

**ATTOCK PETROLEUM LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2010**

## AUDITOR'S REPORT TO THE MEMBERS


A.F.Ferguson & Co.  
Chartered Accountants  
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We have audited the annexed balance sheet of Attock Petroleum Limited as at June 30, 2010 and the related profit and loss account, statement of comprehensive income, 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 the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 3.1 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, statement of comprehensive income, 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, 2010 and of the profit, total comprehensive income, 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 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

  
Chartered Accountants  
Islamabad

Date: September 29, 2010

Engagement partner: M. Imtiaz Aslam

**ATTOCK PETROLEUM LIMITED**  
**BALANCE SHEET**  
**AS AT JUNE 30, 2010**

	Note	2010 Rupees ('000)	2009 Rupees ('000)		Note	2010 Rupees ('000)	2009 Rupees ('000)
<b>SHARE CAPITAL AND RESERVES</b>							
Authorised capital	6	<u>1,500,000</u>	<u>1,500,000</u>	<b>NON CURRENT ASSETS</b>			
Issued, subscribed and paid up capital	6	576,000	576,000	Property, plant and equipment	12	1,217,217	1,130,875
Reserves				Long term investments in associated companies	13	765,739	733,397
Special reserve	7	17,043	34,097	Long term prepayments	14	30,463	-
Revenue reserve				<b>CURRENT ASSETS</b>			
Unappropriated profit		<u>8,643,534</u>	<u>6,472,171</u>	Stores and spares		6,630	2,827
		9,236,577	7,082,268	Stock in trade	15	993,282	141,507
<b>NON CURRENT LIABILITIES</b>							
Long term deposits	8	<u>178,908</u>	<u>159,538</u>	Trade debts	16	7,602,060	7,835,521
Deferred income tax liability	9	<u>110,000</u>	<u>92,000</u>	Advances, deposits, prepayments and other receivables	17	719,904	993,395
		288,908	251,538			-	-
<b>CURRENT LIABILITIES</b>							
Trade and other payables	10	<u>11,554,057</u>	<u>10,730,633</u>	Short term investments	18	831,754	-
Provision for income tax		363,110	207,993	Cash and bank balances	19	9,275,603	7,434,910
		11,917,167	10,938,626			19,429,233	16,408,160
<b>CONTINGENCIES AND COMMITMENTS</b>							
	11	<u>21,442,652</u>	<u>18,272,432</u>			<u>21,442,652</u>	<u>18,272,432</u>

The annexed notes 1 to 37 form an integral part of these financial statements.

  
 Chief Executive

  
 Director

**ATTOCK PETROLEUM LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Note	2010 Rupees ('000)	2009
Sales	20	94,897,866	70,724,427
Sales tax		<u>(12,105,948)</u>	<u>(8,861,275)</u>
<b>NET SALES</b>		82,791,918	61,863,152
Cost of products sold	21	<u>(79,032,034)</u>	<u>(58,570,802)</u>
<b>GROSS PROFIT</b>		3,759,884	3,292,350
Other operating income	22	1,308,904	843,967
Operating expenses	23	(480,860)	(477,069)
<b>OPERATING PROFIT</b>		<u>4,587,928</u>	<u>3,659,248</u>
Finance cost	24	(319,865)	(28,992)
Income on bank deposits and short term investments	25	980,736	848,852
Share of profit of associated companies	13	42,337	26,510
Other charges	26	(444,827)	(225,199)
<b>PROFIT BEFORE TAXATION</b>		4,846,309	4,280,419
Provision for taxation	27	<u>(1,252,000)</u>	<u>(1,198,000)</u>
<b>PROFIT FOR THE YEAR</b>		<u>3,594,309</u>	<u>3,082,419</u>
Earnings per share - Basic and diluted (Rupees)	28	62.40	53.51

The annexed notes 1 to 37 form an integral part of these financial statements.

*H.S.*

  
 Chief Executive

  
 Director

**ATTOCK PETROLEUM LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	2010	2009
	Rupees ('000)	
<b>PROFIT FOR THE YEAR</b>	3,594,309	3,082,419
Other comprehensive income	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>3,594,309</u>	<u>3,082,419</u>

The annexed notes 1 to 37 form an integral part of these financial statements.

MHC.

