

**A.F. FERGUSON & CO.**

KARACHI-LAHORE-ISLAMABAD

CHARTERED ACCOUNTANTS

**AUDITOR'S REPORT TO THEMEMBERS**

We have audited the annexed balance sheet of Attock Petroleum Limited as at June 30,2006 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied except for the change referred to in note 4.6 to the financial statements, with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2006 and of the profit, its cash flows and changes in equity for the year then ended; and
  
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XV111 of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Chartered Accountants

-Sd-  
Islamabad  
August 22, 2006

**ATTOCK PETROLEUM LIMITED**  
**BALANCE SHEET AS AT JUNE 30, 2006**

	Note	2006 Rs ('000)	2005 Rs ('000)		Note	2006 Rs ('000)	2005 Rs ('000)
<b>SHARE CAPITAL AND RESERVES</b>							
Authorised capital	5	<u>750,000</u>	<u>750,000</u>	PROPERTY, PLANT AND EQUIPMENT	10	490,225	302,973
Issued, subscribed and paid up capital	5	400,000	400,000	CAPITAL WORK IN PROGRESS	11	<u>30,723</u>	<u>32,230</u>
Reserves						<u>520,948</u>	<u>335,203</u>
Special reserve	5.1	13,082	-	LONG TERM INVESTMENT IN ASSOCIATED COMPANIES	12	353,257	90,803
Revenue reserve				<b>CURRENT ASSETS</b>			
Unappropriated profit		<u>1,632,609</u>	<u>613,085</u>	Stores and spares		1,839	601
		<u>2,045,691</u>	<u>1,013,085</u>	Stock in trade	13	74,220	110,076
<b>NON CURRENT LIABILITIES</b>				Trade debts	14	2,502,476	277,119
Long term deposits	6	<u>100,638</u>	<u>84,099</u>	Advances, deposits, prepayments and other receivables	15	850,472	291,402
Deferred tax liability	7	<u>29,000</u>	<u>14,000</u>	Income tax refundable		-	75,591
		129,638	98,099	Cash and bank balances	16	<u>2,280,904</u>	<u>1,267,074</u>
<b>CURRENT LIABILITIES</b>						<u>5,709,911</u>	<u>2,021,863</u>
Trade and other payables	8	<u>4,039,396</u>	<u>1,336,685</u>				
Provision for taxation		<u>369,391</u>	<u>-</u>				
		4,408,787	1,336,685				
<b>CONTINGENCIES AND COMMITMENTS</b>							
	9	<u>6,584,116</u>	<u>2,447,869</u>				
		<u>6,584,116</u>	<u>2,447,869</u>				

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

Chief Executive

Director

**ATTOCK PETROLEUM LIMITED****CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2006**

	<b>2006</b> <b>Rs ('000)</b>	<b>2005</b> <b>Rs ('000)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,945,606	559,831
Adjustment for		
Depreciation	55,785	32,118
Gain on sale of property, plant and equipment	(364)	(824)
Fixed assets written off	2,204	-
Income on bank deposits and investments	(118,190)	(29,460)
Share of profit/loss of associated companies	<u>(34,268)</u>	<u>41</u>
	1,850,773	561,706
Changes in working capital		
(Increase) in stores and spares	(1,238)	(367)
Decrease/(Increase) in stock in trade	35,856	(88,619)
(Increase) in trade debts	(2,225,357)	(44,013)
(Increase) in advances, deposits, prepayments and other receivables	(542,986)	(208,154)
Increase in trade and other payables	2,700,768	749,332
	(32,957)	408,179
Taxes paid	<u>(93,018)</u>	<u>(99,302)</u>
Net cash from operating activities	1,724,798	870,583
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(244,037)	(79,092)
Proceeds from sale of property, plant and equipment	667	1,172
Held to maturity investments	-	34,980
Long term investment in associated companies	(235,516)	(88,599)
Income received on bank deposits and investments	102,106	28,257
Dividend received from associated companies	7,330	-
Net cash used in investing activities	(369,450)	(103,282)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(358,057)	(120,000)
Long term deposits received	16,539	24,449
Net cash used in financing activities	<u>(341,518)</u>	<u>(95,551)</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,013,830	671,750
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<u>1,267,074</u>	<u>595,324</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<u><u>2,280,904</u></u>	<u><u>1,267,074</u></u>

