463,137	-
Unclaimed dividend	Amortised cost	Amortised cost	4,297,369	4,297,369	-
Accrued mark-up	Amortised cost	Amortised cost	18,217,096	18,217,096	-
Short term borrowings	Amortised cost	Amortised cost	707,635,668	707,635,668	-

3.2.2 IFRS 15 'Revenue from Contracts with Customers'

The Company has adopted IFRS 15 from 01 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in Company's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the Company's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The Company has adopted IFRS 15 by applying the modified retrospective approach according to which the Company is not required to restate the prior year results.

i) Key changes in accounting policies resulting from application of IFRS 15

The Company recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

a) Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

b) Interest

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

c) Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

3.2.3 Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

	Un-audited 31 December 2018 Rupees	Audited 30 June 2018 Rupees
4. LONG TERM FINANCING		
From banking company - secured		
Bank Al-Habib Limited (Note 4.1)	9,639,584	13,495,415
Bank Al-Habib Limited (Note 4.1)	12,754,583	16,398,751
	22,394,167	29,894,166
Less: Current portion shown under current liabilities	15,000,003	15,000,003
	7,394,164	14,894,163

4.1 These facilities have been obtained to build warehouse at the property of Hi-Tech Blending (Private) Limited - subsidiary company at Sundar Raiwind Road. These facilities are secured against hypothecation charge over current assets of the Company of Rupees 1,067 million and personal guarantee of directors of the Company. These carry mark-up at the rate of 3 months KIBOR plus 1.75% per annum. These are repayable in 12 equal quarterly installments. Effective rate of mark-up charged during the period / year ranged from 8.67% to 9.94% (30 June 2018: 7.89% to 8.18%) per annum.

	Un-audited 31 December 2018 Rupees	Audited 30 June 2018 Rupees
5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Future minimum lease payments	117,038,412	134,911,579
Less: Un-amortized finance charge	8,609,312	9,712,347
Present value of future minimum lease payments	108,429,100	125,199,232
Less: Current portion shown under current liabilities	49,078,045	46,093,849
	59,351,055	79,105,383
6. SHORT TERM BORROWINGS		
From banking companies - secured		
Running finances (Note 6.1 and 6.2)	1,568,102,143	331,835,243
Finance against trust receipts (Note 6.1 and 6.3)	950,109,281	296,916,620
Running Musharakah (Note 6.1 and 6.4)	778,271,747	-
Musawamah finance (Note 6.1 and 6.5)	-	78,883,805
	3,296,483,171	707,635,668

6.1 These finances are obtained from banking companies under mark up arrangements and are secured against first joint pari passu hypothecation charge over current assets, lien over term deposit receipts and personal guarantee of sponsor directors.

6.2 The rates of markup range from 7.00 % to 11.90% (30 June 2018: 7.15% to 9.66%) per annum.

6.3 The rates of markup range from 7.80% to 11.29% (30 June 2018: 7.16% to 8.14%) per annum.

6.4 The rates of markup range from 7.93% to 11.40% (30 June 2018: 7.14% to 7.50%) per annum.

6.5 Mark up was paid at respective KIBOR plus 1% per annum. Effective rate of markup charged during the period / year ranged from 7.42% to 7.83% (30 June 2018: 7.42% to 7.83%) per annum.

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

7.1.1 Corporate guarantees of Rupees 1,425.520 million (30 June 2018: Rupees 1,425.520 million) have been given by the Company to the banks in respect of financing to Hi-Tech Blending (Private) Limited - subsidiary company.

7.1.2 Guarantees of Rupees 38 million (30 June 2018: Rupees 28 million) are given by the bank of the Company to Director Excise and Taxation, Karachi against disputed amount of infrastructure cess.

7.1.3 Guarantees of Rupees 22.314 million (30 June 2018: Rupees 12.314 million) are given by the bank of the Company to Chairman, Punjab Revenue Authority, Lahore against disputed amount of infrastructure cess.

7.1.4 Assessment under section 161 / 205 of the Income Tax Ordinance, 2001 for the tax year 2014 was finalized by the Deputy Commissioner Inland Revenue creating a demand of Rupees 18.207 million against the Company. The Company, being aggrieved filed an appeal before the Commissioner Inland Revenue (Appeals) {CIR(A)}, who decided the case in favour of the Company reducing the total demand to Rupees 0.191 million. However, Income Tax Department has filed an appeal against the order of the CIR(A) before the Appellate Tribunal Inland Revenue and the same is pending adjudication. No provision against the original tax demand has been recognized in these unconsolidated condendsed interim financial statements, as the Company, based on advice of the tax advisor, is confident of favorable outcome of litigation.

7.1.5 The Competition Commission of Pakistan ("CCP") had initiated a formal enquiry under the provisions of the Competition Act, 2010 ("the Act") on complaint against the Company and its wholly-owned subsidiary company, Hi-Tech Blending (Private) Limited by Chevron Pakistan Lubricants (Private) Limited ("Chevron") for adopting deceptive marketing practices in contravention of section 10 of the Act. It has also been prayed by Chevron to CCP to impose a penalty of 10% of the annual turnover of the Company and its wholly-owned subsidiary and / or Rupees 75.000 million, as CCP may deem appropriate. The Company and its wholly-owned subsidiary company have submitted a detailed reply before the CCP through their advocates, rejecting the contents of filed complaint, and expects a favorable outcome of the matter. Hence, no provision for penalty has been recognized in these unconsolidated condensed interim financial statements.

7.1.6 During the half year ended 31 December 2018, the Company has filed an appeal before Commissioner Inland Revenue Appeals [CIR(A)] against the order of Deputy Commissioner Inland Revenue (DCIR) passed under section 122 (1) and 122(5A) of the Income Tax Ordinance, 2001 for tax year 2013 whereby a demand of Rupees 83.494 million has been raised. CIR(A) vide order dated 18 December 2018 has upheld some of the additions made by DCIR and also directed the DCIR to give opportunity of hearing to the Company in one of the said matters. Being aggrieved by the order of CIR(A), the Company filed appeal before the Appellate Tribunal Inland Revenue [ATIR] which is pending adjudication. No provision against this demand has been recognized in these unconsolidated condendsed interim financial statements, as the Company, based on advice of the tax advisor, is confident of favorable outcome of litigation.

		Un-audited 31 December 2018 Rupees	Audited 30 June 2018 Rupees
7.2	**Commitments**		
7.2.1	Capital expenditures:		
	Contracts	8,047,429	25,168,567
	Letters of credit	-	4,862,700
		8,047,429	30,031,267
7.2.2	Letters of credit other than capital expenditure	-	245,018,196

7.2.3 The amount of future ijara rentals for ijara financing and the period in which these payments will become due are as follow:

	Un-audited 31 December 2018 Rupees	Audited 30 June 2018 Rupees
Not later than one year	5,128,646	5,004,436
Later than one year but not later than five years	5,611,824	7,943,488
	10,740,470	12,947,924

8. FIXED ASSETS

	Un-audited 31 December 2018 Rupees	Audited 30 June 2018 Rupees
Property and equipment:		
Operating fixed assets		
- Owned (Note 8.1)	901,928,873	836,309,262
- Leased (Note 8.2)	130,723,703	94,226,431
	1,032,652,576	930,535,693
Capital work-in-progress (Note 8.3)	497,310,192	455,776,154
	1,529,962,768	1,386,311,847

Selected Notes To The Unconsolidated Condensed Interim Financial Statements (Un-audited)