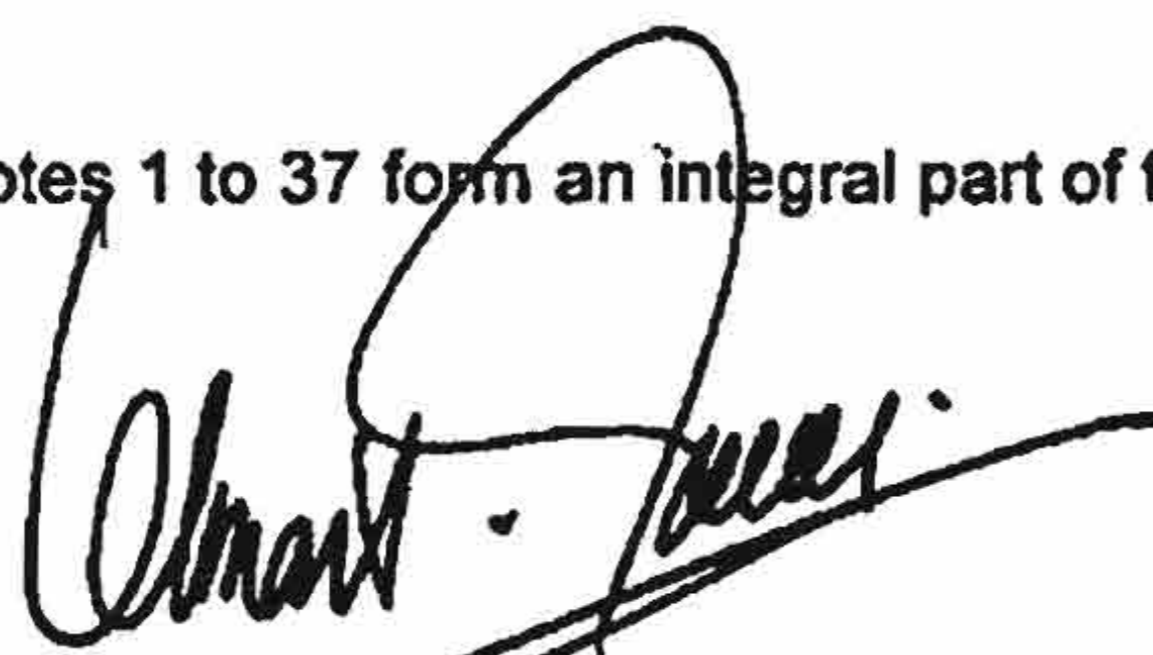
  
Chief Executive

  
Director

**ATTOCK PETROLEUM LIMITED****CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2010**

	2010	2009
	Rupees ('000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Receipts from customers	84,410,682	58,999,403
Price differential claims received from Government	672,210	2,057,000
Payments for purchase of products and operating expenses	(80,318,170)	(57,920,198)
Other charges paid	(345,807)	(233,366)
Long term deposits received	19,370	38,401
Income tax paid	<u>(1,078,883)</u>	<u>(940,428)</u>
Cash flow from operating activities	3,359,402	2,000,812
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(215,396)	(293,032)
Proceeds from sale of property, plant and equipment	6,584	5,663
Long term investments in associated companies	-	(22,679)
Short term investments	(386,014)	330,369
Income received on bank deposits and short term investments	902,945	804,417
Dividend received from associated companies	9,995	24,873
Cash flow from investing activities	318,114	849,611
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividends paid	(1,437,573)	(1,533,404)
Cash used in financing activities	<u>(1,437,573)</u>	<u>(1,533,404)</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,239,943	1,317,019
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<u>7,434,910</u>	<u>6,117,891</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 29)</b>	<u>9,674,853</u>	<u>7,434,910</u>

The annexed notes 1 to 37 form an integral part of these financial statements.



Chief Executive



Director

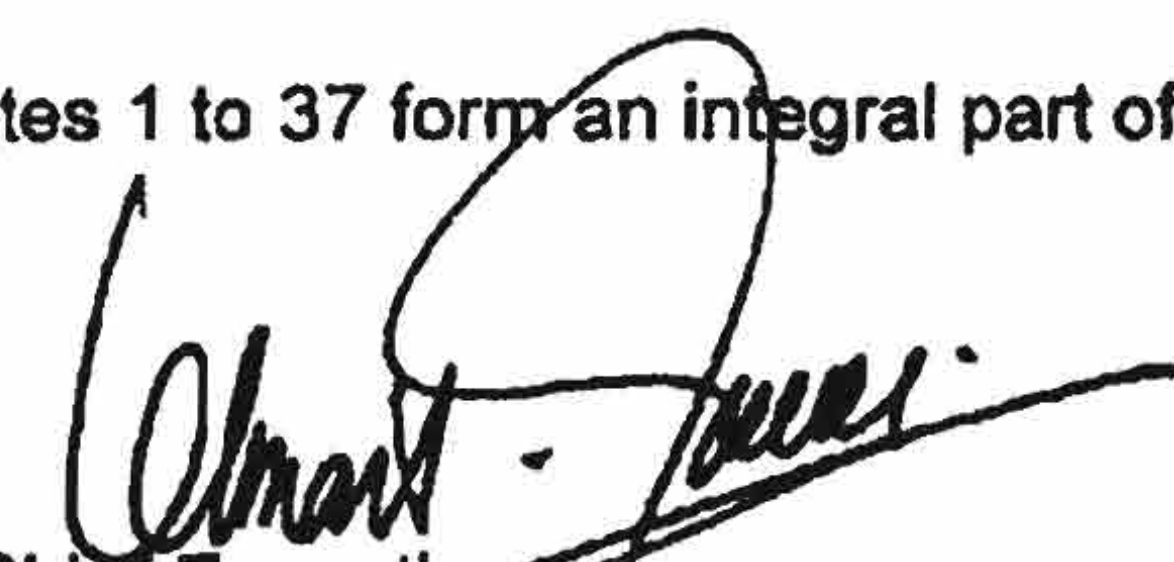
**ATTOCK PETROLEUM LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2010**

	Share capital	Special reserve	Unappropriated profit	Total
	-----Rupees ('000)-----			
<b>BALANCE AS AT JUNE 30, 2008</b>	480,000	53,272	5,002,577	5,535,849
Total comprehensive income for the year	-	-	3,082,419	3,082,419
Transferred from special reserve by associated companies	-	(19,175)	19,175	-
<b>Transaction with owners:</b>				
Final dividend @ 200% relating to year ended June 30, 2008	-	-	(960,000)	(960,000)
Issue of bonus shares	96,000	-	(96,000)	-
Interim dividend @ 100% relating to year ended June 30, 2009	-	-	(576,000)	(576,000)
Total transactions with owners	96,000	-	(1,632,000)	(1,536,000)
<b>BALANCE AS AT JUNE 30, 2009</b>	<u>576,000</u>	<u>34,097</u>	<u>6,472,171</u>	<u>7,082,268</u>
Total comprehensive income for the year	-	-	3,594,309	3,594,309
Transferred from special reserve by associated companies	-	(17,054)	17,054	-
<b>Transaction with owners:</b>				
Final dividend @ 150% relating to year ended June 30, 2009	-	-	(864,000)	(864,000)
Interim dividend @ 100% relating to year ended June 30, 2010	-	-	(576,000)	(576,000)
Total transactions with owners	-	-	(1,440,000)	(1,440,000)
<b>BALANCE AS AT JUNE 30, 2010</b>	<u><u>576,000</u></u>	<u><u>17,043</u></u>	<u><u>8,643,534</u></u>	<u><u>9,236,577</u></u>

The annexed notes 1 to 37 form an integral part of these financial statements.

Ats.

  
Chief Executive

  
Director

**ATTOCK PETROLEUM LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**1. LEGAL STATUS AND OPERATIONS**

Attock Petroleum Limited (Company) was incorporated in Pakistan as a public limited company on December 3, 1995 and it commenced its operations in 1998. The Company was listed on Karachi Stock Exchange on March 7, 2005. The registered office of the Company is situated at 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 Investment Group Limited Holding s.a.l holds 34.38% (2009: 34.38%) shares of the Company.