Chief Executive

Director

**ATTOCK PETROLEUM LIMITED**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2006**

	Share capital	Special reserve	Unappropriated profit	Total
	<u>Rs ('000)</u>	<u>Rs ('000)</u>	<u>Rs ('000)</u>	<u>Rs ('000)</u>
Balance as at June 30, 2004 - as previously reported	300,000		372,682	672,682
Change in accounting policy for investment in associates - note 4.6			(5)	(5)
Balance as at June 30, 2004 - restated	300,000	-	372,677	672,677
Profit for the year			460,408	460,408
Final dividend @ 40% relating to 2003-2004			(120,000)	(120,000)
Issue of bonus shares	100,000		(100,000)	-
Balance as at June 30, 2005	<u>400,000</u>	<u>-</u>	<u>613,085</u>	<u>1,013,085</u>
Balance as at June 30, 2005 - as previously reported	400,000		613,131	1,013,131
Change in accounting policy for investment in associates - note 4.6			(46)	(46)
Balance as at June 30, 2005 - restated	400,000	-	613,085	1,013,085
Profit for the year			1,392,606	1,392,606
Transfer to special reserve by an associated company		13,082	(13,082)	-
Final dividend @ 50% relating to 2004-2005			(200,000)	(200,000)
Interim dividend @ 40% relating to 2005-2006			(160,000)	(160,000)
Balance as at June 30, 2006	<u>400,000</u>	<u>13,082</u>	<u>1,632,609</u>	<u>2,045,691</u>

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

Chief Executive

Director

**ATTOCK PETROLEUM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006**

**1. LEGAL STATUS AND OPERATIONS**

Attock Petroleum Limited (the Company) was incorporated in Pakistan as a public limited company on December 3, 1995, commenced its operations in 1998 and listed on Karachi Stock Exchange on March 7, 2005. The registered office of the Company is situated at 6, Faisal Avenue, F-7/1, Islamabad, Pakistan. The Company is domiciled in Islamabad. The principal activity of the Company is procurement, storage and marketing of petroleum and related products. Pharaon Commercial Investment Group Limited has a controlling interest in the Company.

**2. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards (IAS) as notified under the provisions of the Companies Ordinance, 1984 (the Ordinance). Wherever, the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

**3. BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 30 to these financial statements.

**4. SIGNIFICANT ACCOUNTING POLICIES**

**4.1 Staff retirement benefits**

The Company operates:

- i) approved defined benefit funded pension plan for all eligible employees. Actuarial valuation is conducted periodically using the Projected Unit Credit Method and the latest valuation was carried out as at June 30, 2005. The details of the valuation are given in note 26. Net actuarial gains and losses are recognised over the expected remaining service life of the employees.
- ii) approved contributory provident fund for all employees for which contributions of Rs 1,374 thousand (2005: Rs 934 thousand) are charged to income for the year.

#### **4.2 Taxation**

Provision for current taxation is based on taxable income at the current rate of tax.

Deferred income tax is accounted for using liability method in respect of all temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on the tax rates that have been enacted. Deferred tax is charged or credited to income except in the case of items credited or charged to equity in which case it is included in equity.

#### **4.3 Provisions**

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

#### **4.4 Trade and other payables**

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received.

#### **4.5 Property, plant, equipment and capital work in progress**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any, except for freehold land and capital work in progress which is stated at cost.

Depreciation is charged to income on the straight line method to write off the cost of an asset over its estimated useful life at the rates specified in note 10. Full year's depreciation is charged on additions during the year, while no depreciation is charged on assets deleted during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gains and losses on disposal of assets are included in income.

#### **4.6 Investment in associated companies**

Investment in associated companies is accounted for using the equity method. Under this method the investments are stated at cost plus the Company's equity in undistributed earnings and losses after acquisition, less any impairment in the value of individual investments.