For The Half Year Ended December 31, 2018

		Un-audited 31 December 2018 Rupees	Audited 30 June 2018 Rupees
8.1	**Operating fixed assets – owned**		
	Opening book value	836,309,262	622,505,331
	Add: Cost of additions during the period / year (Note 8.1.1)	88,367,540	236,778,604
	Add: Book value of assets transferred from assets subject to finance lease during the period / year (Note 8.2.1)	1,137,317	13,841,808
		925,814,119	873,125,743
	Less: Book value of asstes written off during the period / year (Note 8.1.2)	-	1,544,019
	Less: Book value of deletions during the period / year (Note 8.1.3)	2,837,519	4,349,638
		922,976,600	867,232,086
	Less: Depreciation charged during the period / year	21,047,727	30,922,824
	Closing book value	901,928,873	836,309,262
8.1.1	**Cost of additions during the period / year**		
	Freehold land	12,276,632	59,678,232
	Buildings on freehold land	406,830	-
	Buildings on leasehold land	24,570,216	136,386,775
	Machinery	10,808,738	10,399,525
	Furniture and fittings	27,673,023	2,213,590
	Vehicles	6,282,637	11,056,501
	Office equipment	4,072,823	8,588,502
	Computers	2,276,641	8,455,479
		88,367,540	236,778,604
8.1.2	**Book value of assets written off during the period / year**		
	Cost:		
	Computers	-	4,083,208
	Less: Accumulated depreciation	-	2,539,189
		-	1,544,019
8.1.3	**Book value of deletions during the period / year**		
	Cost:		
	Vehicles	8,250,852	12,970,414
	Less: Accumulated depreciation	5,413,333	8,620,776
		2,837,519	4,349,638
8.2	**Operating fixed assets – leased**		
	Opening book value	94,226,431	92,080,840
	Add: Cost of additions during the period / year	50,658,047	39,013,031
		144,884,478	131,093,871
	Less: Book value of assets transferred to owned assets during the period / year (Note 8.2.1)	1,137,317	13,841,808
		143,747,161	117,252,063
	Less: Book value of deletions during the period / year - vehicles	-	1,740,409
		143,747,161	115,511,654
	Less: Depreciation charged during the period / year	13,023,458	21,285,223
	Closing book value	130,723,703	94,226,431
8.2.1	**Book value of assets transferred to owned assets during the period / year**		
	Cost:		
	Vehicles	2,596,350	28,076,186
	Less: Accumulated depreciation	1,459,033	14,234,378
		1,137,317	13,841,808

		Un-audited 31 December 2017 Rupees	Audited 30 June 2018 Rupees
8.3	**Capital work-in-progress**		
	Advance against purchase of apartment (Note 8.3.1)	25,226,750	25,226,750
	Advances for purchase of vehicles	-	44,915,300
	Civil works	237,465,839	234,196,221
	Mobilization and other advances	91,822,657	44,202,573
	Unallocated expenditures	142,794,946	107,235,310
		497,310,192	455,776,154

8.3.1 This represent advance given to BNP (Private) Limited against purchase of apartment in Grand Hayatt at 1-Constitution Avenue, Islamabad. On 29 July 2016, Capital Development Authority (CDA) cancelled the leased deed of BNP (Private) Limited on the grounds of violating the terms and conditions of the said lease. Against the alleged order, BNP (Private) Limited filed a writ petition before the Honorable Islamabad High Court ("IHC") challenging the cancellation of said lease. IHC dismissed the writ petition of BNP (Private) Limited. However, the honorable judge of IHC ruled that it is a duty of the Federal Government to ensure that the purchasers do not suffer due to Government's own wrongful actions and omissions, particularly when the regulatory failure of the CDA stands admitted. The Company and others filed appeals against the aforesaid judgement of IHC before Supreme Court of Pakistan. As per order dated 09 January 2019 of Supreme Court of Pakistan, the original lease stand revived together with all approvals and permissions already granted and BNP (Private) Limited shall complete the entire project within a reasonable time. In view of the aforesaid, advice of the legal counsel of the Company and the fact that the Company's apartment is one of the duly built apartments on 6th Floor of the Tower, no provision against advance for purchase of apartment has been recognized in these unconsolidated condensed interim financial statements.

		Un-audited 31 December 2017 Rupees	Audited 30 June 2018 Rupees
9	**INTANGIBLE ASSETS**		
	Computer software		
	Opening book value	2,894,585	7,553,843
	Add: Cost of addition during the period / year	3,372,575	676,234
	Less: Book value of assets writen off	-	110,051
	Less: Amortization charged during the period / year	1,557,750	5,225,441
	Closing book value	4,709,410	2,894,585
10.	**INVESTMENT IN SUBSIDIARY COMPANY - AT COST**		
	Hi-Tech Blending (Private) Limited - unquoted 130,000,060 (30 June 2018: 130,000,060) fully paid ordinary shares of Rupees 10 each Equity held: 100% (30 June 2018: 100%)	1,300,000,600	1,300,000,600
11.	**STOCK-IN-TRADE**		
	Lubricants (Note 11.1)	2,423,370,169	963,383,983
	Less: Provision for slow moving and damaged inventory items	2,326,241	2,450,521
		2,421,043,928	960,933,462
	Stock of promotional items	240,602	272,913
		2,421,284,530	961,206,375

11.1 This includes stock-in-transit of Rupees 436.548 million (30 June 2018: Rupees 224.707 million) and stock amounting to Rupees 1,098 million (30 June 2018: Rupees178.839 million) lying at customs bonded warehouses.

Selected Notes To The Unconsolidated Condensed Interim Financial Statements (Un-audited)

For The Half Year Ended December 31, 2018

	UN-AUDITED	
	HALF YEAR ENDED	
	31 December 2018	31 December 2017
	Rupees	Rupees
12. CASH GENERATED FROM OPERATIONS		
(Loss) / profit before taxation	(318,112,652)	557,225,660
Adjustments for non-cash charges and other items:		
Depreciation on operating fixed assets	34,071,185	22,149,335
Amortization on intangible assets	1,557,750	3,661,047
Provision for slow moving and damaged inventory items	193,841	-
Reversal of provision of slow moving and damaged inventory items	(318,121)	-
Gain on disposal of operating fixed assets	(2,046,706)	(1,798,630)
Dividend income	(148,500)	(123,750)
Unrealized loss on remeasurement of investment at fair value through profit or loss	290,070	11,245,769
Loss on disposal of investment	5,106,286	-
Interest income on loans to subsidiary company	(10,047,660)	-
Provision for doubtful trade debts	4,419,907	-
Profit on bank deposits and short term investments	(32,610,038)	(50,901,739)
Exchange loss - net	47,309,346	31,283,274
Finance cost	82,860,293	38,820,007
Working capital changes (Note 12.1)	(1,684,572,225)	352,349,128
	(1,872,047,224)	963,910,101

12.1 Working capital changes

(Increase) / decrease in current assets:		
Stock-in-trade	(1,459,953,875)	57,819,873
Trade debts	(23,266,879)	(288,767,624)
Loans and advances	(326,718,257)	311,091,298
Short term deposits and prepayments	(6,833,511)	(8,908,426)
Other receivables	(150,840,530)	14,025,999
	(1,967,613,052)	85,261,120
Increase in trade and other payables	283,040,827	267,088,008
	(1,684,572,225)	352,349,128

13. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of subsidiary company, associated undertakings, other related parties, key management personnel and provident fund trust. The Company in the normal course of business carries out transactions with various related parties. Detail of significant transactions with related parties are as follows:

	NATURE OF TRANSACTIONS	UN-AUDITED HALF YEAR ENDED 31 December 2018	UN-AUDITED HALF YEAR ENDED 31 December 2017	UN-AUDITED QUARTER ENDED 31 December 2018	UN-AUDITED QUARTER ENDED 31 December 2017
i. Transactions		Rupees			
Subsidiary company					
Hi-Tech Blending (Private) Limited	Sale of lubricants	137,600	-	66,200	-
	Purchase of lubricants	2,180,915,056	2,163,244,360	1,449,818,267	1,287,479,149
	Loans disbursed	587,350,000	296,500,000	400,850,000	-
	Repayment of loans	37,550,000	-	-	-
	Interest charged on short term loan	10,097,945	19,636,503	6,835,304	10,839,632
	Interest received on short term loan	15,356,819	-	-	-
	Lease rentals paid	1,500,000	-	750,000	-
Associated company					
MAS Associates (Private) Limited	Share of common expenses	352,505	356,931	129,777	224,382
Other related parties					
SK Lubricants Co., Ltd.	Purchase of lubricants	2,335,855,073	1,515,619,837	1,053,794,403	1,154,452,069
Directors	Rent expense	-	2,314,266	-	-
Employees' provident fund trust	Contribution	8,059,436	4,729,220	3,706,147	1,636,547
Key management personnel	Remuneration	110,859,858	69,425,877	55,973,755	33,932,375
Sabra Hamida Trust	Donations	8,000,000	6,000,000	4,500,000	3,000,000

	Un-audited 31 December 2018 Rupees	Audited 30 June 2018 Rupees
ii. Period end balances		
Subsidiary company:		
Investment in Hi-Tech Blending (Private) Limited	1,300,000,600	1,300,000,600
Advances to Hi-Tech Blending (Private) Limited	417,562,189	85,138,382
Short term loan	549,800,000	-
Accrued interest on short term loan	10,047,660	15,306,534
Associated company		
Receivable from MAS Associates (Private) Limited	129,777	79,042
Other related party:		
Receivable from SK Lubricants Co., Ltd.	98,370,561	17,024,000
Payable to SK Lubricants Co., Ltd.	73,369,059	432,907,455
Payable to employees' provident fund trust	2,761,940	2,614,250

14. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

(i) Fair value hierarchy

Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these condensed interim financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the following three levels. An explanation of each level follows underneath the table.

	31 December 2018			
Recurring fair value measurements	**Level 1**	**Level 2**	**Level 3**	**Total**
	---------- Rupees ----------			
Financial assets				
Financial assets at fair value through profit or loss	3,417,975	-	-	3,417,975
Total financial assets	3,417,975	-	-	3,417,975

	30 June 2018			
Recurring fair value measurements	**Level 1**	**Level 2**	**Level 3**	**Total**
	---------- Rupees ----------			
Financial assets				
Financial assets at fair value through profit or loss	65,519,756	-	-	65,519,756
Total financial assets	65,519,756	-	-	65,519,756

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the half year ended 31 December 2018. Further there was no transfer in and out of level 3 measurements.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include the use of quoted market prices.

15. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the preceding audited annual financial statements of the Company for the year ended 30 June 2018.

16. EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Company have declared an interim dividend of Rupees NIL per ordinary share at their meeting held on 07 February 2019. These condensed interim financial statements do not include the effect of the above interim dividend which will be accounted for in the period in which it is declared.

17 CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard (IAS) 34 'Interim Financial Reporting', the unconsolidated condensed interim statement of financial position and unconsolidated condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of comprehensive income and unconsolidated condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been rearranged, wherever necessary, for the purpose of comparison, however, no significant re-arrangements have been made.

18. DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated condensed interim financial statements were approved by the Board of Directors and authorized for issue on 07 February 2019.

19. GENERAL

Figures have been rounded off to nearest of Rupee.

Chief Executive **Director** **Chief Financial Officer**

HI-TECH LUBRICANTS LIMITED

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2018 (Un-audited)

Consolidated Condensed Interim Statement Of Financial Position

As At December 31, 2018

	Note	Un-Audited 31 December, 2018 Rupees	Audited June 30, 2018 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 150,000,000 (2018: 150,000,000) ordinary shares of Rupees 10 each		1,500,000,000	1,500,000,000
Issued, subscribed and paid-up share capital		1,160,040,000	1,160,040,000
Reserves		2,431,965,331	2,926,660,970
Total equity		3,592,005,331	4,086,700,970
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	4	11,656,222	19,156,221
Liabilities against assets subject to finance lease	5	60,555,482	80,309,810
Long term deposits		1,000,000	1,500,000
Deferred liabilities		162,526,441	112,227,115
		235,738,145	213,193,146
CURRENT LIABILITIES			
Trade and other payables		1,150,100,635	770,080,893
Accrued mark-up		76,818,928	29,696,233
Short term borrowings	6	3,792,270,025	1,325,250,528
Current portion of non-current liabilities		92,689,797	179,059,861
Unclaimed dividend		6,350,187	4,297,369
		5,118,229,572	2,308,384,884
Total liabilities		5,353,967,717	2,521,578,030
CONTINGENCIES AND COMMITMENTS	7		
TOTAL EQUITY AND LIABILITIES		8,945,973,048	6,608,279,000

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

Chief Executive **Director** **Chief Financial Officer**

	Note	Un-Audited 31 December, 2018 Rupees	Audited 30 June, 2018 Rupees
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	8	3,074,726,675	2,952,235,148
Intangible assets	9	5,294,207	2,917,354
Long term loans to employees		70,065	280,132
Long term security deposits		54,133,499	41,092,506
Deferred income tax asset - net		26,027,492	-
		3,160,251,938	2,996,525,140
CURRENT ASSETS			
Stores		31,021,620	26,759,589
Stock-in-trade	10	3,597,584,120	1,544,074,179
Trade debts		235,993,618	236,936,937
Loans and advances		145,096,205	80,222,041
Short term deposits and prepayments		49,928,134	60,831,795
Other receivables		272,718,445	109,129,419
Short term investments		865,754,501	917,353,557
Taxation - net		116,576,586	69,499,665
Cash and bank balances		471,047,881	566,946,678
		5,785,721,110	3,611,753,860
TOTAL ASSETS		8,945,973,048	6,608,279,000

Chief Executive

Director

Chief Financial Officer

Consolidated Condensed Interim Statement Of Profit or Loss (Un-audited)

For The Half Year Ended December 31, 2018

	HALF YEAR ENDED		QUARTER ENDED	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	Rupees	Rupees	Rupees	Rupees
SALES - net	5,514,952,944	6,319,353,629	3,286,562,292	3,946,360,917
Sales tax	(1,280,123,411)	(920,447,554)	(800,450,128)	(584,502,487)
NET SALES	4,234,829,533	5,398,906,075	2,486,112,164	3,361,858,430
COST OF SALES	(3,468,863,143)	(3,970,325,151)	(2,135,099,687)	(2,407,570,231)
GROSS PROFIT	765,966,390	1,428,580,924	351,012,477	954,288,199
DISTRIBUTION COST	(367,563,439)	(422,713,865)	(77,880,737)	(268,514,135)
ADMINISTRATIVE EXPENSES	(288,233,743)	(206,187,206)	(138,360,874)	(104,189,657)
OTHER EXPENSES	(120,216,037)	(60,716,560)	(100,039,183)	(40,628,812)
	(776,013,219)	(689,617,631)	(316,280,795)	(413,332,604)
OTHER INCOME	35,292,873	34,498,541	20,836,246	17,653,995
(LOSS) / PROFIT FROM OPERATIONS	25,246,044	773,461,834	55,567,928	558,609,590
FINANCE COST	(133,356,527)	(62,706,256)	(90,555,977)	(36,360,051)
(LOSS) / PROFIT BEFORE TAXATION	(108,110,483)	710,755,578	(34,988,049)	522,249,539
TAXATION	(163,787,865)	(198,558,651)	(93,578,754)	(143,954,633)
(LOSS) / PROFIT AFTER TAXATION	(271,898,348)	512,196,927	(128,566,803)	378,294,906
(LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED	(2.34)	4.42	(1.11)	3.26