**2. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

**3. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS**

**3.1 Changes in accounting policies and disclosures:**

- (i) International Accounting Standard - 1 (Revised) (IAS 1 (Revised)), 'Presentation of Financial Statements'. The adoption of IAS 1 (Revised) does not materially affect the computations of the results except some changes in presentation and disclosures. All 'non-owner changes in equity' are required to be presented separately in a performance statement. Companies can choose either to present one performance statement (statement of comprehensive income) or two statement (profit and loss account and statement of comprehensive income). The Company has adopted two statements approach to reflect these changes.
- (ii) IFRS - 8, 'Operating Segments' IFRS - 8 replaces IAS - 14, 'Segment Reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decision. The management has determined that the Company has a single reportable segment as Board of Directors views the Company's operations as one reportable segment. The adoption of this standard has therefore only resulted in some additional entity wide disclosure as given in notes 20 and 32 to these financial statements.

**3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:**

		Effective for periods beginning on or after
IFRS-1	First-time Adoption of IFRS (Amendments)	January 1, 2010
IFRS-2	Share-based Payment (Amendments)	January 1, 2010
IFRS-5	Non-current Assets Held for Sale and Discontinued Operations (Amendments)	January 1, 2010
IFRS-8	Operating Segments (Amendments)	January 1, 2010
IAS-1	Presentation of Financial Statements (Amendments)	January 1, 2010
IAS-7	Statement of Cash Flows (Amendments)	January 1, 2010
IAS-17	Lease (Amendments)	January 1, 2010





	Effective for periods beginning on or after
IAS-24 Related Party Disclosures (Revised)	January 1, 2011
IAS-32 Financial Instruments: Presentation (Amendments)	February 1, 2010
IAS-36 Impairment of Assets (Amendments)	January 1, 2010
IAS-39 Financial Instruments: Recognition and Measurement (Amendments)	January 1, 2010
IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendments)	January 1, 2011
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010

The management anticipates that adoption of above standards, amendments and interpretations in future periods will have no material impact on the Company's financial statements except for additional disclosures.

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

##### **4.1 Basis of measurement**

These financial statements have been prepared under the historical cost convention except as otherwise disclosed in the respective accounting policies notes.

##### **4.2 Operating segment**

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

##### **4.3 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.

##### **4.4 Foreign currency transactions and translations**

Transactions in foreign currencies are converted into Rupees at the rates of exchange ruling on the date of the transaction. All assets and liabilities denominated in foreign currencies are translated into functional currency at exchange rate prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary items at year-end exchange rates, are charged to income for the year.

##### **4.5 Trade and other payables**

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and/or services received whether or not billed to the Company.

##### **4.6 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.



#### **4.7 Dividend distribution**

Final dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders at the Annual General Meeting, while interim dividend distributions are recognised in the period in which the dividends are declared by the Board of Directors.

#### **4.8 Property, plant and equipment**

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 are 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 12.1. Depreciation on additions is charged from the month in which the asset is available for use and on disposals upto the preceding month of disposal.

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

#### **4.9 Impairment of non-financial assets**

Assets that have an indefinite useful life, for example land, are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each balance sheet date, or wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount for which the assets' carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels, for which there are separately identifiable cash flows. Non-financial assets that suffered an impairment, are reviewed for possible reversal of the impairment at each balance sheet date. Reversals of the impairment loss are restricted to the original cost of the asset. An impairment loss or reversal of impairment loss is recognised in income for the year.

#### **4.10 Investments in associated companies**

Investments in associated companies are 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 investment.

Unrealised gains on transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate.

#### **4.11 Stores and spares**

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

#### **4.12 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.



#### **4.13 Financial instruments**

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 in case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. All financial assets and liabilities are initially recognised at fair value plus transaction costs for all financial assets and liabilities not carried at fair value through profit or loss. Financial assets and liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are charged to income for the year. These are subsequently measured at fair value, amortised cost or cost, as the case may be. Any gain or loss on derecognition of financial assets and financial liabilities is included in income for the year.

#### **4.14 Financial Assets**

The Company classifies its financial assets in the following categories: investments at fair value through profit or loss, held-to-maturity investments, loans and receivables and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Company commits to purchase or sell the asset.

##### **4.14.1 Investment at fair value through profit or loss**

Investments classified as investments at fair value through profit or loss are initially measured at cost being fair value of consideration given. At subsequent dates these investments are measured at fair value with any resulting gains or losses charged directly to income. The fair value of such investments is determined on the basis of prevailing market prices.

##### **4.14.2 Held-to-maturity investments**

Investments with fixed payments and maturity that the Company has the intent and ability to hold to maturity are classified as held-to-maturity investments and are carried at amortised cost less impairment losses. The Company's held to maturity investments comprise "Short term deposits" and "Short term investments".

##### **4.14.3 Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise "Trade debts", "Advances, deposits and other receivables" and "Cash and bank balances" in the balance sheet. Loans and receivables are carried at amortized cost using the effective interest method.

##### **4.14.4 Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Available-for-sale investments are initially recognised at cost and carried at fair value at the balance sheet date. Fair value of a quoted investment is determined in relation to its market value (current bid prices) at the balance sheet date. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. Adjustment arising from remeasurement of investment to fair value is recorded in other comprehensive income and taken to income on disposal of investment or when the investment is determined to be impaired.



#### **4.15 Impairment**

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

#### **4.16 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.

#### **4.17 Trade debts**

Trade debts are recognised initially at fair value and subsequently measured at cost less provision for doubtful debts. A provision for doubtful debts is established when there is objective evidence that Company will not be able to collect all amounts due according to the original terms of the trade debts. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default of delinquency in payments are considered indicators that the trade debt is doubtful. The provision for doubtful debts is charged to income for the year. When the trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the income.

#### **4.18 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 with original maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

#### **4.19 Revenue recognition**

Sales are recorded on dispatch of goods to customers.

Commission and handling income is recognised on shipment of products.

Income on bank deposits and short term investments is recognised on time proportion basis using the effective yield method.

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

Gains or losses resulting from re-measurement of investments at fair value through profit or loss are charged to income.

#### **4.20 Staff retirement benefits**

- i) The Company was operating approved defined benefit funded pension plan for all its eligible employees. During the year, the Board of Directors has resolved to wind up the Fund w.e.f September 30, 2009 and to provide comparable amount as part of salary and the accumulated balance due to each member as recommended by actuary of the Fund as at September 30, 2009 after completion of all legal formalities was paid to each member, after payment of all legal costs if applicable, associated with winding up.