Previously, investment in associated companies were accounted for under cost method. Due to changes made in IAS 28 (Investment in associates) applicable from the current year, the Company changed its accounting policy for valuation of investment in associated companies from cost method to equity method. The change in accounting policy has been applied retrospectively and previous period's figures have been restated. Had there been no change in the accounting policy, investment in associated companies would have been lower by Rs 26,892 thousand, profit for the year lower by 26,938 thousand and profit for prior periods higher by Rs 46 thousand.

#### **4.7 Impairment**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

#### **4.8 Stores and spares**

These are stated at moving average cost less any provision for obsolete and slow moving items.

#### **4.9 Stock in trade**

Stock in trade is valued at the lower of cost, calculated on a first-in first-out basis, and net realisable value. Charges such as excise duty and similar levies incurred on unsold stock of products are added to the value of the stock and carried forward.

Net realisable value signifies the sale price in the ordinary course of business less costs necessary to make the sale.

#### **4.10 Trade debts and other receivables**

Trade debts and other receivables are carried at original invoice amount less provision for any uncollectible amounts.

#### **4.11 Revenue recognition**

Sales are recorded on despatch of goods to customers.

Commission and handling income is recognised on shipment of products.

Income on bank deposits is recognised on time proportion basis using the effective yield method.

Income on investment in associated company is recognised using the equity method. Under this method, the Company's share of post-acquisition profit or loss of the associated company is recognised in the profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. Dividend distribution by the associated company is adjusted against the carrying amount of the investment.

#### **4.12 Dividend distribution**

Dividend distribution to the shareholders is accounted for in the period in which dividend is declared.



**4.13 Foreign currency transactions**

Transactions in foreign currencies are converted into Rupees at the rates of exchange ruling on the date of the transaction. All assets and liabilities in foreign currencies are translated at exchange rate prevailing at the balance sheet date. Exchange gains and losses are taken to income.

**4.14 Financial assets and liabilities**

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of the contractual rights that comprise the financial assets and when the obligation specified in the contract is discharged, cancelled or expired. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These are subsequently measured at fair value, amortised cost or cost, as the case may be.

**4.15 Offsetting**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set off the recognised amounts and the Company intends to settle on a net basis, or realise the asset and settle the liability simultaneously.

**4.16 Cash and cash equivalents**

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, bank balances and highly liquid short term investments.

**4.17 Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional currency.

	2006 Rs ('000)	2005 Rs ('000)
<b>5. SHARE CAPITAL</b>		
<b>AUTHORISED CAPITAL</b>		
75,000,000 ordinary shares of Rs 10 each (2005: 75,000,000 ordinary shares of Rs 10 each)	<u>750,000</u>	<u>750,000</u>
<b>ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>		
<b>Shares issued for cash</b>		
5,000,000 ordinary shares of Rs 10 each (2005: 5,000,000 ordinary shares of Rs 10 each)	50,000	50,000
<b>Shares issued as fully paid bonus shares</b>		
At beginning of the year	350,000	250,000
Shares issued during the year	-	100,000
35,000,000 (2005: 35,000,000) ordinary shares	350,000	350,000
40,000,000 (2005: 40,000,000) ordinary shares of Rs 10 each	<u>400,000</u>	<u>400,000</u>

**5.1 SPECIAL RESERVE**

This represents the Company's share of amount set aside as a special reserve by National Refinery Limited, as a result of the directive of the Government to divert net profit after tax above 50 percent of paid-up capital to offset against any future loss or to make investment for expansion or up gradation of refineries. The amount transferred to special reserve is not available for distribution to the shareholders.

**6. LONG TERM DEPOSITS**

These represent interest free security deposits received from distributors, retailers and contractors and are refundable on cancellation of respective contracts or termination of related services.