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

Chief Executive | Director | Chief Financial Officer

Consolidated Condensed Interim
Statement of Comprehensive Income (Un-audited)

For The Half Year Ended December 31, 2018

	HALF YEAR ENDED		QUARTER ENDED	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	Rupees	Rupees	Rupees	Rupees
(LOSS) / PROFIT AFTER TAXATION	(271,898,348)	512,196,927	(128,566,803)	378,294,906
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss	-	-	-	-
Items that may be reclassified subsequently to profit or loss	-	-	-	-
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	(271,898,348)	512,196,927	(128,566,803)	378,294,906

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

Chief Executive

Director

Chief Financial Officer

Consolidated Condensed Interim Statement of Changes in Equity (Un-audited)

For The Half Year Ended December 31, 2018

	SHARE CAPITAL	RESERVES			TOTAL EQUITY
		CAPITAL RESERVE	REVENUE RESERVE	TOTAL RESERVES	
		SHARE PREMIUM	UN-APPROPRIATED PROFIT		
	(------------------------------	Rupees	------------------------------)		
Balance as at 01 July 2017	1,160,040,000	1,441,697,946	1,131,442,653	2,573,140,599	3,733,180,599
Transactions with owners:					
Final dividend for the year ended 30 June 2017 @ Rupee 1.75 per share of Rupees 10 each	-	-	(203,007,000)	(203,007,000)	(203,007,000)
Profit for the half year ended 31 December 2017	-	-	512,196,927	512,196,927	512,196,927
Other comprehensive income for the half year ended 31 December 2017	-	-	-	-	-
Total comprehensive income for the half year ended 31 December 2017	-	-	512,196,927	512,196,927	512,196,927
Balance as at 31 December 2017 - un-audited	1,160,040,000	1,441,697,946	1,440,632,580	2,882,330,526	4,042,370,526
Transaction with owners:					
Interim dividend for the year ended 30 June 2018 @ Rupee 1.75 per share	-	-	(203,007,000)	(203,007,000)	(203,007,000)
Profit for the half year ended 30 June 2018	-	-	247,337,444	247,337,444	247,337,444
Other comprehensive income for the half year ended 30 June 2018	-	-	-	-	-
Total comprehensive income for the half year ended 30 June 2018	-	-	247,337,444	247,337,444	247,337,444
Balance as at 30 June 2018 - audited	1,160,040,000	1,441,697,946	1,484,963,024	2,926,660,970	4,086,700,970
Adjustment on adoption of IFRS -9 (Note 3.2)	-	-	(19,790,291)	(19,790,291)	(19,790,291)
Adjusted total equity as at 01 July 2018	1,160,040,000	1,441,697,946	1,465,172,733	2,906,870,679	4,066,910,679
Transaction with owners:					
Final dividend for the year ended 30 June 2018 @ Rupee 1.75 per share	-	-	(203,007,000)	(203,007,000)	(203,007,000)
Loss for the half year ended 31 December 2018			(271,898,348)	(271,898,348)	(271,898,348)
Other comprehensive income for the half year ended 31 December 2018	-	-	-	-	-
Total comprehensive loss for the half year ended 31 December 2018	-	-	(271,898,348)	(271,898,348)	(271,898,348)
Balance as at 31 December 2018 - un-audited	1,160,040,000	1,441,697,946	990,267,385	2,431,965,331	3,592,005,331

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

Chief Executive **Director** **Chief Financial Officer**

Consolidated Condensed Interim Statement Of Cash Flows (Un-audited)

For The Half Year Ended December 31, 2018

		HALF YEAR ENDED	
		31 December 2018	31 December 2017
	Note	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	11	(2,407,858,330)	401,327,466
Finance cost paid		(101,540,366)	(51,862,452)
Income tax paid		(186,423,451)	(196,237,551)
Net decrease in long term loans to employees		558,895	761,779
Net increase in long term security deposits		4,873,635	(8,092,700)
Net decrease in long term deposits		(500,000)	-
Net cash generated from / (used in) operating activities		(2,690,889,617)	145,896,542
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(187,637,450)	(178,933,236)
Capital expenditure on intangible assets		(3,372,575)	(649,834)
Proceeds from disposal of property, plant and equipment		4,884,225	6,018,819
Short term investments - net		51,705,425	91,012,099
Dividend income		148,500	123,750
Interest received on loans to subsidiary company		5,272,859	-
Profit on bank deposits and term deposit receipts received		27,107,312	23,223,959
Net cash used in investing activities		(101,891,704)	(59,204,443)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of liabilities against assets subject to finance lease		(50,186,155)	(27,621,446)
Short term borrowings - net		3,016,819,497	(68,078,192)
Dividend paid		(200,954,182)	(203,669,006)
Long term financing - net		(68,796,636)	-
Repayment of long term financing		-	679,346,851
Net cash (used in) / from financing activities		2,696,882,524	379,978,207
Net increase in cash and cash equivalents		(95,898,797)	466,670,306
Cash and cash equivalents at beginning of the period		566,946,678	220,903,845
Cash and cash equivalents at end of the period		471,047,881	687,574,151

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

Chief Executive | **Director** | **Chief Financial Officer**

Selected Notes To The Consolidated Condensed Interim Financial Statements (Un-audited)

For The Half Year Ended December 31, 2018

1. THE GROUP AND ITS OPERATIONS

The Group consists of:

Holding Company

- Hi-Tech Lubricants Limited

Subsidiary Company

- Hi-Tech Blending (Private) Limited

Hi-Tech Lubricants Limited

Hi-Tech Lubricants Limited ("the Holding Company") was incorporated as a private limited company in Pakistan on 01 September 2008 under the Companies Ordinance, 1984 and subsequently converted into public limited company with effect from 31 October 2011. The shares of the Holding Company are listed on Pakistan Stock Exchange Limited. The registered office of the Holding Company is situated at 1-A, Danepur Road, GOR-1, Lahore. The principal activity of the Holding Company is to import and distribute petroleum products. Oil and Gas Regulatory Authority (OGRA) has granted license to the Holding Company to establish an Oil Marketing Company (OMC), subject to some conditions.

Hi-Tech Blending (Private) Limited

Hi-Tech Blending (Private) Limited ("the Subsidiary Company") was incorporated in Pakistan as a private limited company by shares under the Companies Ordinance, 1984 on 13 March 2014. The principal activity of the Subsidiary Company is to construct, own and operate lubricating oil blending plant. The registered office of the Subsidiary Company is situated at 1-A, Danepur Road, GOR-1, Lahore. The Subsidiary Company is a wholly owned subsidiary of Hi-Tech Lubricants Limited.

2. BASIS OF PREPARATION

2.1 These consolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard 34: "Interim Financial Reporting" (IAS 34), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 These consolidated condensed interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the annual audited financial statements of the Group for the year ended 30 June 2018. These consolidated condensed interim financial statements are un-audited, however, have been subjected to limited scope review by the auditors and are being submitted to the shareholders as required by the Listed Companies (Code of Corporate Governance) Regulations, 2017 and Section 237 of the Companies Act, 2017.