Actuarial valuation was carried out at September 30, 2009. The calculation was based to refund the past contribution to the members made by the Company in respect of the active employees along with interest. Present value of defined benefit obligations at September 30, 2009 amounted to Rs. 25,995 thousand. This has resulted in gain on curtailment/settlement of Rs 7,857 thousand.

- ii) Approved contributory provident fund for all employees for which contributions of Rs 838 thousand (2009: Rs 3,242 thousand) have been charged to income for the year has also been terminated with effect from September 30, 2009. In lieu of this comparable amount has been added to salary package.

#### 4.21 Operating lease

Lease in which significant portion of risk and reward of ownership are retained by the lessor are classified as operating leases. Payment made under operating leases are charged to income on straight line basis over the period of lease.

#### 4.22 Taxation

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

Deferred income tax is accounted for using the balance sheet 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 to the extent that it relates to items recognised in other comprehensive income or directly in the equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 as follows:

- i) Estimate of recoverable amount of investments in associated companies - note 13;
- ii) Provision for taxation - note 27; and
- iii) Estimated useful life of property, plant and equipment - note 12.1

### 6. SHARE CAPITAL

	2010	2009
	Rupees ('000)	
<b>AUTHORISED CAPITAL</b>		
150,000,000 ordinary shares of Rs 10 each (2009: 150,000,000 ordinary shares of Rs 10 each)	<u>1,500,000</u>	<u>1,500,000</u>
<b>ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>		
Shares issued for cash		
5,000,000 ordinary shares of Rs 10 each (2009: 5,000,000 ordinary shares of Rs 10 each)	50,000	50,000
Shares issued as fully paid bonus shares 52,600,000 (2009: 52,600,000) ordinary shares	526,000	526,000
57,600,000 (2009: 57,600,000) ordinary shares of Rs 10 each	<u>576,000</u>	<u>576,000</u>



**7. SPECIAL RESERVE**

This represents the Company's share of amount set aside as a special reserve by National Refinery Limited and Attock Refinery Limited, as a result of the directive of the Government to divert net profit after tax (if any) from refinery operations above 50 percent of paid-up capital as at July 1, 2002 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.

**8. 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.

	2010	2009
	Rupees ('000)	
<b>9. DEFERRED INCOME TAX LIABILITY</b>		
Deferred tax liability arising due to accelerated tax depreciation	142,000	124,000
Deferred tax asset arising in respect of certain provisions	(32,000)	(32,000)
	<u>110,000</u>	<u>92,000</u>
<b>10. TRADE AND OTHER PAYABLES</b>		
Creditors	2,159	88,994
Due to related parties (unsecured) - note 10.1	9,393,768	8,649,446
Accrued liabilities	628,211	625,080
Advance from customers	1,410,407	1,329,180
Retention money	14,687	31,814
Worker's welfare fund	96,279	-
Unclaimed dividend	8,546	6,119
	<u>11,554,057</u>	<u>10,730,633</u>
<b>10.1 Due to related parties:</b>		
National Refinery Limited	2,704,554	4,788,411
Attock Refinery Limited	6,670,647	3,849,134
Pakistan Oilfields Limited	18,414	11,612
Attock Cement Pakistan Limited	153	141
Attock Hospital (Private) Limited	-	100
Attock Sahara Foundation	-	48
	<u>9,393,768</u>	<u>8,649,446</u>
<b>11. CONTINGENCIES AND COMMITMENTS</b>		
(i) Tax contingency related to proration of expenses against local and export sales for prior years, as per show cause notices of tax department.	894,813	-
(ii) Corporate guarantees and indemnity bonds issued by the Company to the Commissioner Inland Revenue, Islamabad.	5,223,003	4,844,886
(iii) Guarantees issued by bank on behalf of the Company	40,345	43,287
(iv) Capital expenditure commitments	137,485	95,901
(v) Commitments for rentals of assets under operating lease agreements as at June 30, 2010 amounting to Rs 215,756 thousand (2009: Rs 176,443) payable as follows:		
Not later than one year	20,282	16,826
Later than one year and not later than five years	78,540	65,405
Later than five years	116,934	94,212

12. PROPERTY, PLANT AND EQUIPMENT

	2010	2009
	Rupees ('000)	
Operating assets - note 12.1	1,019,742	939,780
Capital work in progress - note 12.2	197,475	191,095
	<u>1,217,217</u>	<u>1,130,875</u>

12.1 Operating assets

Rupees ('000)