	2006 Rs ('000)	2005 Rs ('000)
<b>7. DEFERRED TAX LIABILITY</b>		
Deferred tax liability arising due to accelerated tax depreciation	41,600	14,000
Deferred tax asset arising in respect of certain provisions	<u>(12,600)</u>	<u>-</u>
	<u>29,000</u>	<u>14,000</u>
<b>8. TRADE AND OTHER PAYABLES</b>		
Creditors	42,163	340,087
Due to related parties - unsecured - note 8.1	3,255,656	604,686
Accrued liabilities	362,556	107,691
Advance from customers	379,107	252,080
Retention money	16,988	2,674
Workers' profit participation fund - payable/(receivable) - note 8.2	(19,017)	29,467
Unclaimed dividend	1,943	-
	<u>4,039,396</u>	<u>1,336,685</u>
<b>8.1 Due to related parties:</b>		
National Refinery Limited	2,082,095	-
Attock Refinery Limited	1,168,588	588,084
Pakistan Oilfields Limited	3,741	14,014
The Attock Oil Company	1,019	2,320
Attock Cement Pakistan Limited	192	268
Attock Sahara Foundation	21	-
	<u>3,255,656</u>	<u>604,686</u>
<b>8.2 Workers' profit participation fund</b>		
Balance at beginning of the year	29,467	27,729
Amount allocated for the year	100,983	29,467
Amount paid to fund's trustees	(149,467)	(27,729)
Balance at end of the year	<u>(19,017)</u>	<u>29,467</u>
<b>9. CONTINGENCIES AND COMMITMENTS</b>		
(i) Claims of Government levies not accepted by the Company and currently under appeal	25,874	47,391
(ii) Capital expenditure commitments	35,647	57,543
(iii) Commitments for long term investment in shares of National Refinery Limited	-	235,516

**10. PROPERTY, PLANT AND EQUIPMENT**

	C o s t			D e p r e c i a t i o n			Written down value at June 30 2006	Annual rate of depreciation %
	At July 1, 2005	Additions/ (deletions)	At June 30, 2006	At July 1, 2005	Charge for the year/ (on deletions)	At June 30, 2006		
Freehold land	172,667	19,377	192,044	-	-	-	192,044	-
Buildings on leasehold land	17,996	32,430	50,426	3,958	2,521	6,479	43,947	5
Pipelines, pumps, tanks and meters	79,938	123,101 (149)	202,890	35,268	20,289 (15)	55,542	147,348	10
Equipment - signage	84,323	37,480 (2,061)	119,742	35,969	22,291 (941)	57,319	62,423	20
Electrical and fire fighting equipment	11,382	13,651 (343)	24,690	5,205	2,469 (211)	7,463	17,227	10
Furniture, fixture and equipment	4,911	4,225 (1,167)	7,969	1,802	797 (398)	2,201	5,768	10
Computer and auxiliary equipment	5,420	2,249 (360)	7,309	3,738	987 (109)	4,616	2,693	20
Motor vehicles	24,718	13,031 (505)	37,244	12,442	6,431 (404)	18,469	18,775	20
Total Rupees	401,355	245,544 (4,585)	642,314	98,382	55,785 (2,078)	152,089	490,225	
2005 Rupees	347,075	55,773 (1,493)	401,355	67,410	32,118 (1,146)	98,382	302,973	

**10.1** Cost of assets held by a large number of dealers of retail outlets of the Company are as follows:

	2006 Rs ('000)	2005 Rs ('000)
Equipment - Signage	109,747	82,951
Pipelines, pumps, tanks and meters	19,199	16,942

Due to large number of dealers it is impracticable to disclose the name of each person having possession of these assets, as required under para 5 of Part 1 of the 4th Schedule to the Companies Ordinance 1984.

	2006 Rs ('000)	2005 Rs ('000)
<b>11. CAPITAL WORK IN PROGRESS</b>		
Pumps, tanks and equipment	28,325	29,378
Advances to contractors	<u>2,398</u>	<u>2,852</u>
	<u>30,723</u>	<u>32,230</u>
<b>12. LONG TERM INVESTMENT IN ASSOCIATED COMPANIES</b>		
<b>National Refinery Limited (NRL) - Quoted</b> (666,388 fully paid ordinary shares of Rs 10 each Quoted market value as at June 30, 2006 Rs 177,926 thousand)		
Cost	321,865	-
Share of post-acquisition profit	34,098	-
Dividend received	<u>(7,330)</u>	<u>-</u>
	348,633	-
<b>Attock Information Technology Services (Private) Limited (AITSL) - Unquoted</b> (450,000 fully paid ordinary shares of Rs 10 each)		
Cost	4,500	4,500
Share of post-acquisition profit/(loss)	<u>124</u>	<u>(46)</u>
	4,624	4,454
Advance against purchase of shares of National Refinery Limited	-	86,349
	<u>353,257</u>	<u>90,803</u>