3. ACCOUNTING POLICIES

The accounting policies and methods of computations adopted for the preparation of these consolidated condensed interim financial statements are the same as applied in the preparation of the preceding audited annual published financial statements of the Group for the year ended 30 June 2018 except for the changes in accounting policies as stated in note 3.2 to these consolidated condensed interim financial statements.

3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these condensed interim financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During preparation of these consolidated condensed interim financial statements, the significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Group for the year ended 30 June 2018.

3.2 CHANGES IN ACCOUNTING POLICIES DUE TO APPLICABILITY OF CERTAIN INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The following changes in accounting policies have taken place effective from 01 July 2018:

3.2.1 IFRS 9 'Financial Instruments'

The Group has adopted IFRS 9 "Financial Instruments" from 01 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the Group makes an irrevocable election on initial recognition to present gains and losses on equity instruments in other comprehensive income. Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the Group's own credit risk to be presented in other comprehensive income (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the Group. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The Group has adopted IFRS 9 without restating the prior year results.

Key changes in accounting policies resulting from application of IFRS 9

i) Classification and measurement of financial instruments

IFRS 9 largely retains the existing requirements in IAS 39 "Financial Instruments: Recognition and Measurment" for the classification and measurement of financial liabilities. However, it replaces the previous IAS 39 categories for financial assets i.e. loans and receivables, fair value through profit or loss (FVTPL), available for sale and held to maturity with the categories such as amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVTOCI).

Investments and other financial assets

a) *Classification*

From 01 July 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in statement of profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in statement of profit or loss and presented in other income / (other expenses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Fair value through other comprehensive income (FVTOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the asset's cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through statement of comprehensive income, except for the recognition of impairment losses (reversal of impairment losses), interest income and foreign exchange gains and losses which are recognised in statement of profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in statement of comprehensive income is reclassified from equity to profit or loss and recognised in other income / (other expenses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income / (other expenses) and impairment losses are presented as separate line item in the statement of profit or loss.

Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in statement of profit or loss and presented net within other income / (other expenses) in the period in which it arises.

Equity instruments:

The Group subsequently measures all equity investments at fair value for financial instruments quoted in an active market, the fair value corresponds to a market price (level 1). For financial instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving financial instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3).

Fair value through other comprehensive income (FVTOCI)

Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to statement of profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Fair value through profit or loss (FVTPL)

Changes in the fair value of equity investments at fair value through profit or loss are recognised in other income / (other expenses) in the statement of profit or loss as applicable.

Dividends from such investments continue to be recognised in statement of profit or loss as other income when the Group's right to receive payments is established.

ii) Impairment

From 01 July 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade debts and other receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

iii) Hedge accounting

IFRS 9 requires that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

There is no impact of the said change on these consolidated condensed interim financial statements as there is no hedge activity carried on by the Group during the period ended 31 December 2018.

Impacts of adoption of IFRS 9 on these consolidated condensed interim financial statements as on 01 July 2018

On 01 July 2018, the group's management has assessed which business models apply to the financial assets held by the Group at the date of initial application of IFRS 9 (01 July 2018) and has classified its financial instruments into appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets – (01 July 2018)

	Loans and receivables	Amortised cost
	Rupees	Rupees
Opening balance	236,936,937	-
Adjustments due to adoption of IFRS 9:		
Reclassification of trade debts	(236,936,937)	236,936,937
Recognition of expected life time credit losses on trade debts	-	(19,790,291)
	-	217,146,646

The impact of these changes on the Group's un-appropriated profit and equity is as follows:

Un-appropriated profit and equity (01 July 2018)

	Effect on un-appropriated profit	Effect on total equity
	Rupees	Rupees
Opening balance	1,290,983,072	3,892,721,018
Adjustment on adoption of IFRS 9 due to recognition of expected life time credit losses on trade debts	(19,790,291)	(19,790,291)
	1,271,192,781	3,872,930,727

Reclassifications of financial instruments on adoption of IFRS 9

On the date of initial application, 01 July 2018, the classification and measurement of financial instruments of the Group were as follows:

	Measurement category		Carrying amounts		
	Original	New	Original	New	Difference
	(IAS 39)	(IFRS 9)	Rupees		
Non-current financial assets					
Loans and advances	Loans and receivables	Amortised cost	8,576,318	8,576,318	-
Deposits	Loans and receivables	Amortised cost	19,990,650	19,990,650	-
Trade debts	Loans and receivables	Amortised cost	236,936,937	217,146,646	19,790,291
Other receivables	Loans and receivables	Amortised cost	17,340,604	17,340,604	-
Accrued interest	Loans and receivables	Amortised cost	15,334,604	15,334,604	-
Current financial assets					
Short term investments:					
Term deposit receipts	Held to maturity	Amortised cost	851,833,801	851,833,801	-
Other short term investments	At fair value through profit or loss	At fair value through profit or loss	65,519,756	65,519,756	-
Cash and bank balances	Loans and receivables	Amortised cost	566,946,678	566,946,678	-
Non-current financial liabilities					
Long term financing	Amortised cost	Amortised cost	114,901,493	114,901,493	-
Liabilities against subject to finance lease	Amortised cost	Amortised cost	163,624,399	163,624,399	-
Long term deposits	Amortised cost	Amortised cost	1,500,000	1,500,000	-
Current financial liabilities					
Trade and other payables	Amortised cost	Amortised cost	462,209,970	462,209,970	-
Unclaimed dividend	Amortised cost	Amortised cost	4,297,369	4,297,369	-
Accrued mark-up	Amortised cost	Amortised cost	45,002,767	45,002,767	-
Short term borrowings	Amortised cost	Amortised cost	1,325,250,528	1,325,250,528	-

3.2.2 IFRS 15 'Revenue from Contracts with Customers'

The Group has adopted IFRS 15 from 01 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in Group's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the Group's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The Group has adopted IFRS 15 by applying the modified retrospective approach according to which the Company is not required to restate the prior year results.

i) Key changes in accounting policies resulting from application of IFRS 15

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

a) Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

b) Interest

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

c) Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

3.2.3 Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

	Un-audited 31 December 2018 Rupees	Audited 30 June 2018 Rupees
4. LONG TERM FINANCING		
From banking company - secured		
Holding Company		
Bank Al-Habib Limited (Note 4.1)	9,639,584	13,495,415
Bank Al-Habib Limited (Note4.1)	12,754,583	16,398,751
	22,394,167	29,894,166
Subsidiary Company		
Bank Al-Habib Limited (Note 4.2)	23,710,690	85,007,327
	46,104,857	114,901,493
Less: Current portion shown under current liabilities	34,448,635	95,745,272
	11,656,222	19,156,221

4.1 These facilities have been obtained to build warehouse at the property of Hi-Tech Blending (Private) Limited - subsidiary company at Sundar Raiwind Road. These facilities are secured against hypothecation charge over current assets of the Company of Rupees 1,067 million and personal guarantee of directors of the Company. These carry mark-up at the rate of 3 months KIBOR plus 1.75% per annum. These are repayable in 12 equal quarterly installments. Effective rate of mark-up charged during the period / year ranged from 8.67% to 9.94% (30 June 2018: 7.89% to 8.18%) per annum.

4.2 These term finance facilities, aggregating to Rupees 250.939 million (2018: Rupees 250.939 million), are secured by first pari passu hypothecation charge over current assets of the Subsidiary Company to the extent of Rupees 667 million, ranking hypothecation charge over current assets of the Subsidiary Company to the extent of Rupees 400 million, corporate guarantee of the Holding Company of Rupees 1.3 billion and personal guarantees of directors of the Subsidiary Company. The finance facilities are repayable in 6, 12 and 16 equal quarterly installments commenced on 31 March 2015 and ending on 25 November 2019. Mark-up is payable quarterly at the rate of 3 month KIBOR plus 2.00% per annum. Effective rate of mark-up charged during the year ranged from 8.04% to 11.53% (2018: 8.10% to 8.47%) per annum.