	Freehold land	Buildings on Freehold land	Lease hold land	Pipelines, pumps, tanks and meters	Equipment - signage	Electrical and fire fighting equipment	Furniture, fixture and equipment	Computer and auxiliary equipment	Motor vehicles	Total
<b>As at July 1, 2008</b>										
Cost	192,444	21,260	49,000	270,438	190,442	29,498	10,697	12,520	45,839	822,138
Accumulated depreciation	-	(1,923)	(10,576)	(105,842)	(117,093)	(12,381)	(4,192)	(7,435)	(30,184)	(289,626)
Net book value	<u>192,444</u>	<u>19,337</u>	<u>38,424</u>	<u>164,596</u>	<u>73,349</u>	<u>17,117</u>	<u>6,505</u>	<u>5,085</u>	<u>15,655</u>	<u>532,512</u>
<b>Year ended June 30, 2009</b>										
Opening net book value	192,444	19,337	38,424	164,596	73,349	17,117	6,505	5,085	15,655	532,512
Additions	-	113,116	48,689	188,123	85,679	32,591	1,529	3,751	18,568	492,046
Disposals	-	-	-	-	-	-	-	-	(2,337)	(19,832)
Cost	-	-	-	-	(17,495)	-	-	-	2,305	17,688
Depreciation	-	-	-	-	(2,112)	-	-	-	(32)	(2,144)
Depreciation charge	-	(1,534)	(4,044)	(27,503)	(34,236)	(3,201)	(1,072)	(2,045)	(8,999)	(82,634)
Closing net book value	<u>192,444</u>	<u>130,919</u>	<u>83,069</u>	<u>325,216</u>	<u>122,680</u>	<u>46,507</u>	<u>6,962</u>	<u>6,791</u>	<u>25,192</u>	<u>939,780</u>
<b>As at July 1, 2009</b>										
Cost	192,444	134,376	97,689	458,561	258,626	62,089	12,226	16,271	62,070	1,294,352
Accumulated depreciation	-	(3,457)	(14,620)	(133,345)	(135,946)	(15,582)	(5,264)	(9,480)	(36,878)	(354,572)
Net book value	<u>192,444</u>	<u>130,919</u>	<u>83,069</u>	<u>325,216</u>	<u>122,680</u>	<u>46,507</u>	<u>6,962</u>	<u>6,791</u>	<u>25,192</u>	<u>939,780</u>
<b>Year ended June 30, 2010</b>										
Opening net book value	192,444	130,919	83,069	325,216	122,680	46,507	6,962	6,791	25,192	939,780
Additions	-	2,511	13,980	69,548	100,842	2,131	1,492	6,884	11,628	209,016
Disposals	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	(29,269)	-	-	-	(1,172)	(30,441)
Depreciation	-	-	-	-	27,513	-	-	-	1,172	28,685
Depreciation charge	-	(5,249)	(6,603)	(45,901)	(47,335)	(5,869)	(1,183)	(3,191)	(11,967)	(127,298)
Closing net book value	<u>192,444</u>	<u>128,181</u>	<u>90,446</u>	<u>348,863</u>	<u>174,431</u>	<u>42,769</u>	<u>7,271</u>	<u>10,484</u>	<u>24,853</u>	<u>1,019,742</u>
<b>As at June 30, 2010</b>										
Cost	192,444	136,887	111,669	528,109	330,199	64,220	13,718	23,155	72,526	1,472,927
Accumulated depreciation	-	(8,706)	(21,223)	(179,246)	(155,768)	(21,451)	(6,447)	(12,671)	(47,673)	(453,185)
Net book value	<u>192,444</u>	<u>128,181</u>	<u>90,446</u>	<u>348,863</u>	<u>174,431</u>	<u>42,769</u>	<u>7,271</u>	<u>10,484</u>	<u>24,853</u>	<u>1,019,742</u>
Annual rate of Depreciation (%)	-	5	5	10	20	10	10	20	20	20

**12.2 Capital work in progress**

	Pipelines, pumps, tanks and equipment	Civil works	Advances to contractors	Total
	Rupees ('000)			
As at July 1, 2008	294,745	68,632	26,732	390,109
Additions during the year	158,624	93,565	34,247	286,436
Transfers during the year	(309,354)	(161,012)	(15,084)	(485,450)
Balance as at June 30, 2009	<u>144,015</u>	<u>1,185</u>	<u>45,895</u>	<u>191,095</u>
As at July 1, 2009	144,015	1,185	45,895	191,095
Additions during the year	177,005	19,753	13,683	210,441
Transfers during the year	(171,022)	(16,491)	(16,548)	(204,061)
Balance as at June 30, 2010	<u>149,998</u>	<u>4,447</u>	<u>43,030</u>	<u>197,475</u>

**12.3 Cost of Property, Plant and equipment held by dealers of retail outlets of the Company are as follows:**

	2010	2009
	Rupees ('000)	
Pipelines, pumps, tanks and meters	149,593	72,417
Equipment - signage	322,288	243,098
Buildings	57,616	41,945
Electric and fire fighting equipment	1,650	1,565

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

**12.4 Property, plant and equipment disposals:**

The detail of property, plant and equipment disposal, having net book value in excess of Rs 50,000 is as follows:

Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposals	Particulars of purchaser
Rupees ('000)					
9,513	9,027	487	1,755	Trade in by negotiation	Metaflex - Lahore
1,415	1,128	288	289	Trade in by negotiation	Digit & Bytes-Karachi
7,773	7,367	406	1,551	Trade in by negotiation	Trade Vision - Lahore
2,616	2,302	313	548	Trade in by negotiation	Hexagone Solutions-Karachi
6,895	6,670	225	1,454	Trade in by negotiation	Vi Zone - Lahore

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	2010	2009
	Rupees ('000)	
<b>13. LONG TERM INVESTMENTS IN ASSOCIATED COMPANIES</b>		
Balance at beginning of the year	733,397	709,081
Investment in associated companies	-	22,679
Share of profit of associated companies	37,302	25,562
Impairment reversal of investment in National Refinery Limited	5,035	948
	42,337	26,510
Dividend from associated companies	(9,995)	(24,873)
Balance at end of the year	<u>765,739</u>	<u>733,397</u>

**13.1** Share of profit of associated companies is based on the unaudited financial statements for the nine months ended March 31, 2010 (2009: unaudited financial statements for the nine months ended March 31, 2009) since the audited financial statements for the year ended June 30, 2010 are not presently available.

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

	2010	2009
	Rupees ('000)	
National Refinery Limited - Quoted		
799,666 (2009:799,666) fully paid ordinary shares including 133,278 (2009: 133,278) bonus shares of Rs 10 each		
Cost Rs 321,865 thousand (2009: Rs 321,865 thousand)		
Quoted market value as at June 30, 2010: Rs 146,219 thousand (2009: Rs 175,943 thousand) - note 13.5	438,067	421,599
Attock Refinery Limited - Quoted		
1,332,000 (2009: 1,332,000) fully paid ordinary shares of Rs 10 each including 222,000 (2009: 222,000) bonus shares of Rs 10 each		
Cost Rs 298,924 thousand (2009: Rs 298,924 thousand)		
Quoted market value as at June 30, 2010: Rs 107,306 thousand (2009: Rs 166,220 thousand) - note 13.6	361,613	352,024
Attock Information Technology Services (Private) Limited - Unquoted		
450,000 (2009: 450,000) fully paid ordinary shares of Rs 10 each		
Cost Rs 4,500 thousand (2009: Rs 4,500 thousand)		
Value based on net assets as at March 31, 2010 Rs 6,892 thousand (2009: Rs 5,642 thousand )	6,892	5,642
Carrying value on equity method	806,572	779,265
Less: Impairment loss - National Refinery Limited	(40,833)	(45,868)
	<u>765,739</u>	<u>733,397</u>

All associated companies are incorporated in Pakistan.