12.1 The Company's share in associated companies are as follows (Rs '000):

	Assets	Liabilities	Revenues	Profit/(loss)	%holding
2005					
Attock Information Technology Services (Private) Limited	<u>4,586</u>	<u>132</u>	<u>701</u>	<u>(41)</u>	10
2006					
National Refinery Limited	249,225	155,458	808,940	34,098	1
Attock Information Technology Services (Private) Limited	<u>4,906</u>	<u>282</u>	<u>1,037</u>	<u>170</u>	10
	<u>254,131</u>	<u>155,740</u>	<u>809,977</u>	<u>34,268</u>	

12.2 Although the Company has less than 20 percent shareholding in NRL and AITSL, these have been treated as associates since the Company has representation on their board of directors.

12.3 Based on a valuation analysis carried out by an external investment advisor engaged by the Company, the recoverable amount of investment in NRL exceeds its carrying amount. The recoverable amount has been estimated based on a value in use calculation. These calculations have been made on discounted cash flow based valuation methodology which assumes gross profit margin of 6.30%, terminal growth rate of 5% and capital asset pricing model based discount rate of 13.40%.

	2006 Rs ('000)	2005 Rs ('000)
<b>13. STOCK IN TRADE</b>		
Petroleum products	72,371	107,792
Packing material	<u>1,849</u>	<u>2,284</u>
	<u>74,220</u>	<u>110,076</u>

	2006 Rs ('000)	2005 Rs ('000)
<b>14. TRADE DEBTS</b>		
Consider good		
Secured	1,818,351	157,487
Unsecured	663,335	87,200
Due from related parties - (unsecured) - note 14.1	20,790	32,432
	2,502,476	277,119
Unsecured - considered doubtful	16,000	-
Provision for doubtful debts	(16,000)	-
	-	-
	<u>2,502,476</u>	<u>277,119</u>
<b>14.1 Due from related parties</b>		
Pakistan Oilfields Limited	18,694	26,638
Attock Cement Pakistan Limited	1,685	5,373
Attock Refinery Limited	411	421
	<u>20,790</u>	<u>32,432</u>
<b>15. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
Advances - considered good		
Suppliers	34,794	17,596
Employees against expenses	248	68
	35,042	17,664
Trade deposits and short-term prepayments		
Trade deposits	1,052	420
Short-term prepayments	2,492	1,978
	3,544	2,398
Current account balances with statutory authorities in respect of:		
Sales tax	413,757	157,380
Federal excise duty	15,442	-
	429,199	157,380
Accrued income		
Income on bank deposits	17,829	1,745
Other receivables		
Price differential claim receivable from the Government	334,247	100,694
Receivable from OMC's under freight pool	17,064	-
Claims receivable	12,167	10,401
Due from related parties - unsecured		
Attock Information Technology Services (Private) Limited	1,273	476
Staff provident fund	-	325
Staff pension fund	-	126
Others	107	193
	364,858	112,215
	<u>850,472</u>	<u>291,402</u>