	Un-audited 31 December 2018 Rupees	Audited 30 June 2018 Rupees
5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Future minimum lease payments	127,928,708	174,275,897
Less: Un-amortized finance charge	9,132,064	10,651,498
Present value of future minimum lease payments	118,796,644	163,624,399
Less: Current portion	58,241,162	83,314,589
	60,555,482	80,309,810
6. SHORT TERM BORROWINGS		
From banking companies - secured		
- Holding Company		
From Conventional Banks		
Running finances (Note 6.1 and Note 6.2)	1,568,102,143	331,835,243
Finance against trust receipts (Note 6.1and Note 6.3)	950,109,281	296,916,620
Running musharakah (Note 6.1 and Note 6.4)	778,271,747	-
Musawamah (Note 6.1 and Note 6.5)	-	78,883,805
	3,296,483,171	707,635,668
- Subsidiary Company		
Short term finance (Note 6.6)	413,660,854	506,133,540
Murabaha / Musawamah (Note 6.7)	12,126,000	41,481,320
	425,786,854	547,614,860
From related parties - unsecured		
Loan from directors (Note 6.8)	70,000,000	70,000,000
	3,792,270,025	1,325,250,528

6.1 These finances are obtained from banking companies under markup arrangements and are secured against first joint pari passu hypothecation charge over current assets, lien over term deposit receipts, and personal guarantee of sponsor directors of Holding Company.

6.2 The rates of markup range from 7.00 % to 11.90% (30 June 2018: 7.15% to 9.66%) per annum.

6.3 The rates of markup range from 7.80% to 11.29% (30 June 2018: 7.16% to 8.14%) per annum.

6.4 The rates of markup range from 7.93% to 11.40% (30 June 2018: 7.14% to 7.50%) per annum.

6.5 Mark up was paid at respective KIBOR plus 1% per annum. Effective rate of markup charged during the period / year ranged from 7.42% to 7.83% (30 June 2018: 7.42% to 7.83%) per annum.

6.6 These represent finance against trust receipts and running finance from Bank Al-Habib Limited. Mark-up is payable quarterly at the rate of 3 month KIBOR plus 1 per annum. Effective rate of mark-up charged during the period / year ranged from 7.35% to 11.53% (2018: 7.35% to 8.16%) per annum. These are secured against trust receipts, first pari passu hypothecation charge over current assets of the Subsidiary Company to the extent of Rupees 667 million, ranking hypothecation charge over current assets of the Subsidiary Company to the extent of Rupees 400 million, personal guarantees of directors of the Subsidiary Company and corporate guarantee of the Holding Company of Rupees 1.3 billion.

6.7 This represents murabaha / musawamah finance facility of Rupees 250 million. Mark-up is payable at respective KIBOR plus 1% per annum. Effective rate of mark up charged during the period / year is 9.04% (2018: 7.92%). This is secured against hypothecation charge over present and future current assets to the extent of Rupees 400 million and hypothecation charge over present and future fixed assets to the extent of Rupees 400 million and corporate guarantee of the Holding Company.

6.8 These unsecured loans are from directors of the Subsidiary Company. Mark-up is payable yearly at the rate of 3 month KIBOR plus 2% per annum. Effective rate of mark-up charged during the period / year 8.93% to 10.88% (2018: 8.14% to 8.50%) per annum. These are repayable on demand. These loans were utilized for capital expenditure requirements of the Subsidiary Company.

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

7.1.1 Corporate guarantees of Rupees 1,425.52 million (2018: Rupees 1,425.52 million) have been given by the Company to the banks in respect of financing to Hi-Tech Blending (Private) Limited - subsidiary company.

7.1.2 Guarantees of Rupees 53 million (2018: Rupees 43 million) are given by the bank of the Company to Director Excise and Taxation, Karachi against disputed amount of infrastructure cess.

7.1.3 Guarantees of Rupees 37.798 million (2018: Rupees 27.80 million) are given by the bank of the Company to Chairman, Punjab Revenue Authority, Lahore against disputed amount of infrastructure cess.

7.1.4 Assessment under section 161 / 205 of the Income Tax Ordinance, 2001 for the tax year 2014 was finalized by the Deputy Commissioner Inland Revenue creating a demand of Rupees 18.207 million against the Company. The Company, being aggrieved filed an appeal before the Commissioner Inland Revenue (Appeals) {CIR(A)}, who decided the case in favour of the Company reducing the total demand to Rupees 0.191 million. However, Income Tax Department has filed an appeal against the order of the CIR(A) before the Appellate Tribunal Inland Revenue and the same is pending adjudication. No provision against the original tax demand has been recognized in these unconsolidated condensed interim financial statements, as the Company, based on advice of the tax advisor, is confident of favorable outcome of litigation.

7.1.5 The Competition Commission of Pakistan ("CCP") had initiated a formal enquiry under the provisions of the Competition Act, 2010 ("the Act") on complaint against the Company and its wholly-owned subsidiary company, Hi-Tech Blending (Private) Limited by Chevron Pakistan Lubricants (Private) Limited ("Chevron") for adopting deceptive marketing practices in contravention of section 10 of the Act. It has also been prayed by Chevron to CCP to impose a penalty of 10% of the annual turnover of the Company and its wholly-owned subsidiary and / or Rupees 75.000 million, as CCP may deem appropriate. The Company and its wholly-owned subsidiary company have submitted a detailed reply before the CCP through their advocates, rejecting the contents of filed complaint, and expects a favorable outcome of the matter. Hence, no provision for penalty has been recognized in these consolidated condensed interim financial statements.

7.1.6 The Company filed appeal before Commissioner Inland Revenue Appeals [CIR(A)] against the order of Deputy Commissioner Inland Revenue (DCIR). DCIR passed an order under section 122 (1) / 122(5A) of the Income Tax Ordinance, 2001 for tax year 2013 whereby a demand of Rupees 83.494 million has been raised. CIR(A) vide order dated 18 December 2018 has upheld some of the additions made by DCIR and also directed the DCIR to give opportunity of hearing to the Company in one of the said matters. Being aggrieved by the order of CIR(A), the Company filed appeal before the Appellate Tribunal Inland Revenue [Tribunal] which is pending adjudication. No provision against this demand has been made in these consolidated condensed interim financial statements as the Company is hopeful for a favorable outcome of appeal based on the opinion of the tax advisor.