**13.3** The Company's share in assets, liabilities, revenues and profit of associated companies based on the most recent available financial statements is as follows:

	Assets	Liabilities	Revenues	Profits	Holding (%)
	-----Rupees ('000)-----				
<u>March 31, 2010</u>					
National Refinery Limited	501,496	318,296	969,948	26,463	1.00
Attock Refinery Limited	964,717	730,708	1,218,803	9,589	1.56
Attock Information Technology Services (Private) Limited	7,254	362	3,952	1,250	10.00
	<u>1,473,467</u>	<u>1,049,366</u>	<u>2,192,703</u>	<u>37,302</u>	
<u>March 31, 2009</u>					
National Refinery Limited	443,333	276,601	874,398	8,536	1.00
Attock Refinery Limited	610,411	421,043	946,938	16,771	1.56
Attock Information Technology Services (Private) Limited	5,828	185	1,569	255	10.00
	<u>1,059,572</u>	<u>697,829</u>	<u>1,822,905</u>	<u>25,562</u>	

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13.4 Although the Company has less than 20 percent shareholding in National Refinery Limited, Attock Refinery Limited and Attock Information Technology Services (Private) Limited, these companies have been treated as associates since the Company has representation on their Board of Directors.

13.5 The value of investment in National Refinery Limited as at June 30, 2010 is based on a valuation analysis carried out by an external investment advisor engaged by the Company. 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 3.91% (2009: 5.38%), terminal growth rate of 3% (2009: 3%) and capital asset pricing model based discount rate of 17.90% (2009: 18.05%).

13.6 Based on a valuation analysis carried out by the Company, the recoverable amount of investment in Attock Refinery Limited 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 3.07% (2009: 4%), terminal growth rate of 3% (2009: 3%) and capital asset pricing model based discount rate of 17.90% (2009: 18.05%).

	2010	2009
	Rupees ('000)	
<b>14 LONG TERM PREPAYMENTS</b>		
Prepaid rent	46,564	-
Less: Shown under current assets - note 17	(16,101)	-
	<u>30,463</u>	<u>-</u>
<b>15. STOCK IN TRADE</b>		
Petroleum products - note 15.1	990,632	139,178
Packing material	2,650	2,329
	<u>993,282</u>	<u>141,507</u>
15.1 It includes Company's share of pipeline stock amounting to Rs 304,729 thousand (2009: Nil) and Rs 109,970 (2009: Nil) held by Pak-Arab Pipeline Company Limited and Pak Arab Refinery Limited respectively.		
	2010	2009
	Rupees ('000)	
<b>16. TRADE DEBTS</b>		
Considered good		
Secured	908,071	5,307,458
Unsecured	869,422	113,071
Due from related parties (unsecured) - note 16.1	5,824,567	2,414,992
	<u>7,602,060</u>	<u>7,835,521</u>
Considered doubtful - unsecured	31,000	31,000
Provision for doubtful debts	(31,000)	(31,000)
	-	-
	<u>7,602,060</u>	<u>7,835,521</u>
<b>16.1 Due from related parties</b>		
Attock Gen Limited	5,799,693	2,400,566
Pakistan Oilfields Limited	10,787	7,425
Attock Cement Pakistan Limited	13,296	5,479
Attock Refinery Limited	791	1,076
National Refinery Limited	-	446
	<u>5,824,567</u>	<u>2,414,992</u>

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	2010	2009
	Rupees ('000)	
<b>17. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
Advances - considered good		
Suppliers	311,471	15,936
Employees against expenses		
Executives	129	172
Other employees	863	724
	992	896
	312,463	16,832
Trade deposits and short-term prepayments		
Trade deposits	3,608	3,591
Short-term prepayments	23,884	11,457
	27,492	15,048
Current account balances with statutory authorities in respect of:		
Sales tax	85,388	123,395
Federal excise duty and petroleum development levy	17,788	17,788
	103,176	141,183
Accrued income on bank deposits	92,569	61,268
Other receivables		
Price differential claim receivable from the Government	47,638	719,848
Receivable from oil marketing companies under freight pool	116,238	20,466
Claims receivable	844	5,202
Due from related parties - unsecured		
Staff Pension Fund	10,700	2,077
Staff Provident Fund	522	-
Attock Information Technology Services (Private) Limited	615	1,252
The Attock Oil Company Limited	232	63
Workers' profit participation fund - note 17.1	7,060	9,801
Others	355	355
	184,204	759,064
	719,904	993,395
<b>17.1 Workers' profit participation fund</b>		
Balance at beginning of the year	9,801	1,634
Amount allocated for the year - note 26	(262,940)	(225,199)
Amount paid to Fund's trustees	260,199	233,366
Balance at end of the year	7,060	9,801
<b>18. SHORT TERM INVESTMENTS</b>		
Held to maturity investment in treasury bills	831,754	-
	831,754	-
<b>18.1</b> Balance in short term investment earned interest at weighted average rate of 12.17% per annum (2009: nil).		

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	2010	2009
	Rupees ('000)	
<b>19. CASH AND BANK BALANCES</b>		
Cash in hand	901	814
Bank balances		
On short term deposits	8,159,000	6,571,287
On interest/mark-up bearing saving accounts (includes US \$ 103 thousand; 2009: US \$ 146 thousand)	632,798	856,686
On current accounts (includes US \$ 2,288 thousand; 2009: US \$ Nil)	482,904	6,123
	<u>9,274,702</u>	<u>7,434,096</u>
	<u>9,275,603</u>	<u>7,434,910</u>

**19.1** Short term deposits of Rs 53,405 thousand (2009: Rs 45,916 thousand) were under lien with banks against letters of guarantees and letters of credits.

**19.2** Balances in short term deposits and saving accounts earned interest/mark-up at weighted average rate of 11.27% per annum (2009: 13.02% per annum).