	2006 Rs ('000)	2005 Rs ('000)
<b>16. CASH AND BANK BALANCES</b>		
Cash in hand	1,120	227
Bank balances		
On short term deposits	1,806,668	-
On interest/markup bearing saving account (includes US \$ 106,016; 2005: US \$ 108,011)	473,112	1,266,843
On current account	4	4
	<u>2,279,784</u>	<u>1,266,847</u>
	<u>2,280,904</u>	<u>1,267,074</u>
<b>16.1</b> Deposits of Rs 29,524 thousand (2005: Rs 33,658 thousand) were under lien with banks against letters of guarantees.		
<b>16.2</b> Balances in short term deposits and saving accounts earned interest/mark-up at weighted average rate of 8.8% per annum (2005: 4.7% per annum).		
<b>17. SALES</b>	2006 Rs ('000)	2005 Rs ('000)
Gross Sales	46,223,802	11,217,026
Rebates/Discount	(21,730)	(20,568)
	<u>46,202,072</u>	<u>11,196,458</u>
<b>18. COST OF PRODUCTS SOLD</b>		
Opening stock	110,076	21,457
Purchase of petroleum products and packing material	36,906,751	9,249,379
Excise duty	1,716,094	242,472
Development surcharge	368,743	75,407
	<u>38,991,588</u>	<u>9,567,258</u>
Closing stock	(74,220)	(110,076)
	<u>39,027,444</u>	<u>9,478,639</u>
<b>19. OTHER OPERATING INCOME</b>		
Commission and handling income	305,202	260,022
Tender and joining fee	5,761	1,549
Exchange gain	2,462	-
Gain on sale of property, plant and equipment	364	824
Other income	9,672	1,818
	<u>323,461</u>	<u>264,213</u>
<b>20. OPERATING EXPENSES</b>		
Salaries and benefits	68,443	48,889
Rent, taxes and other fees	15,250	7,637
Travelling and staff transport expenses	14,795	8,190
Repairs and maintenance	9,092	5,640
Donation - note 20.1	5,000	-
Advertising and publicity	4,759	9,659
Printing and stationery expenses	4,478	2,462
Electricity, gas and water	3,430	2,772
Insurance	3,388	1,485
Communication expenses	3,112	2,657
Legal and professional charges	2,703	3,667
Fixed assets written off	2,204	-
Subscription and fees	1,742	1,306
Transportation expenses	1,005	1,188
Auditors' remuneration -note 20.2	786	443
Bank charges	21,625	3,554
Exchange loss	-	684
Depreciation	55,785	32,118
Provision for doubtful debts	16,000	-
Other expenses	7,588	3,027
	<u>241,185</u>	<u>135,378</u>

**20.1** No director or his spouse had any interest in the donation made by the Company.

	2006 Rs ('000)	2005 Rs ('000)
<b>20.2 Auditor's remuneration</b>		
Statutory audit	293	225
Review of half yearly accounts, audit of staff funds and special certifications	400	189
Out of pocket expenses	93	29
	<u>786</u>	<u>443</u>

**21. INCOME ON BANK DEPOSITS AND INVESTMENTS**

Income on bank deposits	118,190	22,263
Income on Term Finance Certificates	-	1,446
Income on Carry Over Transactions	-	5,752
	<u>118,190</u>	<u>29,461</u>

**22. SHARE OF PROFIT/(LOSS) OF ASSOCIATED COMPANIES**

Share of profit/(loss) of associated companies is based on the audited financial statements of the associated companies for the year ended June 30, 2006.

	2006 Rs ('000)	2005 Rs ('000)
<b>23. INCOME TAX EXPENSE</b>		
Current - for the year	538,000	167,000
- for prior year	-	(67,527)
Deferred - for the year	15,000	(50)
	<u>553,000</u>	<u>99,423</u>

**23.1 Reconciliation of tax charge for the year**

	%	%
Applicable tax rate	35.00	35.00
Tax effect of export sales which are taxable @ 1% of sales	(6.02)	(5.09)
Tax effect of amounts that are not deductible for tax purposes	0.01	0.13
Tax effect of prior year tax	-	(12.06)
Tax effect of profit of associated companies taxed on the basis of divided income	(0.60)	-
Others	0.03	(0.22)
Average effective tax rate charged to income	<u>28.42</u>	<u>17.76</u>

**24. BASIC EARNINGS PER SHARE**

Profit after tax (Rupees in thousand)	<u>1,392,606</u>	<u>460,408</u>
Number of ordinary shares outstanding during the year	<u>40,000</u>	<u>40,000</u>
Basic earnings per share (Rupees)	<u>34.82</u>	<u>11.51</u>