Selected Notes To The Consolidated Condensed Interim Financial Statements (Un-audited)

For The Half Year Ended December 31, 2018

		Un-audited 31 December 2018 Rupees	Audited 30 June 2018 Rupees
7.2	**Commitments**		
7.2.1	Capital expenditures:		
	Contracts	8,047,429	33,313,371
	Letters of credit	-	4,862,700
		8,047,429	38,176,071
7.2.2	Letters of credit other than capital expenditures	221,727,240	253,445,076
7.2.3	The amount of future ijara rentals for ijara financing and the period in which these payments will become due are as follow:		
	Not later than one year	5,128,646	5,004,436
	Later than one year but not later than five years	5,611,824	7,943,488
		10,740,470	12,947,924
8.	**FIXED ASSETS**		
	Property, plant and equipment:		
	Operating fixed assets:		
	- Owned (Note 8.1)	2,315,338,514	2,274,075,216
	- Leased (Note 8.2)	218,559,284	183,496,576
		2,533,897,798	2,457,571,792
	Capital work-in-progress (Note 8.3)	540,828,877	494,663,356
		3,074,726,675	2,952,235,148
8.1	**Operating fixed assets – owned**		
	Opening book value	2,274,075,216	2,072,956,059
	Add: Cost of additions during the period / year (Note 8.1.1)	98,171,956	293,001,321
	Add: Book value of assets transferred from assets subject to finance lease during the period / year (Note 8.2.2)	1,137,317	14,234,440
		2,373,384,489	2,380,191,820
	Less: Book value of deletions during the period / year (Note 8.1.2)	3,064,524	4,349,638
		2,370,319,965	2,375,842,182
	Less: Book value of written off during the period / year	-	1,544,019
		2,370,319,965	2,374,298,163
	Less: Depreciation charged during the period / year	54,981,451	100,222,947
	Closing book value	2,315,338,514	2,274,075,216
8.1.1	**Cost of additions during the period / year**		
	Freehold land	12,276,632	59,678,232
	Building on freehold land	406,830	15,192,471
	Building on leasehold land	24,570,216	131,886,775
	Machinery	19,901,241	44,973,571
	Electric Installation	-	8,973,620
	Furniture and fittings	27,754,323	3,183,591
	Vehicles	6,282,637	11,056,501
	Office equipment	4,296,736	8,970,059
	Computers	2,683,341	9,086,501
		98,171,956	293,001,321

		Un-audited 31 December 2018 Rupees	Audited 30 June 2018 Rupees
8.1.2	**Book value of deletions during the period / year**		
	Cost:		
	Vehicles	8,477,857	12,970,414
	Less: Accumulated depreciation	5,413,333	8,620,776
		3,064,524	4,349,638
8.2	**Operating fixed assets – leased**		
	Opening book value	183,496,576	189,346,068
	Add: Cost of additions during the period / year (Note 8.2.1)	53,142,357	40,240,074
		236,638,933	229,586,142
	Less: Book value of assets transferred to owned assets during the period / year (Note 8.2.2)	1,137,317	14,234,440
		235,501,616	215,351,702
	Less: Book value of deletions during the period / year - vehicles (Note 8.2.3)	-	1,740,409
		235,501,616	213,611,293
	Less: Depreciation charged during the period / year	16,942,332	30,114,717
	Closing book value	218,559,284	183,496,576
8.2.1	**Cost of additions during the period / year**		
	Generator	-	-
	Vehicles	53,142,357	40,240,074
		53,142,357	40,240,074
8.2.2	**Book value of assets transferred to owned assets during the period / year**		
	Cost:		
	Vehicles	2,596,350	28,895,686
	Less: Accumulated depreciation	1,459,033	14,661,246
		1,137,317	14,234,440
8.2.3	**Book value of deletions during the period / year**		
	Cost:		
	Vehicles	-	2,088,490
	Less: Accumulated depreciation	-	348,081
		-	1,740,409
8.3	**Capital work-in-progress**		
	Advance against purchase of apartment (Note 8.3.1)	25,226,750	25,226,750
	Plant & machinery	35,231,172	35,231,172
	Advances for purchase of vehicles	-	44,915,301
	Civil works	244,573,271	236,672,167
	Mobilization and other advances	93,002,738	45,382,656
	Unallocated expenditures	142,794,946	107,235,310
		540,828,877	494,663,356

8.3.1 This represent advance given to BNP (Private) Limited against purchase of apartment in Grand Hyatt at 1-Constitution Avenue, Islamabad. On July 29, 2016 Capital Development Authority (CDA) cancelled the leased deed of BNP (Private) Limited on the grounds of violating the terms and conditions of the said lease. Against the alleged order, BNP (Private) Limited filed a writ petition before the Honorable Islamabad High Court ("the Court") challenging the cancellation of said lease. The Court dismissed the writ petition of BNP (Private) Limited. BNP (Private) Limited and other parties including Company filed intra court appeals in Supreme Court of Pakistan against the decision of CDA and the Court. Subsequent to reporting date i.e. on 09 January 2019, the Supreme Court of Pakistan has restored the original lease and ordered BNP (Private) Limited to pay certain amount to CDA in eight year equal installments and also furnished an unconditional bank guarantee of same amount in favour of CDA and give the CDA right to encash the guarantee if BNP defaults in payment of any installment.

In view of the aforesaid decision and the fact that the Company's apartment is one of the duly built apartments on 6th Floor of the Tower, no provision against advance for purchase of apartment has been recognized in these consolidated condensed interim financial statements.

9. INTANGIBLE ASSETS

	Un-audited 31 December 2018 Rupees	Audited 30 June 2018 Rupees
Computer software		
Opening book value	2,917,354	7,804,303
Add: Cost of addition during the period / year	4,060,572	676,234
Less: Amortization charged during the period / year	1,683,719	5,453,132
Less: written off	-	110,051
Closing book value	5,294,207	2,917,354

10. STOCK-IN-TRADE

	Un-audited 31 December 2018 Rupees	Audited 30 June 2018 Rupees
Raw materials (Note 10.1)	1,221,313,797	408,436,666
Work-in-process	-	10,732,181
	1,221,313,797	419,168,847
Finished goods (Note 10.2)	2,423,370,169	1,127,082,940
Provision for slow moving and damaged stock items	(2,326,241)	(2,450,521)
Un-realised gain on subsidiary stocks	(45,014,207)	-
	2,376,029,721	1,124,632,419
Stock of promotional items	240,602	272,913
	3,597,584,120	1,544,074,179

10.1 Raw and packing material include stock in transit of Rupees 97.396 million (30 June 2018: Rupees 240.081 million) and Raw material amounting to Rupees 459.944 million (30 June 2018: Rupees 51.418 million) lying at customs bonded warehouses.

10.2 This includes stock-in-transit of Rupees 436.548 million (30 June 2018: Rupees 224.707 million) and stock amounting to Rupees 1,098 million (30 June 2018: Rupees178.839 million) lying at customs bonded warehouses.

11. CASH GENERATED FROM OPERATIONS

	UN-AUDITED HALF YEAR ENDED	
	31 December 2018 Rupees	31 December 2017 Rupees
Profit/(Loss) before taxation	(108,110,483)	710,755,578
Adjustments for non-cash charges and other items:		
Depreciation on operating fixed assets	71,923,791	60,554,920
Amortization on intangible assets	1,683,719	3,774,893
Amortization of deferred income	(169,508)	(216,308)
Provision for doubtful trade debts	4,419,907	-
Provision for slow moving and damaged stock items	193,841	-
Provision for slow moving and obsolete store items	(318,121)	-
Gain on disposal of property and equipment	(2,046,706)	(1,934,809)
Dividend income	(148,500)	(123,750)
Profit on bank deposits and short term investments	(32,610,038)	(32,140,547)
Loss on disposal of investment	5,106,286	-
Unrealised loss on remeasurement of investments at fair value	290,070	11,245,769
Finance cost	143,454,472	62,706,256
Exchange loss - net	88,478,488	31,283,274
Provision for workers' profit participation fund	12,194,248	-
Provision for workers' welfare fund	30,000	-
Working capital changes (Note 11.1)	(2,592,229,796)	(444,577,810)
	(2,407,858,330)	401,327,466