	2010	2009
	Rupees ('000)	
<b>20. SALES</b>		
Local sales	87,192,518	64,133,192
Export sales	7,950,153	6,633,295
Gross sales	<u>95,142,671</u>	<u>70,766,487</u>
Rebates/discount	(244,805)	(42,060)
	<u>94,897,866</u>	<u>70,724,427</u>

**21. COST OF PRODUCTS SOLD**

Opening stock	141,507	299,092
Purchase of petroleum products and packing material	73,914,394	53,793,461
Excise duty	82,887	83,112
Petroleum levy	5,886,528	4,536,644
	<u>79,883,809</u>	<u>58,413,217</u>
Closing stock	(993,282)	(141,507)
	<u>79,032,034</u>	<u>58,570,802</u>

**22. OTHER OPERATING INCOME**

Commission and handling income	906,595	826,072
Mark-up on late payments	305,431	-
Exchange gain	70,311	-
Tender and joining fee	4,839	5,449
Gain on sale of property, plant and equipment	4,828	3,519
Hospitality income	3,784	-
Other income	13,116	8,927
	<u>1,308,904</u>	<u>843,967</u>

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	2010	2009
	Rupees ('000)	
<b>23. OPERATING EXPENSES</b>		
Salaries and benefits	180,169	144,930
Rent, taxes and other fees	40,345	32,522
Travelling and staff transport	16,841	15,576
Repairs and maintenance	39,342	27,106
Donation - note 23.1	-	2,500
Advertising and publicity	5,143	9,437
Printing and stationery	9,072	7,175
Electricity, gas and water	9,898	8,281
Insurance	16,248	7,703
Communication	6,108	5,343
Legal and professional charges	5,521	7,900
Subscription and fees	949	1,711
Transportation	4,884	3,356
Auditor's remuneration - note 23.2	2,558	1,400
Exchange loss	-	104,692
Depreciation - note 12.1	127,298	82,634
Others	16,484	14,803
	<u>480,860</u>	<u>477,069</u>

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

	2010	2009
	Rupees ('000)	
<b>23.2 Auditor's remuneration</b>		
Annual audit	1,000	750
Review of half yearly financial statements, audit of staff funds and special certifications	353	443
Tax services	1,036	110
Out of pocket expenses	169	97
	<u>2,558</u>	<u>1,400</u>

**24. FINANCE COST**

Bank charges	27,276	28,992
Late payment charges	292,589	-
	<u>319,865</u>	<u>28,992</u>

**25. INCOME ON BANK DEPOSITS AND SHORT TERM INVESTMENTS**

Income on bank deposits	934,246	840,761
Income from short term investments	46,490	8,091
	<u>980,736</u>	<u>848,852</u>

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	2010 Rupees ('000)	2009 Rupees ('000)
<b>26. OTHER CHARGES</b>		
Workers' profit participation fund	262,940	225,199
Worker's welfare fund - for the year	96,279	-
- for prior year	85,608	-
	181,887	-
	444,827	225,199
<b>27. PROVISION FOR TAXATION</b>		
Current	1,234,000	1,120,000
Deferred	18,000	78,000
	1,252,000	1,198,000
<b>27.1 Reconciliation of tax charge for the year</b>		
	%	%
Applicable tax rate	35.00	35.00
Tax effect of income taxed under final tax regime	(8.91)	(6.89)
Tax effect of income exempt from tax	(0.01)	(0.07)
Tax effect of share of profit of associated companies taxed on the basis of dividend income	(0.29)	(0.16)
Others	0.04	0.11
Average effective tax rate charged to income	25.83	27.99
<b>28. EARNINGS PER SHARE</b>		
Profit for the year (Rupees in thousand)	3,594,309	3,082,419
Weighted average number of ordinary shares in issue during the year (in thousand)	57,600	57,600
Basic and diluted earnings per share (Rupees)	62.40	53.51
	2010 Rupees ('000)	2009 Rupees ('000)
<b>29. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	9,275,603	7,434,910
Short term investments	399,250	-
	9,674,853	7,434,910

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**30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**30.1 Financial assets and liabilities**

	Loans and Receivables	Held to maturity investments	Total
<b>June 30, 2010</b>	-----Rupees ('000)-----		
<b>Financial Assets</b>			
Maturity up to one year			
Trade debts	7,602,060	-	7,602,060
Advance, deposits and other receivables	232,743	-	232,743
Short term investments	-	831,754	831,754
Cash and bank balances	1,116,603	8,159,000	9,275,603
	<u>8,951,406</u>	<u>8,990,754</u>	<u>17,942,160</u>
<b>Financial Liabilities</b>			
		Other financial liabilities	Total
		-----Rupees ('000)-----	
Maturity up to one year			
Trade and other payables		10,143,650	10,143,650
Maturity after one year			
Long term deposits		178,908	178,908
		<u>10,322,558</u>	<u>10,322,558</u>
<b>June 30, 2009</b>	-----Rupees ('000)-----		
<b>Financial Assets</b>			
Maturity up to one year			
Trade debts	7,835,521	-	7,835,521
Advance, deposits and other receivables	104,075	-	104,075
Cash and bank balances	863,623	6,571,287	7,434,910
	<u>8,803,219</u>	<u>6,571,287</u>	<u>15,374,506</u>
<b>Financial Liabilities</b>			
		Other financial liabilities	Total
		-----Rupees ('000)-----	
Maturity up to one year			
Trade and other payables		9,401,453	9,401,453
Maturity after one year			
Long term deposits		159,538	159,538
		<u>9,560,991</u>	<u>9,560,991</u>

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### 30.2 Credit quality of financial assets

The credit quality of the Company's financial assets have been assessed below by reference to external credit ratings of counterparties determined by The Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit rating determined based on their historical information for any defaults in meeting obligations.

	Rating	2010 Balance Rs (000')	2009 Balance Rs (000')
<b>Trade debts</b>			
Counterparties with external credit rating	A1+	791	1,522
Counterparties without external credit rating			
Secured against letters of credit		908,071	5,307,458
Due from related parties		5,823,776	2,413,470
Others		869,422	113,071
		<u>7,602,060</u>	<u>7,835,521</u>
<b>Advances, deposits and other receivables</b>			
Counterparties without external credit rating		<u>232,743</u>	<u>104,075</u>
<b>Short term investments</b>			
Counterparties without external credit rating		<u>831,754</u>	<u>-</u>
<b>Bank balances</b>			
	A1+	9,168,118	7,434,073
	A1	21	23
	A2	106,563	-
		<u>9,274,702</u>	<u>7,434,096</u>

### 30.3 FINANCIAL RISK MANAGEMENT

#### 30.3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

#### (a) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's credit risk is primarily attributable to its trade debts and balances at banks. Credit sales are primarily to related parties. Receivable from WAPDA is secured against letter of credit. The credit risk on liquid funds is limited because counter parties are banks with reasonably high credit ratings.