**25. FINANCIAL INSTRUMENTS**

**25.1 Financial assets and liabilities**

	Rs ('000)					
	2006			2005		
	Interest/mark-up bearing	Non-interest/ mark-up bearing	Total	Interest/mark-up bearing	Non-interest/ mark-up bearing	Total
<b>FINANCIAL ASSETS</b>						
Maturity upto one year						
Trade debts		2,502,476	2,502,476		277,119	277,119
Advances, deposits and other receivables		812,938	812,938		271,760	271,760
Cash and bank balances - note 16						
Foreign currency - US \$	6,375		6,375	6,439		6,439
Local currency	2,273,405	1,124	2,274,529	1,260,404	231	1,260,635
Maturity after one year						
Investment in associated companies		353,257	353,257		90,803	90,803
	<u>2,279,780</u>	<u>3,669,795</u>	<u>5,949,575</u>	<u>1,266,843</u>	<u>639,913</u>	<u>1,906,756</u>
<b>FINANCIAL LIABILITIES</b>						
Maturity upto one year						
Trade and other payables		3,660,289	3,660,289		1,084,605	1,084,605
Maturity after one year						
Long term deposits		100,638	100,638		84,099	84,099
	<u>-</u>	<u>3,760,927</u>	<u>3,760,927</u>	<u>-</u>	<u>1,168,704</u>	<u>1,168,704</u>
<b>OFF BALANCE SHEET ITEMS</b>						
Commitments - note 9	<u>-</u>	<u>35,647</u>	<u>35,647</u>	<u>-</u>	<u>293,059</u>	<u>293,059</u>

**25.2 Credit risk**

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Company's credit risk is primarily attributable to its trade debts, investments and balances at banks. Credit sales are against letters of credit/bank drafts/agreements and to other Oil Marketing Companies or reputable organizations. The credit risk on investments and bank balances is limited because the counter parties are companies/banks with reasonably high credit ratings.

**25.3 Foreign currency risk**

Financial assets of Rs 460,970 thousand (2005: Rs 27,300 thousand) and financial liabilities of Rs 70,790 thousand (2005: Rs 60,780 thousand) were in foreign currency and subject to foreign exchange risk.

**25.4 Fair value of financial assets and liabilities**

The carrying value of financial assets and liabilities approximate their fair value except for investments in associated companies which are stated under equity method.



**26. STAFF RETIREMENT BENEFITS**

- (i) The details of actuarial valuation of defined benefit funded pension plan carried out as at June 30, 2005 were as follows:

<b>Reconciliation of receivable from defined benefit plan</b>	Rs ('000)
Present value of defined benefit obligation	5,714
Fair value of plan assets	(6,110)
Net actuarial losses not recognized	<u>270</u>
Balance at June 30, 2005	<u><u>(126)</u></u>

**Movement in net (asset)/liability recognised**

Balance at July 1, 2004	99
Expense for the year	1,750
Benefits paid during the year	<u>(1,975)</u>
Balance at June 30, 2005	<u><u>(126)</u></u>

**Expense**

Service cost	1,744
Interest cost	265
Expected return on plan assets	<u>(259)</u>
Expense for 2005	<u><u>1,750</u></u>

The Projected Unit Credit Method using the following significant assumptions was used for the valuation of the scheme:

Valuation discount rate	10% p.a.
Salary increase	10% p.a.
Expected return on plan assets	6.10% p.a.
Pension indexation	0% p.a.