	UN-AUDITED HALF YEAR ENDED 31 December 2018 Rupees	UN-AUDITED HALF YEAR ENDED 31 December 2017 Rupees
11.1 Working capital changes		
Decrease / (increase) in current assets:		
Stores	(4,262,031)	27,307,850
Stock-in-trade	(2,057,623,158)	(341,138,643)
Trade debts	(23,266,879)	(288,517,558)
Loans and advances	(377,638,258)	12,004,702
Short term deposits and prepayments	(7,426,564)	(5,838,609)
Other receivables	(163,603,011)	101,944,533
	(2,633,819,901)	(494,237,725)
(Decrease) / increase in trade and other payables	41,590,105	49,659,915
	(2,592,229,796)	(444,577,810)

12. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of subsidiary company, associated undertakings, other related parties, key management personnel and provident fund trust. The Company in the normal course of business carries out transactions with various related parties. Detail of significant transactions with related parties are as follows:

Relationship	NATURE OF TRANSACTIONS	UN-AUDITED HALF YEAR ENDED 31 December 2018	UN-AUDITED HALF YEAR ENDED 31 December 2017	UN-AUDITED QUARTER ENDED 31 December 2018	UN-AUDITED QUARTER ENDED 31 December 2017
		Rupees			
i Transactions					
Associated company					
MAS Associates (Private) Limited		352,505	356,931	129,777	224,382
Other related parties					
SK Lubricants Co.,	Purchase of lubricants	3,636,835,429	2,564,762,386	1,754,385,198	1,892,170,012
Directors	Rent expense	-	2,314,266	-	-
Directors	Markup on loan	3,495,243	2,874,182	1,919,648	1,437,974
Employees' provident fund trust	Contribution	9,132,781	5,493,250	4,244,506	2,013,369
Key management personnel	Remuneration	119,909,749	73,964,774	59,435,388	40,858,410
Sabra Hamida Trust	Donations	8,000,000	6,000,000	4,500,000	3,000,000

	Un-audited 31 December 2018 Rupees	Audited 30 June 2018 Rupees
ii. Period end balances		
Subsidiary company:		
Investment in Hi-Tech Blending (Private) Limited	1,300,000,600	1,300,000,600
Advances to Hi-Tech Blending (Private) Limited	417,562,189	85,138,382
Short term loan	549,800,000	-
Accrued interest on short term loan	10,047,660	15,306,534
Associated company		
Receivable from MAS Associates (Private) Limited	129,777	79,042

13. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

(i) Fair value hierarchy

Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these condensed interim consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the following three levels. An explanation of each level follows underneath the table.

	31 December 2018			
Recurring fair value measurements	**Level 1**	**Level 2**	**Level 3**	**Total**
	---------- Rupees ----------			
Financial assets				
Financial assets at fair value through profit and loss account	3,417,975	-	-	3,417,975
Total financial assets	3,417,975	-	-	3,417,975

	30 June 2018			
Recurring fair value measurements	**Level 1**	**Level 2**	**Level 3**	**Total**
	---------- Rupees ----------			
Financial assets				
Financial assets at fair value through profit and loss account	65,519,756.00	-	-	65,519,756.00
Total financial assets	65,519,756	-	-	65,519,756

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the half year ended 31 December 2018. Further there was no transfer in and out of level 3 measurements.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include the use of quoted market prices.

Selected Notes To The Consolidated Condensed Interim Financial Statements (Un-audited)

For The Half Year Ended December 31, 2018

	Un-audited 31 December 2018 Rupees	Audited 30 June 2018 Rupees
Other related party:		
Receivable from SK Lubricants Co.,	98,370,561	17,024,000
Payable to SK Lubricants Co.,	73,369,059	432,907,455
Payable to employees' provident fund trust	2,761,940	2,614,250

14. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the preceding audited annual financial statements of the Company for the year ended 30 June 2018.

15. EVENT AFTER THE REPORTING PERIOD AND CORRESPONDING FIGURES

The Board of Directors of the Company have declared an interim dividend of Rupees NIL per ordinary share at their meeting held on 07 February 2019. This condensed interim financial statement does not include the effect of the above interim dividend which will be accounted for in the period in which it is declared.

In order to comply with the requirements of International Accounting Standard (IAS) 34 'Interim Financial Reporting', the consolidated condensed interim statement of financial position and consolidated condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the consolidated condensed interim statement of profit or loss, consolidated condensed interim statement of comprehensive income and consolidated condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been rearranged, wherever necessary, for the purpose of comparison, however, no significant re-arrangements have been made.

16. DATE OF AUTHORIZATION FOR ISSUE

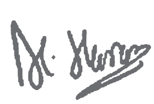
This consolidated condensed interim financial statement was approved by the Board of Directors and authorized for issue on 07 February 2019.

17. GENERAL

Bank balances of Rupees 55.366 million (30 June 2018: Rupees 54.947million)and short term investments of Rupees 851.032 million (30 June 2018: Rupees 907.844million)as at 31 December 2017 represent un-utilized proceeds of the initial public offer and can only be utilized for the purposes of OMC Project of the Company.

Figures have been rounded off to nearest of Rupee.

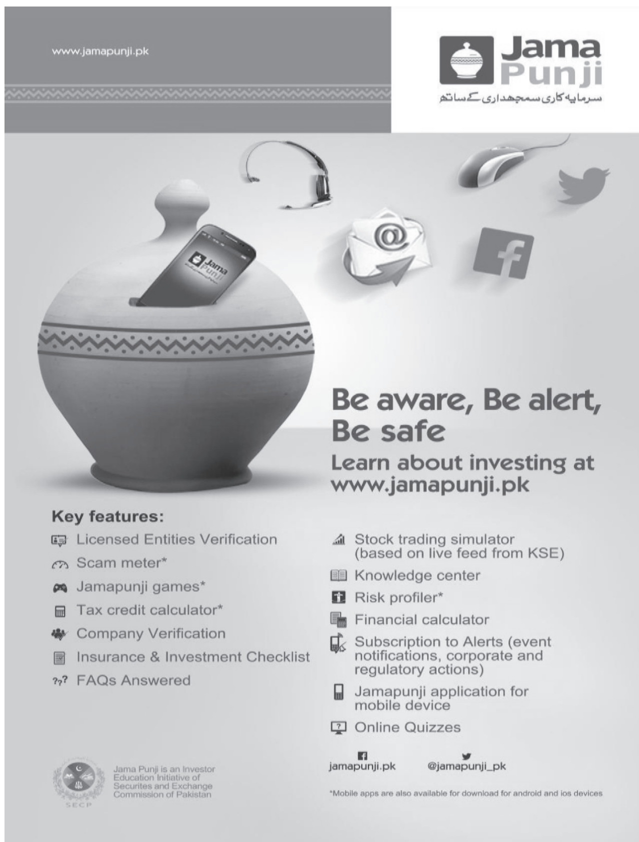
Chief Executive



Director

Chief Financial Officer

Jama Punji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www.hitechlubricants.com

Hi-Tech Lubricants Ltd

Corporate Office:
1-A, Danepur Road, G.O.R-1, Lahore.
UAN: +92 42 111 645 942
Phone: +92 42 36311881-3
Fax: +92 42 36311884

Karachi Office:
C-6/1, Street No.3, Bath Island,
Clifton Karachi
Phone: +92-21-35290674-5

Islamabad Office:
Suite No. 1402, 14th Floor,
Green Trust Tower,
Jinnah Avenue, Blue Area Islamabad.
Phone: +92-51-2813054-6

Multan Office:
House No. 95, Block C,
Phase III, Model Town, Multan.
Phone: +92-61-6521101-3

Peshawar Office:
Office No.280, 3rd Floor,
Deans Trade Centre,
Islamia Road, Peshawar Cantt.
Phone: +92-91-5253186-7