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As of June 30, 2010, trade debts of Rs 6,347,026 thousand (2009: Rs 6,314,474 thousand) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2010	2009
	Rupees ('000)	
Up to 3 months	3,635,243	2,866,943
3 to 6 months	1,803,712	121,063
6 to 9 months	-	3,320,036
Above 9 months	908,071	6,432
	<u>6,347,026</u>	<u>6,314,474</u>

**(b) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and cash equivalents .

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the maturity date. The amounts disclosed in the table are undiscounted cash flows.

	Less than 1 Year	Above 1 year
	-----Rupees ('000)-----	
<b>At June 30, 2010</b>		
Long term deposits	-	178,908
Trade and other payables	10,143,650	-
<b>At June 30, 2009</b>		
Long term deposits	-	159,538
Trade and other payables	9,401,453	-

**(c) Market risk**

**(i) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

Financial assets include Rs 200,427 thousand (2009: Rs 11,834 thousand) which were subject to currency risk.

A 10% strengthening of the functional currency against USD at June 30 would have decreased profit and loss by Rs 20,043 thousand (2009: Rs 1,213 thousand). A 10% weakening of the functional currency against USD at June 30 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

**(ii) Interest rate risk**

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no long term interest bearing financial assets and liabilities whose fair value or future cash flows will fluctuate because of changes in market interest rates.

Financial assets include balances of Rs 9,623,552 thousand (2009: Rs 7,427,973 thousand) which are subject to interest rate risk. Applicable interest rates for financial assets have been indicated in respective notes.

If interest rates had been 1% higher/lower with all other variables held constant, profit after tax for the year would have been Rs 56,215 thousand (2009: Rs 41,973 thousand) higher/lower, mainly as a result of higher/lower interest income from these financial assets.

**(iii) Other price risk**

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

At the year end the Company is not exposed to price risk since there are no financial instruments, whose fair value or future cash flows will fluctuate because of changes in market prices.

**30.3.2 Capital risk management**

The Company's objectives when managing capital are to ensure the Company's ability not only to continue as a going concern but also to meet its requirements for expansion and enhancement of its business, maximize return of shareholders and optimize benefits for other stakeholders to maintain an optimal capital structure and to reduce the cost of capital.

In order to achieve the above objectives, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares through bonus or right issue or sell assets to reduce debts or raise debts, if required.

Since inception the gearing ratio of the Company is nil and the Company has financed all its projects and business expansions through only equity financing and never resorted to debt financing.

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

The carrying value of financial assets and liabilities approximate their fair value.

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**31. 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 disclosed in note-33, were as follows:

	2010	2009
	Rupees ('000)	
<b>Associated companies</b>		
<b>Attock Refinery Limited</b>		
Purchase of petroleum products	33,446,468	25,551,957
Purchase of services	75,058	4,005
Late payment charges	292,589	-
Sale of petroleum products	6,635	6,597
Handling income	167,829	163,916
Sale of services	-	290
<b>National Refinery Limited</b>		
Purchase of petroleum products	30,755,709	26,638,398
Purchase of services	11,692	14,999
Sale of petroleum products	16,140	2,559
Handling income	738,766	662,156
<b>Attock Gen Limited</b>		
Purchase of services	184	-
Sale of petroleum products	11,199,932	2,817,930
Mark-up on late payments	301,627	-
<b>Pakistan Oil fields Limited</b>		
Purchase of petroleum products	170,162	170,022
Purchase of services	5,743	4,838
Sale of petroleum products	498,811	789,631
Sale of services	173	430
<b>The Attock Oil Company Limited</b>		
Purchase of petroleum products	-	770
Purchase of services	19,467	16,597
<b>Attock Cement Pakistan Limited</b>		
Purchase of services	5,115	3,824
Sale of petroleum products	167,103	153,094
<b>Attock Information Technology Services (Private) Limited</b>		
Sale of services	3,314	2,254
<b>Attock Hospital (Private) Limited</b>		
Purchase of medical services	810	976
<b>Other related parties</b>		
<b>Contribution to staff retirement benefits plans</b>		
Staff pension fund trust	1,853	5,342
Curtailment gain on staff pension fund trust	7,857	-
Staff provident fund trust	838	3,242
Contribution to Workers' profit participation fund	262,940	225,199

### 32. SEGMENT REPORTING

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

Product	2010	2009
	Rupees ('000)	
High Speed Diesel	38,394,177	20,248,843
Furnace Fuel Oil	20,478,884	22,544,585
Bitumen	15,799,063	12,670,210
Others	20,225,742	15,260,789
	<u>94,897,866</u>	<u>70,724,427</u>

32.2 Revenues of Rs 11,199,932 thousand (2009: Rs 2,817,930 thousand) are derived from a single external customer.

### 33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
	-----Rupees ('000)-----					
Managerial remuneration	6,644	4,924	1,980	1,691	15,658	12,652
Bonus	7,274	5,159	2,223	1,631	7,656	3,924
Company's contribution to provident and pension funds	1,617	1,493	256	555	1,937	2,839
Housing and utilities	2,771	2,266	785	742	6,656	5,333
Other perquisites and benefits	1,169	586	1,340	688	2,915	251
Leave passage	650	491	193	128	1,067	1,055
	<u>20,125</u>	<u>14,919</u>	<u>6,777</u>	<u>5,435</u>	<u>35,889</u>	<u>26,054</u>
No. of person(s)	1	1	1	1	12	10

33.1 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.

33.2 In addition, four non-executive directors of the Company were paid meeting fee aggregating Rs 1,974 thousand (2009: nil).

### 34. CORRESPONDING FIGURES

Following changes have been made during the year in corresponding figures to conform to current year's presentation:

	Rupees '000
(i) Receivable from staff pension fund reclassified from 'Trade and Other Payables' to 'Advances, Deposits, Prepayments and Other Receivables'	2,077
(ii) Bank charges reclassified from 'Operating expenses' to 'Finance cost'	28,992

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**35. CAPACITY AND PRODUCTION**

Considering the nature of the Company's business, the information regarding capacity has no relevance.

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

The Board of Directors in its meeting held on September 29, 2010 has proposed a final dividend for the year ended June 30, 2010 @ Rs 20 per share, amounting to Rs 1,152,000 thousand and bonus issue @ 20% i.e. one share for every five shares held for approval of the members in the Annual General Meeting to be held on October 29, 2010.

**37. DATE OF AUTHORISATION**

These financial statements were authorised for issue by the Board of Directors of the Company on September 29, 2010.

Atk-

  
Chief Executive

  
Director

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