- (ii) The movement in net (asset)/liability for the year ended June 30, 2006 is as follows:

	Rs ('000)
Balance at July 1, 2005	(126)
Expense for the year	2,686
Benefits paid during the year	<u>(2,560)</u>
Balance at June 30, 2006	<u><u>-</u></u>

**27. TRANSACTIONS WITH RELATED PARTIES**

Aggregate transactions with related parties, other than remuneration to the chief executive, directors and executives of the Company under their terms of employment, were as follows:

	2006 Rs ('000)	2005 Rs ('000)
<b>Associated companies</b>		
Attock Refinery Limited		
Purchase of petroleum products	15,244,796	8,184,135
Purchase of services	6,857	8,550
Sale of petroleum products	1,024	2,771
Handling income	177,006	246,030
Sale of services	509	1,537
National Refinery Limited		
Purchase of petroleum products	19,357,587	-
Purchase of services	19,270	-
Sale of petroleum products	910	-
Handling income	128,196	-
Sale of services	259	-
Pakistan Oilfield Limited		
Purchase of petroleum products	93,435	32,445
Purchase of services	3,908	3,209
Sale of petroleum products	402,752	214,213
Sale of services	2,213	1,309
Attock Oil Company Limited		
Purchase of petroleum products	35,775	13,015
Purchase of services	20,847	10,746
Attock Cement Pakistan Limited		
Purchase of services	3,159	2,671
Sale of petroleum products	60,633	28,055
Attock Information Technology Services (Private) Limited		
Sale of services	1,364	476
Investment in associated company	-	2,250
Attock Sahara Foundation		
Purchase of goods	58	-

The prices for purchase and sale of regulated products are based on prices notified by the Government. The prices for purchase of other products are based on market prices or at discounted prices determined in relation to the quantity purchased and the distribution margin for the regulated products. Commission and handling income is based on commercially negotiated terms. Purchase and sale of services are based on allocated cost.

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**28. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

	Rs ('000)					
	Chief Executive		Directors		Executives	
	2006	2005	2006	2005	2006	2005
Managerial remuneration	7,267	4,569	1,343	2,261	4,213	1,449
Commission / bonus	3,909	2,705	1,034	887	961	158
Company's contribution to provident and pension funds	893	686	194	371	914	344
Housing and utilities	1,992	1,485	432	486	1,842	750
Leave passage	420	381	92	422	377	150
	<u>14,481</u>	<u>9,826</u>	<u>3,095</u>	<u>4,427</u>	<u>8,307</u>	<u>2,851</u>
No. of person(s)	1	1	2	2	5	2

**28.1** The above includes amounts charged by an associated company for share of chief executive's and one director's remuneration as approved by the Board of Directors of the Company. Executives were also provided with use of Company maintained cars and medical facilities as per Company policy.

**29. NUMBER OF EMPLOYEES**

Total number of employees at the end of the year were 98 (2005: 84).

**30. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of 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, including expectations of future events that are believed to be reasonable under the circumstances. The area where assumptions and estimates are significant to the Company's financial statements is the estimate of recoverable amount of investment in associated companies - note 12.

**31. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors in their meeting held on August 22, 2006 have proposed a final dividend for the year ended June 30, 2006 @ Rs 8/- per share, amounting to Rs 320,000 thousand for approval of the members in the Annual General Meeting to be held on October 9, 2006.

**32. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue by the Board of Directors of the Company on August 22, 2006.

Chief Executive

Director

**ATTOCK PETROLEUM LIMITED****PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2006**

	Note	2006 Rs ('000)	2005 Rs ('000)
Sales	17	46,202,072	11,196,458
Sales tax		<u>(5,362,773)</u>	<u>(1,286,776)</u>
NET SALES		40,839,299	9,909,682
Cost of products sold	18	<u>(39,027,444)</u>	<u>(9,478,639)</u>
GROSS PROFIT		1,811,855	431,043
Other operating income	19	323,461	264,213
Operating expenses	20	<u>(241,185)</u>	<u>(135,378)</u>
OPERATING PROFIT		<u>1,894,131</u>	<u>559,878</u>
Income on bank deposits and investments	21	118,190	29,461
Share of profit/(loss) of associated companies	22	34,268	(41)
Workers' profit participation fund		<u>(100,983)</u>	<u>(29,467)</u>
PROFIT BEFORE TAXATION		1,945,606	559,831
Income tax expense	23	<u>(553,000)</u>	<u>(99,423)</u>
PROFIT FOR THE YEAR		<u><u>1,392,606</u></u>	<u><u>460,408</u></u>
Basic earnings per share (Rupees)	24	34.82	11.51

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

Chief Executive

Director